



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE

Wednesday 2 June 2010

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EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE
17th Meeting 2010, Session 3

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

COMMITTEE MEMBERS

*Alasdair Allan (Western Isles) (SNP)

*Claire Baker (Mid Scotland and Fife) (Lab)

*Ken Macintosh (Eastwood) (Lab)

*Christina McKelvie (Central Scotland) (SNP)

*Elizabeth Smith (Mid Scotland and Fife) (Con)

*Margaret Smith (Edinburgh West) (LD)

COMMITTEE SUBSTITUTES

Ted Brocklebank (Mid Scotland and Fife) (Con)

Hugh O'Donnell (Central Scotland) (LD)

Cathy Peattie (Falkirk East) (Lab)

Dave Thompson (Highlands and Islands) (SNP)

*attended

THE FOLLOWING ALSO ATTENDED:

Des McNulty (Clydebank and Milngavie) (Lab)

THE FOLLOWING GAVE EVIDENCE:

Keith Brown (Minister for Skills and Lifelong Learning)

Julie Humphreys (Scottish Government Learning Directorate)

Michael Kellet (Scottish Government Learning Directorate)

CLERK TO THE COMMITTEE

Eugene Windsor

LOCATION

Committee Room 6

Scottish Parliament

Education, Lifelong Learning and Culture Committee

Wednesday 2 June 2010

[The Convener opened the meeting at 10:00]

School Estates

The Convener (Karen Whitefield): Good morning. I open the 17th meeting in 2010 of the Education, Lifelong Learning and Culture Committee. We have received apologies from Ken Macintosh, who is running a little late, although he hopes to join the committee during our first agenda item. I am pleased to welcome Des McNulty to the meeting.

Agenda item 1 is the committee's continued monitoring of progress on Scotland's school estate. I am pleased to welcome to the committee Keith Brown, the Minister for Skills and Lifelong Learning. He is joined by Michael Kellet, the Scottish Government's deputy director for schools: people and places, and by Julie Humphreys, the school estates team leader.

The minister wishes to make a short statement.

The Minister for Skills and Lifelong Learning (Keith Brown): Thank you for the chance to make these opening remarks, and for the opportunity to come to the committee and discuss the school building programme, which is a significant investment priority for the Government.

We have made substantial progress and further investment, building on the progress that was made by the previous two Scottish Executives. The school estate in Scotland has come a long way since May 2007. The investment of taxpayers' money that the Government has provided to local authorities has allowed them to build or significantly refurbish 260 schools since we took office. We have ensured that no school that was committed to by the previous Administration has been delayed, and our investment on behalf of the taxpayer has already lifted more than 110,000 children out of poor-condition schools.

In September last year, jointly with the Convention of Scottish Local Authorities, we published "Building Better Schools", Scotland's new school estate strategy. "Building Better Schools" sets out a clear vision for our school estate that signals the high value that we place on learning; makes communities proud and enriches them with schools that are well designed, maintained and managed; and will help us to support the delivery of curriculum for excellence.

"Building Better Schools" sets out an ambitious joint target with COSLA to work to ensure that no less than 90 per cent of children in Scotland are educated in good or satisfactory schools, and that there are firm investment plans to lift the remainder of children into such schools. That is an ambitious target, given that 77 per cent of children are currently taught in schools of a good standard. We want to work with local authorities to deliver that long-term goal. Everybody should be able to support that aim.

Despite the economic circumstances, the Government will work, together with local authorities, to deliver the new £1.25 billion school building programme, Scotland's schools for the future. That ambitious programme will deliver at least 55 schools over its lifetime and will lift 35,000 pupils out of poor-condition or unsuitable schools. The Scottish Futures Trust will deliver the first primary school by the end of 2011 and the first secondary school by the end of 2013.

To date we have announced support for 35 school projects from Scotland's schools for the future, which will help local authorities to deliver 14 secondary schools, 20 primary schools and one special school. I am delighted that we have been able to ensure that all 32 local authorities will receive support from the programme for at least one school.

We have asked the Scottish Futures Trust to ensure that the school building programme is managed with financial rigour while retaining as much flexibility as possible with regard to local circumstances. It is important to ensure that the programme is managed as consistently as possible across Scotland, and the Scottish Futures Trust is delivering that for the programme.

I am pleased that the Scottish Futures Trust has this morning confirmed to the remaining 25 councils the timescale for their investment and the level of the moneys that the Scottish Government will provide to each school project. That confirms that the Government will make more than £300 million of investment in 35 school projects, benefiting about 18,000 pupils and more than 1,300 teachers—not to mention the considerable benefits that each community will reap from the new school projects.

The investment is not as much as we would like—obviously we would like to do more, but the Government has to operate within the financial circumstances in which it finds itself.

We will not use the private finance initiative, which has left Scotland with a considerable financial legacy. If the Scottish Futures Trust identifies a non-profit-distributing model that provides a more equitable outcome for local government partners and the Government, we will

consider using that in the schools programme. Scotland's children deserve nothing less than that.

I look forward to a well-informed and constructive discussion with the committee on this important issue, which we need to get right for Scotland's schools, pupils, teachers and communities.

The Convener: Thank you for your opening comments. I am sure that the committee has several questions for you.

I seek clarification. You said that the first tranche of building would create 55 new schools and you then mentioned 35 schools. Have you announced today an additional 35 schools on top of the 55 that have been announced? Is the total now 90?

Keith Brown: No. The whole programme so far involves 55 schools, 35 of which we have announced—I broke that down into secondary schools, primary schools and one special school. The rest remain to be announced.

The Convener: So you reannounced today what had been said before—we knew that we would have those 35 schools.

Keith Brown: I said in my introduction that the SFT announced today the exact funding for each council and for each school. That was not a reannouncement but a new announcement.

The Convener: So a new announcement was not made—you just clarified how much money would be provided. That is helpful.

How many of the 35 schools that you mentioned will be refurbished and how many will be new builds?

Keith Brown: It is not possible to answer that exactly at this stage because, although we have a fair idea of which schools are likely to be new builds or refurbished, we are going through a process whereby the Scottish Futures Trust talks to each council about its preferences. I am well aware that the preference in the past—usually led by developers—was for new builds, because they are easier for developers. We will ask each council what it wants for its area, so we must await the final discussions between the SFT and the councils before we have the breakdown between refurbishes and new builds.

The Convener: What is the timescale for those discussions? You have made it clear to the committee this morning that one secondary school and one primary school will be built. How long will we have to wait for the other 33 schools?

Keith Brown: I talked about the first schools—plenty of other projects will happen at the same time. As I said in my introduction, the individual timescales vary by council, simply because each

council must make its contribution. Councils will contribute one third of a secondary school's cost and one half of a primary school's cost.

Not every council is ready to go at the same starting point or ready to finish as quickly—for example, planning permissions, decants and other factors can change timetables. Timetables vary—they kick off this year and go right through into 2015-16.

The Convener: Is it not the case that the minimum lead-in time before work can start on the average secondary school—whether it is being rebuilt or refurbished—is two years? It will be a minimum of two years before a blow is struck on the sites for all the schools that you mentioned, whether they are being refurbished or rebuilt.

Keith Brown: As I said, substantial work has been done—we are not going from a standing start. Discussions have taken place with the Scottish Futures Trust. Yes—projects have a lead-in time. My experience as a councillor was that it took five and a half years from the first Administration's involvement to build the first school. We expect to beat such a timescale.

The Scottish Futures Trust is intended to accumulate expertise, so that each council does not have to employ a new set of consultants on legal and planning issues and on architecture and design. We expect the process to be faster than in the past.

The Convener: You explained the calculation of the funding that has been awarded to local authorities for each project—the Government will provide roughly 50 per cent of the funding for primaries and two thirds of the funding for secondary schools. What discussions have gone on with local authorities about whether the funding should be based on like-for-like replacement or whether schools and local authorities should be able to factor in issues such as population growth, shared campuses and community hubs?

Keith Brown: When we started the programme we made it clear that it was on the basis of like for like in terms of a school's roll and capacity. We discussed the matter with COSLA and individual councils. However, we asked the Scottish Futures Trust to be flexible in the application of that principle. If a council wants to provide a hub or community school, or to add facilities that were not present in the previous school, we have said that we are perfectly willing for that to happen.

There will be some flexibility with the SFT. It is unfair to other areas of the country if we give money over and above replacement costs to an individual school, so we will stick with the principle, but that does not preclude a council expanding on what it does and making things different by, for example, adding a swimming pool or making

available a community facility. However, councils will bear the cost of doing that. We will replace the school itself, rather than provide additional facilities.

