Thank you for your letter of 28 June about the Department's Main and Supplementary Estimates. Please find below answers to each of the questions raised.

1. and 4. Per pupil spending

The figures published as part of the Main Estimates represent a simple, high level average funding for all pupils, based on budgeted spend, for a particular set of funding lines within the Dedicated Schools Grant. The figures exclude a range of grants which schools recognise as core funding, for instance the Teachers Pay Grant, worth £187 million in 2018-19. Since these grants help schools to meet their basic running costs (in this example, teachers' pay costs), we also count them in calculations of the changes in schools' core funding.

We intend to update this table in future versions of the Main Estimates memorandum, to better reflect the full range of grants that contribute to schools' core budgets. We accept what the table shows for per pupil funding; however this isn't reflective of what schools recognise as core funding: taking the full range of funding into account, core schools funding is being protected in real terms per pupil between 2017-18 and 2019-20, as a result of the additional £1.3bn across 2018-19 and 2019-20 announced in July 2017, over and above existing plans set out in the last Spending Review.

2. Additional capital funding for schools in 2018-19

a) At Budget 2018, the Chancellor announced £400m of additional capital funding for schools in 2018-19. We published the final allocations for individual schools and other eligible institutions on 28 January 2019, and payments were made on 1 February through the same routes as for Devolved Formula Capital (DFC). Published amounts can be found at:
b) The additional £400m capital funding for 2018-19 is for schools and other eligible institutions to spend on small capital projects to meet their own priorities, such as improvements to buildings, and other facilities, including ICT. The normal terms of Devolved Formula Capital (DFC) apply to this funding, as outlined at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791930/Condition_grants_spend_guidance_April_2019.pdf

c