The Convener: Local authorities will therefore be responsible for paying for additional facilities. Is not that a missed opportunity? I would have thought that we would not want to replace on a like-for-like basis. We do not want to replace an old, crumbling building that was designed 50, 60 or 100 years ago and is no longer fit for purpose with a school that will not be fit to deliver the new curriculum for excellence. You are putting a major burden on innovative and forward-thinking local authorities by not being willing to pick up the cost.

Keith Brown: Let me make clear again that we will not approve any building that is not fit to deliver curriculum for excellence.

A forward-thinking council that wants to do things differently can do so. A council is best able to take such a decision, because it knows the local circumstances best. If a council wants to add a swimming pool or community facility, it is perfectly able to do that. Nothing precludes its doing so in the programme that we have announced.

We expect councils to consider local needs, and if a council comes forward with a proposal for something that is substantially larger or has a wider range of facilities than the school that is currently there, the proposal will not be knocked back. However, our support will be for like-for-like replacement throughout the country. We have to be equitable in that regard. That is the nature of our support to councils, but it does not mean that the council must build like for like.

The Convener: You said that nothing will preclude a council's taking an innovative approach, but you will certainly not pay for that. The previous Administration paid for new community hubs and schools throughout the country, but your programme is much more restrictive and will just replace like for like without allowing councils to build the new community hubs and centres of excellence that we want.

Keith Brown: I make an important point. The previous Administration did not pay for anything; the taxpayer paid for the schools. It was also the case that more resources were available at the time. A lot of mistakes were made in the previous programme, some of which are evident in the early PFI schools. We learned from that experience and we must live within the resources that we have.

It is not the case that councils will be prevented from putting in additional facilities. In my area we have three secondary schools, which have left the council in substantial financial difficulties. None of them has a swimming pool. No school in the council area has a swimming pool. I do not accept

that the previous approach was the best possible and cannot be improved on. The important point is that the provision of additional facilities is a decision that is best taken by councils themselves, in accordance with local needs.

The Convener: You said that it is entirely up to local authorities to fund additional facilities if they think that local needs are such that replacement on a like-for-like basis is not the best option. Have you an indication of whether local authorities will be able to do that?

10:15

Keith Brown: Yes. A number of school refurbishment projects outwith the Government's programme are being taken forward by councils. Some of those projects include the provision of additional facilities—that was the case before and it is the case now. The money that has been made available for this has not been hidden; it has been publicly accounted for in the Government's budgets and accounts. However, it is limited. After all, the moneys available to us have been substantially cut and putting more finance into something beyond school provision and, indeed, beyond the role and capacity of schools would inevitably leave less available for other councils. As a result, we believe that the most equitable way of going about this is to provide the basic funding for replacement or refurbished schools and to ensure that the same educational opportunities exist in improved facilities for the required number of pupils.

That said, that does not preclude councils from going ahead with their own proposals. Indeed, that is happening as we speak.

The Convener: So allocations are made on the basis that every local authority gets something, which means that we are not actually tackling the schools in greatest need.

Keith Brown: The schools that we have identified for replacement are, according to obvious criteria and assessments by the councils themselves, the worst in the country and most in need of replacement, and the Government's priority is to try to lift pupils out of some of our schools that are in the worst condition.

The Convener: Although Clyde Valley high needs to be refurbished, you might well discover that it is not the only school in north Lanarkshire that falls into that category. Probably another 100 schools are in an equally bad position and require work to be done on them.

But anyway—I call Mr Allan.

Alasdair Allan (Western Isles) (SNP): Partly, it has to be said, because of a constituency interest, I am interested in looking at alternative ways of

financing new school buildings other than public-private partnerships. In that respect, are you able to say anything about what has been happening in Moray, Orkney and the Western Isles, where a slightly different approach has been taken?

Keith Brown: You are quite right to say that what is happening in those three areas is perhaps different from what is happening in the main school building programme, because non-profit-distributing trusts, special purpose vehicles and so on have been involved. Moray Council received an indicative offer of support from the then Scottish Executive on 21 December 2004. Although the schools programme was originally conceived as a conventional PFI project, it was very quickly discovered that the council could not deliver it on that basis and it was agreed that it be switched to an NPD delivery model that, unlike PFI, caps returns to the private operator. The project went to procurement in 2008; a preferred bidder was appointed in November 2009; and the council hopes to reach financial close within the next few weeks.

Western Isles Council received an offer in 2004 and, as I am sure Alasdair Allan is well aware, ran into problems. Indeed, a number of councils, including Clackmannanshire Council in my area, had similar problems, but because of the lack of substantial wide-ranging private sector interest for a whole series of reasons including remoteness and the availability of local developers, it was felt that continuing with the project would not be viable. A Partnerships UK report commissioned by the Scottish Executive in 2005 concluded that, after consultation with the market, very limited interest was expressed in the proposed PFI project for reasons of geographical remoteness, lack of a facilities management base on the islands and the cost of bidding. I certainly believe that the cost of bidding, which, as any developer will tell you, was very high, was one of the most detrimental aspects of the previous PPP programme. It meant that a smaller and smaller number of developers could get involved in the projects in their own right, because most simply could not afford the cost of a bid that, ultimately, would not be successful. Finally, there was a lack of market interest in the Western Isles schools project because of the high proportion of refurbishment.

As a result, it was considered necessary to develop an alternative delivery arrangement that retained what were seen as the previous programme's desirable elements—for example, competition—and a special purpose vehicle has been established to deliver the schools' life-cycle maintenance programme. The SPV is fully owned by the local authority to deliver facilities management and maintenance in schools, which will be undertaken in partnership with the private

sector development partner. The project will be financed by the council by prudential borrowing, which is obviously an option that is open to all councils.

The situation in the Orkney Islands is substantially similar to that in the Western Isles. The project should be procured through an SPV arrangement, as I mentioned. Those are different solutions for different local conditions. That underlines the point that PPP was not suitable for certain councils.

Alasdair Allan: Have any other local authorities shown interest in the special purpose vehicle model? Are there lessons to be learned from it for local authorities elsewhere in the future?

Keith Brown: That is part of the Scottish Futures Trust's continuing work. It is involved in discussions with the three councils that I mentioned to ensure that they get the best possible value for money out of the projects involving a special purpose vehicle or a non-profit-distributing trust. The Scottish Futures Trust is doing substantial work on that model and may produce something along those lines for application in other councils, but the three councils that I mentioned are the most advanced with those models.

Alasdair Allan: Is the model applicable only in situations in which councils feel that they are unable to get private involvement or is it more widely applicable than that? Do you envisage that it will be investigated for wider use?

Keith Brown: I am not sure about the special purpose vehicle. However, the non-profit-distributing trust eliminates certain features of PPP that we find unacceptable—in particular, the high profits that are often made. Also, the supposed transfer of risk under PPP was a bit illusory. For example, when the PPP schools project in East Lothian failed, it became evident that the council tax payer or the taxpayer would pick up the ultimate bill. To the extent that those models—in particular, the non-profit-distributing trust—start to eliminate some of the worst aspects of PPP, they may be more widely applicable throughout Scotland, rather than just in the areas that I mentioned.

Elizabeth Smith (Mid Scotland and Fife) (Con): Minister, you said in response to the convener that local councils are best able to decide what their local circumstances demand. Will you give us some background on the pilot project that is taking place with Midlothian Council and East Renfrewshire Council? Why does the Scottish Futures Trust have to be involved in that?

Keith Brown: The reason, in essence, is that it is a pilot to find out whether two different authorities can collaborate. There are similarities

in size between the two authorities concerned, but they are in different parts of the country.

The idea has been around since the start of the PFI programme. It was often felt that costs could be reduced substantially if councils collaborated on such projects. As I mentioned, individual bidders for PPP projects often felt that the cost of bidding was expensive. However, councils, especially small ones—Midlothian Council and East Renfrewshire Council are relatively small—also found the bidding process onerous. In the small council that I was on, it took up a huge amount of the chief executive's and the finance director's time and absorbed a huge amount of resources that could have gone to other council functions.

The idea behind the pilot project is to find out to what extent the involvement of the Scottish Futures Trust can drive down the additional costs and burdens on local authorities. It will be the first time that we have had such cross-council collaboration, so the idea is to learn the lessons of that and push value for money through the procurement of the two schools concerned such that we can involve other councils subsequently in that approach if we can derive benefit from it.

Elizabeth Smith: A press release in, I think, March identified a possible saving of £2 million in that new venture. Will you give a little bit of background on where that £2 million would be saved? Is it simply in the bidding costs being driven down or are there other factors that you think would save a lot of money?

Keith Brown: Yes. The other factors will be that the councils concerned will be able to draw on the latest advice on architecture and design. For example, they will be able to draw on advice on problems and imperatives in acoustics.

The councils will benefit from legal advice, too. As I mentioned, the chief executives and directors of finance were heavily involved in PPP projects, but the legal departments of councils also spent an awful lot of time and resource on them, so the collaboration will help to drive down that cost.

Also, it is not quite a case of buy one, get one free but, if we buy more, we tend to be able to drive down the price. If a council is looking to replace one secondary school at a given time, we can start to drive down the cost if we add to that other schools in other areas because, in some circumstances, there will be economies of scale.

The SFT hopes to make savings not only in the additional central costs, but in the costs of the project.

Elizabeth Smith: If you are right, the pilot will be taken up by other local authorities that want to do the same thing so that they can drive down

costs. How confident are you that that process will still preserve the needs of local authorities to identify any special circumstances that they might have? Do you think that the pilot will be rolled out across Scotland?

Keith Brown: Yes, I do. In my experience, councils have been crying out for that additional support for a long time, although probably less so in the larger councils that felt that they had the capacity to accommodate very large PPP projects. Given that 77 per cent of pupils are now in good or satisfactory schools, which reduces the number that are left to be replaced, councils will continue to find it attractive to work together and to have the SFT as a central point to which they can go for advice and support. In my experience, many councils have wanted that for a long time.

Elizabeth Smith: Are we talking about new builds or refurbishment? I can see that there might be some areas in which that might not be quite so attractive for refurbishments.

Keith Brown: I am not so sure about that. One thing that has inhibited refurbishment, even when it is the best alternative, is the fact that the project can be more difficult. First, there is the issue of decant, which can be quite disruptive to children's education. Sometimes a refurbishment project can be more difficult than a straightforward new building. The advice that the SFT can give about refurbishments will be valuable to those councils, especially when it taps into Architecture and Design Scotland. As has been said, each council will make decisions according to its local needs, so I cannot be sure, but perhaps they will start to look more favourably on refurbishment in the future. The Scottish Futures Trust will be applicable in those circumstances as well.

Elizabeth Smith: The convener made a point about the huge and uneven demographic changes in different areas of Scotland. That could have an implication for contracts under the joined-up working that you are talking about. How much has that been taken into consideration by local authorities? Will local authorities co-operate with one another if they are experiencing similar demographic changes, or will that depend on the school's local circumstances?

Keith Brown: There is bound to be a baseline at which we will have to provide certain schools in certain areas, but you are right to say that demographic change is going on. We are going through the process just now, and the Scottish Futures Trust is in discussion with each individual council. When I said to the convener that we are talking about a like-for-like basis, there is a degree of discussion about future school rolls and, in particular, the question of sufficiency for future needs. There will still be a need for certain schools to be provided in certain areas.

There is also the question of geographical sparsity, which means that we will have schools that will serve smaller numbers of pupils in certain circumstances. I still see that as imperative. Michael Kellet might want to talk about some of the discussions that are going on with the SFT at the moment.

Michael Kellet (Scottish Government Learning Directorate): As the minister said, these issues are for discussion between the SFT and each council. The flexibility around the school roll or the projected school roll has been built in from the beginning. We expect the SFT to discuss that constructively with each authority, and those discussions are taking place.

Elizabeth Smith: So you are absolutely confident that there is a variety of opportunities to invest in a way that is applicable to the circumstances of individual councils rather than taking a broad umbrella approach.

Michael Kellet: That must be the case. There needs to be scope for local flexibility, while taking into account the quantum of the whole investment programme. As the minister said, if more money is given to one authority or to one school, that limits the investment that can be made in other schools or authorities. However, there needs to be flexibility and it has been built into the programme from the beginning.

Keith Brown: Although the programme has that flexibility, standardisation is still quite important because it can help to drive down costs. The SFT is also looking at where standard things can be provided across the country. Obviously the more standardisation that we have, the more efficiencies we can find, but that is not a hard-and-fast rule. We want to keep an eye on it because it is good for value for money, but the programme will be driven by local needs.

Kenneth Gibson (Cunninghame North) (SNP): To what degree could progress on the school estate be stalled by current financial conditions such as, for example, the likely reductions in Scotland's budget in the years ahead?

10:30

Keith Brown: Progress has already been stalled. We would like to have gone much further; I think it was the convener who mentioned that hundreds of thousands of pupils are in substandard accommodation.

It is beyond the ability of any particular Administration to address in one session of Parliament the legacy of underinvestment that has been going on for decades. That is what we face. Schools were built the wrong way round and are

clearly unfit for purpose, but it would not be possible in any circumstance to replace the entire school estate in one go.

Kenneth Gibson is right to ask the question in relation to the capital moneys that are available to the Scottish Government. At the same time, we are seeking to replace the Forth crossing and to build the new Southern general hospital in Glasgow. There are huge calls on the Government's capital budgets.

We have alleviated that to some extent through the accelerated capital, which some councils have made great use of. Of the £100 million that we got, around £74 million went towards school buildings. That has helped to some extent, but we must live within our means, and Kenneth Gibson is right to say that our capital funding is very much restricted. It looks as if that will continue in future years, although there is the prospect—as we have heard—of Scotland getting borrowing powers, which may help.

There is no question but that the current financial situation drives down what we are able to do.

Kenneth Gibson: The minister mentioned borrowing consent. The Northern Ireland Assembly has borrowing consent for £2.5 billion, while Scotland has zero. What impact would the granting of borrowing consent have on the school estate programme? The figure would be pro rata; Scotland has a population almost three times that of Northern Ireland. What would be the impact if we gained such powers in the next year or so?

Keith Brown: From a rough and ready calculation based on the figures that Kenneth Gibson has given, £7.5 billion would potentially be available through borrowing—if the Government wanted to borrow all that money at one time, which would obviously have revenue implications.

We have recently announced a programme involving £1.25 billion and 55 schools—one can imagine, from doing some simple arithmetic, how much more we would want to do in relation to schools. There are obviously competing demands such as roads and hospitals and, as I mentioned, the new Forth crossing.

I believe that there is relative unanimity in the Parliament on the desirability of borrowing powers. It would be great if we could move down that road. It would certainly open up more possibilities for us to push faster to ensure that 90 per cent of pupils are in good or satisfactory schools, and then to move towards ensuring that that is the case for every single pupil. We could do that a lot faster if we had that type of facility.

Kenneth Gibson: A few weeks ago I asked a parliamentary question about the extent of PPP

and PFI debt that is accruing to the Scottish Government. I understand that it is around £26.7 billion, with repayments increasing year on year. What impact does that have on the Scottish Government's ability to deliver new schools?

Keith Brown: That is an important point. There is evidence that education expenditure in local authorities is growing, in terms of what is spent on pupils, teachers, materials and so on. That debt is an increasing call on those resources, and it is the first call: a council's first contractual obligation is to pay for the legacy of PPP schools, if it has them. That comes straight out of the education budget.

The figures that I have show that about 5 per cent of councils' education expenditure is allocated to previous costs. It is not the case that all those schools have been built and that is the end of the story—there is a continuing cost.

There is no question but that that has an impact on councils and their ability to finance not only what they want to do in education, but any on-going projects, because they must meet the legacy costs first.

In 2009, councils had to pay more than £244 million for their PFI schools, which included £113 million of support from the Scottish Government. I repeat that councils are contractually obliged to pay that rising bill each year as a priority above any other education expenditure.

More than 250 school building projects have been undertaken using PFI since 2000. The costs have risen, as a percentage of council expenditure, by 1.25 per cent in the previous year to about 5 per cent, in comparison to around 0.4 per cent in 2000-01. Legacy payments for PPP projects are a huge part of a council's expenditure.

Kenneth Gibson: Of course, not every school that has been built is a PPP school. In my constituency, two schools were opened in the same year. Both had a capacity of about 350. The PPP school cost £45 million and the other school, which was built using traditional procurement methods, cost £14 million. What is the Government doing to track investment that councils have made in the school estate, by whatever funding method, including traditional procurement methods?

Keith Brown: One of the main means of tracking is the cheques that have to be signed—the Government pays a large proportion of the costs. We speak to all local authorities to get an idea of what their investment has been. Not all the investment is made as a result of PPP projects. Councils have built and refurbished their own schools outwith previous Governments' programmes.

The school estates survey is the means by which we check the condition of the schools, which includes all the schools that have had investment through PPP or other sources. Kenneth Gibson is right to say that the contrast between the two different funding mechanisms is quite stark, although, on the second figure that he gave, it is the case that such figures will often not include maintenance costs. A PPP project will include the maintenance costs and facilities management costs.

One of the virtues of PPP that has been extolled is that in signing up to such a contract, money to maintain the school properly is set aside, which did not happen in the past. That also means, however, that the school is to an extent locked into that facilities management for 30 years, so new technologies and efficiencies that could be made by new methods of maintenance are not open to it. If something is built not using PPP, the ability to maintain it properly must be ensured. The discretion to benefit from increased efficiencies that might become available from new technology and so on should also be available.

Kenneth Gibson: Can you give any examples of large investment that councils are making at the moment that is outwith either PPP or the Scottish schools investment programme?

Keith Brown: Yes. The right page in my briefing note has miraculously appeared. There are quite a few such examples. It is not surprising that the larger councils are the ones that are undertaking larger projects. North Lanarkshire Council is spending £200 million on new build and refurbishment across the school estate up to 2013. That sits outwith either previous PPP projects or the ones that we have announced. South Lanarkshire Council has a primary schools modernisation programme of £850 million for 108 new schools over 15 years. Fife Council, under the building Fife's future programme, has announced £126 million spend over 10 years on six new schools. I should say that we have increased capital allocations to councils, which have helped with those programmes, too. Renfrewshire Council announced a £92 million community infrastructure programme on 25 June last year, which includes about £55 million for school projects. Highland Council is investing around £88 million in schools in the region over four years, which will see five new primary schools being built. Quite a lot is happening outwith the central Government-supported programmes, whether PPP or the new ones.

The Convener: I noticed that you were very keen to highlight the failings of PPP and its expense. However, North Lanarkshire Council has carried out an analysis of the cost of PPP versus the SFT. It believes that the cost to it of using the

SFT for one school would be in the region of 41 per cent more than the arrangements that it currently has for its 24 new PPP schools. What would you say to North Lanarkshire Council about that?

Keith Brown: I would have to see the basis on which the council has made that statement, because it has not made such a statement to me or provided me with the figures. It would certainly jar with my experience. It is true to say that things are different for larger councils, which have always been more able to undertake such programmes—Glasgow City Council is another case in point—because of their scale, but they have not been suitable for every single council. I think that North Lanarkshire Council is one of the councils that is paying higher costs for its PPP programme, which crowds out opportunities for future investment and resources for schools. The council's gross revenue expenditure for 2008-09 was £339 million, which included £15.4 million on PFI unitary payments, of which we provided £9.71 million.

We have gone through the two previous PPP programmes. We are now moving into a new period—we will not be replacing schools that have just been replaced in the past 10 years, so a reducing amount will still have to be replaced. Given that, the SFT will definitely be able to produce efficiencies not just in one council area but throughout Scotland, because it can be the centre of expertise and drive down central costs.

The Convener: It is obvious that you believe that. Has an academic study been done on the costs of PPP versus SFT? If so, will you share that information with the committee?

Keith Brown: I am happy to provide the committee with any information that we have. Academic studies have been undertaken at the University of Edinburgh. Unison undertook a good study on the costs of PPP. I do not have those studies with me, but I recollect that they showed that the level of profit and the lack of risk transfer—a much-vaunted feature of PPP—were fundamental problems with PPP.

The studies also mention the cost to developers, to which I referred. Developers have told me that the cost of assembling PPP projects has become so prohibitive for many organisations that they no longer bid for PPP projects. My experience in Clackmannanshire Council was that only two bidders came forward and that most of us felt that one of them was not credible. The level of competition that was meant to be present did not exist in many instances.

Many supposed virtues of PPP have been exposed as less than accurate. It is not down to me to provide academic studies, but I can put the

committee in touch with the studies of which we are aware.

The Convener: Has the Scottish Government done a cost benefit analysis on SFT?

Keith Brown: Yes. We think that there are substantial savings—

The Convener: Will you provide that information to the committee?

Keith Brown: Yes. We can pass that to the committee.

The Convener: Thank you.

Claire Baker (Mid Scotland and Fife) (Lab): I will ask about the concern that a two-tier estate will be created. When the committee previously took evidence on school buildings, concern was expressed—you acknowledged it in an earlier answer—that schools that have maintenance contracts would be protected from local authority cuts to school maintenance budgets. Are you concerned about that? Will that problem emerge if local authority spending is restricted? If so, what can the Scottish Government do to address it?

Keith Brown: First and foremost, the question is for local authorities, which should not propose projects whose maintenance they cannot fund in future years. That is being partially addressed in the school estate strategy, which I have mentioned.

Claire Baker is right to point out that perhaps one virtue of PPP was that maintenance was taken into account—there was no way to avoid the fact that a school must be maintained properly over its 30-year lifespan. However, as I said, that was also something of a straitjacket, because it led people into arrangements that took a long time to get out of and sometimes precluded advantage being taken of market changes or efficiencies through new technology, to drive down costs.

Ultimately, such questions are for local authorities. If they are to build a new school, they must be confident that they will find the moneys to maintain the new school. It makes no sense to build new assets that are not maintained.

Maintenance will always be an issue. My experience in local government—I am sure that Mr McNulty's experience was the same—was that school maintenance budgets and road maintenance budgets were often seen as the first budgets that could be hit in times of budget constraints. To an extent, local authorities have learned that lesson after seeing the state of their schools. Such decisions lead authorities into replacement programmes that are much more expensive than they would otherwise be.

The development of better-quality information in school estate management planning, which has

happened partly through the previous PPP programmes, means that authorities are in a better position to plan efficient maintenance programmes. The PFI legacy cost will constrain that, but better school estate management and the reduction in ring fencing are important. Sometimes, councils could not access pots of money because the money was ring fenced. As we have swept away most ring fencing, councils have more discretion to provide the maintenance that their school estate requires.

Claire Baker: Concerns have been raised not just about the new schools that an authority might build but about whether the maintenance costs that are associated with the existing school estate are seen as an area where reductions could be made or whether PPP schools will be protected. We have had recent reports from parent councils about the sums that they are raising within schools and what that money is being spent on. In some cases, it is going towards maintenance costs and improving the fabric of the building. What is the Government's view on parents making contributions to maintenance costs? Do you think that that is appropriate? Do you have concerns about the cuts that might be made to the existing school estate's maintenance costs?

10:45

Keith Brown: From my experience in an education authority, I am not aware that that is any more of a feature now than it has been in the past. All I can say is that councils should not be making proposals for either refurbishments or new builds that they are not confident that they can maintain. That is mainly to ensure the proper education of pupils but also because it is not sound investment practice. Through the school estate management plan we are putting in place, jointly with councils, proper management procedures so that maintenance can be carried forward. It should not be the case that parents have to pay directly, in addition to what they otherwise pay through tax, to maintain school buildings. Councils should take that on. They have both the discretion and, I believe, the resources to do that, through the abolition of much ring fencing and through their increased capital budgets, as well as the support from the Scottish Government for new schools that we have announced.

Margaret Smith (Edinburgh West) (LD): I want to ask about the accelerated capital funding, which I think you touched on earlier. In 2008 the Government brought forward £100 million capital spend from the 2010-11 budget—£10 million was to be spent in 2008-09 and £90 million was to be spent in 2009-10. You said earlier that a fairly significant amount of that money was spent on

schools. Will you give us a bit more information on that?

Keith Brown: Certainly. Around £100 million of capital spend was accelerated in 2009-10 through the local government settlement, which enabled councils to accelerate their investments in their school estate, if they chose to do so. The moneys were distributed to the councils according to their priorities. The total value that we can determine was then spent on education was around £73.8 million, which demonstrates the importance that councils attach to education and the school estate. I can give various examples—I am trying to think of an example that would be of particular relevance to Margaret Smith. There are various examples from Lothian. In West Lothian—which I know is not Margaret Smith's constituency—£291,000 went towards completion of a library and a new east extension and refurbishment at St Kentigern's academy. Improvements were carried out at both Linlithgow academy and St Margaret's academy. Upgrades were done in East Lothian, Fife, Highland and throughout the rest of the school estate. Around three quarters of the additional accelerated capital funding that we provided was used for education purposes.

Margaret Smith: That level of take-up for schools was because of a mixture of two reasons. One is that there is a significant backlog of schools in which pupils are being taught in conditions about which we and councils are not happy. The other reason is that because funding has been accelerated, it is a case of jam today, but not a lot of jam tomorrow. The councils would know that this was almost a last-gasp opportunity before a period of some restriction on the work that they wanted to do. That might be part of the motivation behind there being such a high take-up.

Keith Brown: I am not sure that that is entirely true. Part of what was going on was that the money was not budgeted for; it was not part of a larger programme in the way that the previous PPP projects or the tranche that we have announced were. It was outwith that, which gave councils the flexibility and the speed not to address huge issues, but to carry out refurbishments in schools that are currently not fit for purpose. That was one of the attractions for councils. Of course, the attraction for both councils and the Government was that that money was being spent on construction projects, which was also beneficial to the economy at a time of recession. Those were perhaps the two main attractions for councils, although there might have been an element of their realising that the public finances were going in a particular direction and wanting to address some serious things with that money.

Margaret Smith: I return to the Scottish Futures Trust. We know that it is not doing what the SNP first suggested it would some years ago. You hinted that—if I may paraphrase you—the role that it is taking on of sharing information and best practice may make it more useful to smaller councils. To what extent is it the case that the Scottish Futures Trust is involved in everything in the school building programme, such that a council will have to have involvement with it regardless of whether it is a small, medium-sized or large council? How much of the SFT's work is in responding to councils that seek its assistance on some of the central issues about which you have talked? In that second role, to what extent is it the smaller councils that regard the SFT as a central resource that assists them in getting information and expertise that they might not have themselves? Is there a split between the use that smaller and larger councils make of the SFT?

Keith Brown: You are probably right that different councils might see different potential benefits in the SFT, but both things are going on. With the moneys that we have announced for the programme, projects are being mediated and taken forward through the SFT, whether the council concerned is large or small. Therefore, every council will engage with the SFT in relation to that programme.

As I already mentioned, smaller councils might experience additional benefits because of economies of scale and their restricted capacity. However, the SFT's role relates not only to school estates; it is also involved in the Forth bridge replacement and the new hospital that I mentioned, and it provides the hub partnership. The SFT manages the school building programme on our behalf. It will deliver value for money on our investment and it will deliver better schools. It brings together the right mix of experience and rigour to help to deliver the school building programme in the way that we want.

The SFT's 2010-11 business plan, which was published last month, sets out its work programme across a wide range of activity, which includes supporting the delivery of about £7.3 billion-worth of public infrastructure programmes, among them the hub partnership, the schools programme and the national housing trust. It is also considering different funding models. When I was a council leader, we put in a bid for a tranche of PPP funding on the basis that we wanted it to be delivered by a trust and on no other basis. Nicol Stephen approved the bid on that basis, but it was subsequently changed when control of the council changed. It was difficult to develop that model as a small council, so having the SFT take on such work will certainly be beneficial because a small council such as Clackmannanshire Council could not hope to have the experience that the SFT has.

To that extent, the SFT is perhaps more attractive to smaller councils than it is to large ones, although all councils, large and small, are engaging with it.

Ken Macintosh (Eastwood) (Lab): When the SFT was first set up, there were three models of financing—traditional procurement, PPP and NPD—and the SFT was going to develop a new one. I thought that that had been abandoned. Are you saying that it is still trying to do that?

Keith Brown: Yes, it is. It may propose a model based on non-profit-distributing trusts but it is examining the question not only because it was originally tasked to do so but because we are in a different financial situation so it is considering innovative ways of raising finance.

Ken Macintosh: We have had several announcements about school programmes and other programmes but the new model has not emerged yet. How long will it take and when can we expect it?

Keith Brown: It should emerge within the next year. However, as you mentioned, the fact that it has not yet emerged has not prevented us from cracking on with the schools programme or honouring previous programmes. That work continues. Construction is going on and schools are being completed in the meantime. In previous times, it took five and a half years to get things up and running, but I confidently expect that a new model will be up and running before that time expires with the SFT.

Ken Macintosh: Can you give us any outline of what the model will look like and what elements will be different?

Keith Brown: That is what the SFT is working on now. If you want, I can get more information from John Swinney's office as to what the current situation is. The SFT has a number of different financial models that are beyond my expertise. It may come back with a non-profit-distributing trust model or with something quite different. That is up to it, but the important point is that its consideration will not stop the current construction programme.

The 55 schools that we have announced, 35 of which have been detailed today—the remainder are still to come—will involve traditional procurement methods. That is a tried and tested model, which accesses the cheapest possible finance. I imagine that features of that will come through in what the Scottish Futures Trust eventually proposes.

Ken Macintosh: I hope that the SFT will produce its model before the parliamentary session ends. Will the funding of any schools under the new model be announced? Will any

more schools be announced as part of the programme?

Keith Brown: More schools should be announced later in this calendar year. We will have to wait and see whether they benefit from the SFT's new model.

Michael Kellet: The Government's commitment is clear—the remaining 20 schools in the original programme of 55 will be announced by the end of this year. As the minister said, we will take into account any developments, such as funding models, from the Scottish Futures Trust.

Ken Macintosh: Financial and implementation plans are to be produced as part of the school estate strategy. When will they be published?

Keith Brown: The financial plan will follow the implementation plan, which is well advanced. Councils are getting to grips with the implementation plan through the existing school estate management plan. The financial management plan is more difficult and must adapt to the financial situation in which we and councils find ourselves. The implementation plan is being dealt with now and the financial plan will follow it.

Ken Macintosh: Will those documents be published and made available to the Parliament?

Keith Brown: Yes—the documents will be public. The implementation plan will be published in full by the end of the year. As I said, it will include revised guidance on school estate management planning for local authorities. The financial plan, which we expect in 2011, will follow receipt of the implementation plan.

Once current investment plans are completed, we will have to consider the next stage. I mentioned the interim ambition of having about 90 per cent of our pupils in schools that are of good or satisfactory condition—that figure is about 77 per cent now. However, we and councils intend to move on to ensure that every child is in a good school.

Ken Macintosh: When the implementation plan is published this year, will that be before, after or at the same time as the rest of the schools in the programme are announced?

Keith Brown: We do not know yet, but the next tranche will be announced and the implementation plan will be published towards the second half of this year.

Ken Macintosh: You talked about the number of pupils who will still be in categories C and D schools. What percentage, or how many thousands, of pupils will still be in unsatisfactory schools at the end of 2011 and at the end of the Scottish Government's school building

programme, which does not finish until a few years after 2011?

Keith Brown: The proportion of schools whose condition is rated D, which is bad, or C, which is poor, has decreased from 31 per cent last year to 23 per cent this year. Just over 148,000 pupils—22 per cent of the total—are in schools that are rated in C or D condition. That is down from 201,000 in the previous year.

We intend to reduce those figures substantially. More than 525,000 pupils are in schools that are rated in A or B condition, which is 77 per cent—that is up from 70 per cent last year, which is an increase of 7 percentage points or 10 per cent. We continue to make progress at that level.

Michael Kellet may have the projected figures.

Michael Kellet: No. It is not possible to predict figures to 2011 in that way. The 2011 stats on the school estate will make it clear how much progress has been made. As the minister said, the aim is to have 90 per cent of pupils in schools whose condition is good or satisfactory. Predicting accurately the number of children who will be in category A or B schools in 2011 is not possible at this stage.

11:00

Ken Macintosh: Is it possible to work out how many pupils will be in category A or B schools at the end of the school building programme—the SFT or Scottish Government programme?

Keith Brown: That is partly dependent on the next tranche that is announced, but we are able to work out the numbers that will remain in category C or D schools. We can get that information to you later, unless Michael Kellet has it here.

Julie Humphreys (Scottish Government Learning Directorate): We predict that 35,000 pupils in total will be lifted in the new school building programme. Obviously, given that schools are still to be announced, that figure could fluctuate either way. We do not yet know.

Ken Macintosh: Approximately 35,000 would be the total.

Julie Humphreys: For the 55 schools, yes.

Ken Macintosh: So, the remaining figure of more than 100,000 depends on local authorities' traditional procurement or other methods.

Julie Humphreys: Yes.

Ken Macintosh: Do you expect the figures to be part of the implementation of the financial plan? I could be wrong, but it sounds like you are planning for 100,000 or more pupils to be in unsatisfactory schools at the end of this programme.

Keith Brown: No, we are not doing that. You are right that the financial plan is crucial to what councils are able to do and at what time. The intention is to have 100 per cent of pupils in good or satisfactory schools. The ability to do that and the time that it will take will depend on the available finance, which the financial plan will lay out. Even that cannot be definitive, because things can change. For example, the Parliament could get borrowing powers—Mr Gibson mentioned that—or the financial situation could change; you never know. The plan will lay out a route map towards achieving that kind of figure.

Ken Macintosh: Will it lay out a route to getting 100 per cent of pupils into satisfactory schools or just 85 per cent or something like that?

Keith Brown: It is worth saying that 77 per cent is a far better figure than we have had for decades, so we are starting from a pretty good base. It is also true to say that it is not possible to achieve 100 per cent, because schools will fall into lower categories at certain times as they age. The idea is to maximise as quickly as possible the number of pupils in good schools.

Ken Macintosh: The Scottish Government's plans cannot possibly cover 100 per cent. They can cover only 85 per cent. You will be relying on local authorities or others to make up the difference.

Has the Government given local authorities any money for school programmes under the SFT?

Keith Brown: We have provided the money, which is obviously borrowing moneys. We have provided that facility to the SFT. It is discussing with councils when they will access that money. They will not access the money in advance of building the schools. At that point, they will start to get money passed across.

Ken Macintosh: When might that be?

Keith Brown: As I said earlier, perhaps before you came in, there are different timescales for different schools. When each council starts to incur costs, they will start to get the support from the Scottish Government.

Ken Macintosh: Without being too parochial, I point out that one of the first schools is Eastwood high school. Do you know when it will get some money?

Keith Brown: There is nothing wrong with being parochial.

Ken Macintosh: "Show me the money." That is the phrase, is it not?

Keith Brown: The council will start to receive support for that in 2011-12.

Ken Macintosh: Some time in 2011-12?

Keith Brown: Yes.

Ken Macintosh: Will any of the primary schools receive support sooner?

Keith Brown: Yes.

Michael Kellet: Perhaps I could answer that. The first tranche of funding will become available this financial year to support the development of the primary schools, as you said.

Ken Macintosh: Have any contracts been signed for these new schools?

Keith Brown: No.

Ken Macintosh: When will the first contract be signed?

Keith Brown: We expect the first schools to be started this year. Obviously the contracts will be signed in advance of that.

Ken Macintosh: One of the reasons I ask, apart from there being a concern about moving the programme on as quickly as possible, is to find out whether you are concerned about the vulnerability of any of the schools or plans to the financial situation. Say, for example, that the Westminster Government imposes strong cuts on the capital programme. Would that affect the programme?

Keith Brown: I could be corrected on this, but I do not think that we anticipate constraints on the capital programme greater than those that we have already seen. We have perhaps seen the biggest cut in the capital programme coming now. We are not going to put forward projects if we are not confident that they can be delivered. I cannot speak for the Westminster Government—we are all very conscious of the previous Chief Secretary to the Treasury's note to the new one, which said that there is no money left. We have to live within that reality, but we would not put forward schools projects if we were not confident that we could afford to fund them.

Ken Macintosh: I think that the letter to which you refer was a joke, although it does not seem to have been taken that way.

Margaret Smith: It was not a particularly funny one.

Ken Macintosh: It was not meant as a public joke; it was meant as a private joke between ministers.

Obviously, the contracts for some schools will have been signed and money will have changed hands before the next Scottish Parliament election. I hope that any incoming Administration will fulfil any commitments that have been made, but I am worried that they might be vulnerable. Something else might come down the pipeline but, at the moment, you do not think that the

commitments are vulnerable. Are they built into the Scottish Government's budget? Is the programme safe and secure, taking into account the efficiencies or savings that have to be made in the Scottish budget? Will the schools projects definitely go ahead?

Keith Brown: Every council would say that there have been times when they have had to expand their capital programme timeline or the timeline of particular projects in that programme. Sometimes a timeline can be shortened because other things are not being taken forward for whatever reason. There must always be such flexibility. However, we are confident that we will keep our side of the bargain on the support that we provide.

We expect that any Administration that comes in next year will do as we have done and honour previous commitments. It is very expensive and disruptive to pupils' education to stop a programme, and I do not expect that any Administration would want to do that. The money will be available. We will have allocated the money for the projects that are let by that time.

Ken Macintosh: If you have to make 10 or 12 per cent efficiency savings, for example, will 10 or 12 per cent efficiency savings have to be made in the programme?

Keith Brown: I do not know what savings will come from the Westminster Government. Obviously, the budget is on 22 June and the spending review is to come, but the programmes have been devised over some time, taking into account the resources that we think will be available. Therefore, they are soundly based and we do not expect them to change. It is probably fair to say that the biggest pressures that we are likely to feel—you are right to identify them—will be on the revenue side, but we do not know what they will be. In the meantime, we must go ahead and make our plans on the basis of financial reality, and we have done that.

Christina McKelvie (Central Scotland) (SNP): I want to pick up on issues relating to private finance initiative costs. The Cabinet Secretary for Education and Lifelong Learning said in reply to a parliamentary question that I asked:

"PFI revenue costs accounted for 5.0% of total gross local authority education expenditure in 2008-09. This is a rise of 1.2% on the previous year".—[*Official Report, Written Answers*, 29 April 2010; S3W-33009.]

That was quite rightly referred to earlier. Last week, we visited the City of Edinburgh Council, which said that PFI liability accounts for approximately £40 million of its budget. You mentioned South Lanarkshire Council's primary schools programme. Its liability is approximately £25 million—that is last year's figure; we do not

have this year's figure. Across Scotland, the figure is £244 million. That is before a pencil or a jotter is bought or a teacher is employed.

The *Sunday Herald* carried out an investigation, and an article was produced that was entitled:

"PFI: the £50 billion scam".

The article stated:

"Private companies could pocket up to £50 billion in profits".

On the back of the recession, the new Government and issues relating to next year's budgets, what impact will there be on future plans for schools if all that money must be paid before a pencil or a jotter is bought or a teacher is employed?

Keith Brown: You probably know about the matter better than I do if you have visited councils such as the City of Edinburgh Council. They will be able to tell you exactly what pressures they are under.

It is important to state that it is quite legitimate that part of the education budget should pay for education facilities that have been built, but I am not sure that that has been properly explicit in the past. It has sometimes been assumed that a new school is the end of the story, but you are right to point out that that cost is on-going. It is also true to say that the very long lifetimes of some contracts mean there is not the flexibility to drive down costs in the future that perhaps exists in other procurement models. There is no question but that that is a major constraint.

I am trying to find the date by which it has been projected that the figure of 5 per cent will go up to 10 per cent, so that £1 in every £10 will go towards paying for PPP legacy costs. I do not have that to hand, but that is on the horizon. Obviously, the schools in which children are taught are a vital part of the education system, but they take up a large proportion of funding. It is probably also fair to say that that includes maintenance, so it is a legitimate cost. The profits that have been made on some of those contracts are less legitimate, not least because the main virtue was meant to be risk transfer and, as I said earlier, I am not convinced that the transfer has taken place.

Christina McKelvie: My colleagues in South Lanarkshire are very concerned that they have to top-slice their budget before they employ a teacher or buy a pencil.

You mentioned the development of condition, suitability and sufficiency ratings. We have realised that the condition categories are sometimes applied differently in different local authorities. Has any work been done on

standardising the procedure so that a category D school in one local authority is not a category C in another?

Keith Brown: That is a good point. Individuals across the political spectrum have raised doubts about how robust those categories are, not least when it comes to bids for new schools. Some schools drop through the categories in a short period of time. It is important to have a robust basis for categorising schools.

Quite a lot of work is going on to get the specialist expertise to ensure that the categorisation is consistent across local authorities, which is quite important, especially if a previous programme was a PPP programme. All councils are now using the condition guidance document that we produced, and we are confident that there is a fairly good level of consistency and robustness in the assessment and reporting of school conditions across Scotland.

We published the guidance on assessment and reporting of the suitability core fact in October 2008, and we are collecting the information from councils for the first time this year. As with the condition guidance, the suitability guidance was developed in close consultation with the councils and we are confident that it will provide a more robust and comparable approach for capturing suitability data.

You also mentioned sufficiency. We hope to have developed and published further guidance on sufficiency later this year. Again, we will do that in conjunction with local authorities. It is important to have that guidance so that councils and schools are treated equally.

Christina McKelvie: You said that you are now collecting information on the 2008 guidance from local authorities. How will that information be used to set standards? How quickly will you develop the further guidance on sufficiency?

Keith Brown: I might ask Michael Kellet or Julie Humphreys to come in on that. The information collected will be fed into our school estate management plan so that you know where you are starting from in terms of the school's condition, suitability and sufficiency. That will be the main use for that information. Once that is in place, councils and the Government can make investment decisions based on robust information. Julie or Michael might want to add to that.

Julie Humphreys: The information will be fed into the school estate statistics that are collected every year. We have just gone round all the councils to ensure that they are using the suitability guidance consistently and that they are all using the same definitions to determine properly the condition or suitability of their school estate. We found that councils will use the

guidance consistently when they provide data to us.

Margaret Smith: I have a couple of points. Everyone on the committee knows that, wherever I go, I take my notebook with me and I scribble lots of notes. For the sake of the record, I should say that the figure that we got from the City of Edinburgh Council for the first year of full costs of the PPP was roughly £33 million. As the minister said, as time goes on, the costs will go up as the full cost of the PPP project comes on board.

During our visit to the City of Edinburgh Council, it was mentioned to us that there is some concern that there might be some threat to councils' abilities to use prudential borrowing as a funding mechanism. Do you have any concerns that that might be under threat?

Keith Brown: I have not. As you know, previously there was capital consent and councils could not go beyond that. It was an iron constraint. Prudential borrowing is designed to allow councils to borrow what they can afford to repay—quite a good nostrum for these times. I have not heard of any threat to councils' ability to borrow prudentially. Alongside that, there is the question of borrowing powers for the Parliament, which is also important and might have an impact, but I have not heard of any threat to prudential borrowing. I do not know whether my officials have heard anything from finance colleagues in that regard.

11:15

Michael Kellet: No, I have not. Neither the City of Edinburgh Council nor any other authority has approached us directly about that issue. If any council did, we would want to look into it.

Margaret Smith: The two issues of prudential borrowing and the borrowing powers of the Scottish Parliament are fundamental for the school estate and capital spending. Have you yet had conversations with the UK Government on those two issues?

Keith Brown: We have been managing our discussions with the new UK Government according to a tiered approach. The First Minister met the Prime Minister early on, as you know. Cabinet secretaries are now meeting their opposite numbers—sometimes there is more than one of them. Being at the bottom of the tree, I have yet to meet my counterparts. I am sure that those two issues will be discussed by finance colleagues.

On prudential borrowing, I am not aware of any threat from the Government. An individual council's ability to borrow prudentially comes down to its current borrowing profile.

Kenneth Gibson: The committee visited a shared campus in Oban, and we were quite impressed by the way in which it worked. I saw one in Rothesay on Monday, too. Argyll and Bute Council is clearly going down that road, and is looking to develop a further such campus in Campbeltown. What is the Scottish Government doing to encourage shared campuses between primary and secondary schools? In Argyll, and possibly in other rural areas, they are quite successful, and it seems to offer a way of getting more bang for our buck.

Keith Brown: You used the word “encourage”—that is what we are doing. We are identifying the best practice and the benefits of shared campuses. Like you, I think that they are extremely beneficial. I have been to two of them, in Midlothian and Ayrshire. The Ayrshire campus incorporates a primary school, a secondary school and a special school, and the benefits are obvious. More recently, I visited another primary school that feeds into the same secondary school, but which is not co-located with it. That provides a comparison between the co-located primary school and the other primary school.

Everyone has identified the difficulty of the transition between primary and secondary schools. That is substantially ameliorated by their being on the same campus. The opportunities are greater. For example, the school that I visited has its own dentist’s room, including a fully equipped dental chair, available for the treatment of all pupils. That was provided not least because the special school pupils had greater dental needs than the others.

The primary school pupils are also able to access some of the secondary school facilities, such as science laboratories. The benefits for managing transition are substantial in such cases. It is not possible to provide that for every school, of course, but there are substantial benefits and we are encouraging councils to take that into account where co-location is possible, not just with primary and secondary schools but also involving special schools. The Inverclyde proposal is for a shared campus between a primary school and a special school, I think. Like you, I believe in the benefits of the shared campus approach where it can be achieved.

The Convener: Minister, you believe in the benefits of it, but your funding mechanism does nothing to support local authorities to go down that road. As you said to me earlier, the funding mechanism involves replacing like with like. If a local authority wishes to move to a shared campus model, it will not get any additional funding to allow it to do that.

Keith Brown: As I think I explained, we have agreed to exactly that proposal in relation to Inverclyde. It is possible for councils to do that.

This is a point about equity and fairness between different schools and different councils. We will replace on a like-for-like basis to protect other people’s ability to invest. I recall that Inverclyde Council made a proposal to incorporate a special school with a primary school. It was the council’s proposal, and we agreed. There is flexibility for that through the Scottish Futures Trust. As I think I have now said a number of times, we are not precluding such proposals on the part of councils, although we must be careful how we guard the money that has been allocated to councils, so that one council is not disadvantaged with respect to another.

Des McNulty (Clydebank and Milngavie) (Lab): I will try to get some perspective on this. Perhaps Mr Kellet will be able to help you with some of the factual information. The announcement today is of £300 million to be spread over roughly four financial years. If the money were distributed evenly, that would be approximately £7 million a year for school building. Can you give me the average amount that the Scottish Government has invested in new school building over the past five years?

Keith Brown: We do have that amount. Michael Kellet is trying to find the exact figure. I think that it exceeds the investment by the previous two Executives, on average. I think that it is in excess of £500 million compared with an average of around £400 million. Today’s announcement is of £300 million at today’s prices; the actual amount of money will exceed that substantially, as we will take account of inflation—not just general inflation, but construction inflation. We realise that, when the bills fall due, the figure will be substantially in excess of £300 million. Do you have the figure, Michael?

Michael Kellet: The current Administration expects—

Des McNulty: I am not interested in the politics of it. What I am interested in is the year-by-year investment in 2005, 2006, 2007, 2008 and 2009.

Keith Brown: Sorry. I thought that your question was about how much will be spent during the current session. The average investment in schools will be £700 million per annum over the session. To give some context—which I would like to do—the figure was £531 million per annum over the previous eight financial years and the previous two sessions. Broken down in terms of schools, that is 1.44 schools per week compared with 0.79 schools per week under the previous two Administrations. So, with investment of

£700 million per annum over four years, that is about—

Des McNulty: I am sorry, Mr Brown, but I am not interested in your political justifications. You have said that you are going to spend, on average, £75 million a year on new schools between 2011 and 2014-15—that is your plan. I am interested in comparing that with what was spent annually in the period between 2004-05 and 2010-11. I believe that the figure is substantially greater; I just want the quantification. That should be relatively straightforward. It does not require any political flannel; it is just a question about numbers.

Keith Brown: I wonder whether I can give the answer that I would like to give rather than the answer that you want. I repeat that, on average, £700 million per annum will be spent on schools over the current session, which exceeds by a substantial margin what was spent in previous years. The figures that you have now asked for are different from what you first asked for, and we are happy to get those for you.

Des McNulty: Maybe I can put it in a different context. You referred to the difference in school building between smaller and larger local authorities. My constituency spans two relatively small local authorities—East Dunbartonshire Council and West Dunbartonshire Council—both of which have had new PPP schools programmes in recent years. In both instances, the local authority was provided with something of the order of £100 million, so those two small local authorities were given £200 million. If I understand you correctly, you are saying that, over a four-year period, the total amount that could be made available under the funding mechanisms that you are putting in place is £300 million. In effect, that is only £100 million more than was made available to two of the smallest local authorities in Scotland under the previous arrangements.

Keith Brown: That does not take into account the fact that we are still paying for the previous programme. I repeat that £700 million per annum will be spent on schools over the current session compared with £531 million per annum over the previous two sessions. That is what we are spending on schools throughout Scotland. On top of that, we have announced the £300 million to which you refer, which is additional to the money that we are already spending on schools.

Des McNulty: Let me be absolutely clear. If I understand you correctly, you are saying that the £700 million includes some of the costs of previous schools and that you expect to spend £300 million on new schools over a four-year period. That is substantially less than was spent in any of the previous five years.

Keith Brown: No. I am not sure that that is right. The £700 million to which I have referred—that is, spending an average of £700 million every year during the current session—includes some new schools that have been built since 2007, some old schools the costs of which are still being paid for, and some schools that were under construction but have been completed since 2007. The important point, and the point that perhaps you are trying to get at, is that we are spending substantially more on our schools during the current session than the previous two Executives spent.

Des McNulty: Minister, I am not sure that that is necessarily borne out by the figures, but can I move on to a different tack? You said in the previous version of the announcement that you would provide 50 per cent of the funding for new primary schools and 66 per cent or two thirds of the funding for new secondary schools. Can we be specific about that? Let us take the case of Garrowhill primary school in Glasgow. How much are you contributing to that?

Keith Brown: It is exactly as you said—50 per cent will be allocated for every primary school. I mentioned before that there is some flexibility. We have asked the Scottish Futures Trust to be flexible on that, although that will tend to be in relation to the scale of projects rather than our contribution towards them. The figure is 50 per cent of the eventual costs. I do not know whether Michael Kellet wants to add to that.

Michael Kellet: No. That is exactly the position. There is a commitment to meet 50 per cent of the costs of each primary school on a like-for-like basis.

Des McNulty: I have already looked into the matter, obviously, and Garrowhill primary school will take £10 million to replace. You are saying that you will provide £5 million to Glasgow City Council to build Garrowhill primary.

Keith Brown: No. The price will be the price that is agreed between the council and the Scottish Futures Trust. It will not be the case—I do not think that any Government would accept this—that a price tag will simply be attributed by one party to the funding mechanism. The price tag will be agreed by both parties and the sum will be 50 per cent of that price tag.

I do not know that the price will not be £10 million; I am just telling you how we will arrive at the figure that we agree to pay. The cost will be a point of agreement between the council and the Scottish Government. It will be worked out with the Scottish Futures Trust, taking into account the things that I mentioned before, and we will then pay 50 per cent of the cost.

Des McNulty: Actually, I do not think that you are right. My information is that it will be worked out according to a fixed formula that is based on a combination of space standards, so it will not necessarily be half of what the school costs.

Let me move on to the secondary sector. You have had an opportunity to look at the plans for Dumbarton academy. The estimated cost of that school is of the order of £25 million. You have announced that you will pay just less than £11 million towards it. Is that right?

Keith Brown: Obviously, the process is continuing, but the figure that I have is about £12.1 million for the construction costs, which is 67 per cent, and not the figure that you suggest.

Des McNulty: Excuse me, but that is not the amount that Scottish National Party-run West Dunbartonshire Council says it will cost to build the school that it wants to build on a replacement basis. It is not putting in swimming pools or anything else like that, as far as I am aware. You said that you will contribute two thirds of the costs of building the school, but the council says that you are not doing that. If funding is based on the formula that you suggest, you will short-change every council in Scotland, if I am right.

Keith Brown: I do not think that you are right. As I mentioned before, we will provide 67 per cent of the agreed replacement costs of the school. As I said, if individual councils want to go beyond simply replacing a school and add further facilities, they will bear the cost of that.

I think that there is a particular background to the Dumbarton academy project and its costs. I do not know whether Julie Humphreys or Michael Kellet can speak further to that, but I confirm that we are going to pay 67 per cent of the costs of the school.

Michael Kellet: There is nothing much to add to what the minister said. The position with Dumbarton academy is that the SFT, working with the local authority, will agree the full costs of the construction of the new school, and the Scottish Government's commitment is to pay two thirds of that sum.

Des McNulty: But it is two thirds of a formula. It is not actually two thirds of the building costs of the school. Is that correct?

Michael Kellet: No, it is two thirds of the agreed building costs of the school.

Des McNulty: But the agreed building costs of the school are based on a formula. That is how you make that assessment. Is that correct?

11:30

Keith Brown: Some people have asserted that the council has received £8 million less and have used the phrase "a cut-price school", even though the council has acknowledged that its original estimate of £30 million for a new school was out of date. The news that the Government will fund 67 per cent of the costs of constructing the school has been welcomed by the parent council, the headteacher and the council. I do not know how else to say it—we will provide 67 per cent of the construction costs.

Des McNulty: There is a question mark over that. You have made great play of the on-cost to councils of paying for PPP schools. What will be the annual cost to West Dunbartonshire Council of paying its share of the cost of Dumbarton academy for the next 30 years, assuming that you provide two thirds of the money?

Keith Brown: As soon as the detailed year-by-year cost figures are available, I will be happy to give them to you. We await those figures, but I think that they will demonstrate that that way of funding the school is substantially more effective, not least because the cost of borrowing is substantially cheaper than under the PPP model, and for the other reasons that I mentioned. I will be happy to provide that information as soon as it becomes available. The figures will demonstrate that we will pay 67 per cent of the cost of building the school.

Des McNulty: As a local representative, I know something about West Dunbartonshire. With the PPP schools, because there was no affordability gap, the costs on the council are almost zero. In other words, the PPP schools have not necessarily resulted in council tax payers in West Dunbartonshire paying any more than they were paying before. However, as I understand it, under the mechanism that you propose, the new school could cost them £600,000 or £700,000 a year, which they will have to pay for through the council tax.

Keith Brown: I am not aware of any figures that show that previous PPP projects have been undertaken at zero cost to the council. The costs of those projects are on-going. In every case, the unitary charge that councils across Scotland must pay every year is a substantial sum of money, which comes directly out of their budgets. Despite what you say, the cost to West Dunbartonshire Council of its previous school building projects will, quite rightly, be substantial. I believe that under the way in which we propose to fund new schools, the overall construction costs will be lower. As I say, I will be happy to provide the figures that the member has asked for.

Des McNulty: I will be interested to see them.

I will summarise what you have said. Before the election, the SNP said that it would build new schools using the non-profit-distributing model. What you have said today is that you will proceed with such a model if the SFT comes up with one that delivers an equitable outcome for local authority partners. In other words, you have not done what you said you would do before the election. You are still waiting for a non-profit-distributing model that works. You are using traditional procurement methods to fund schools. There is nothing wrong with that, but the financial envelope that you envisage providing to fund schools, which amounts to approximately £75 million per year over the next four years, is significantly less than the amount of Government investment that was put into new schools annually between 2003 and 2010. In the latter part of that period, you inherited the previous Administration's schools commitments. The period that we are talking about now is your period, your model for which involves spending £75 million a year on new schools across Scotland. That is significantly less than what was spent before.

When you say that you are going to fund 50 per cent of each primary school and 67 per cent of each secondary school, you are referring not to the actual build costs but to an amount that is agreed between the SFT and the council, for which the SFT effectively uses a formula, so there is not an agreement—there is a calculated amount. Is that a fair summary of what you have said today?

Keith Brown: To be frank, absolutely not. It does not really matter which way you rearrange the figures: £700 million is being spent under this Government each year on school building projects; previously, the figure was £531 million. You cannot rearrange or try to detract from that figure.

I have mentioned that we did not want to cancel schools that had been committed to, even if that was desirable for other reasons. It would have been expensive to do that, so we honoured previous commitments, especially when they were contractual, or even beyond that. However, that means that the taxpayer is now paying £700 million a year towards new schools rather than the previous figure of £531 million.

It is true to say that the recent tranche of schools has been built using traditional borrowing methods, which in my view is substantially preferable to PPP. I recall that when on Clackmannanshire Council we took the final decision on the PFI contract that was entered into, every single councillor, with the exception of the one Conservative councillor, said that they did not want to go down that road, but the Labour councillors voted for it because they said that they

had no alternative, although they would have much preferred traditional borrowing.

It is also true to say that that PPP programme did not start until five and a half years after the first Administration took office. We expect to be substantially further ahead than that in respect of any new funding model that comes forward from the Scottish Futures Trust, but, importantly, we are not letting that stop the construction of schools in the meantime, which is proceeding at a cost of £700 million of taxpayers' money each year. These are not our schools and they are not the previous Administration's schools: they are Scotland's schools and they are being funded at a greater level than they were in the past.

The Convener: I thank the minister for his answers and his participation at the committee today. That concludes our questions.

I suspend the meeting briefly to allow the minister to leave. I ask members to stay in their seats to enable us to move on to the second agenda item.

11:37

Meeting suspended.

11:37

On resuming—

11:38

Meeting continued in private until 13:16.

Annual Report

The Convener: The second item is consideration of our annual report, which is due to be published next week. Members have had sight of the report. I am interested in comments. Are members happy to agree the report?

Kenneth Gibson: I am happy to agree the report.

The Convener: Are we agreed?

Members *indicated agreement.*

The Convener: That concludes the public part of the meeting.

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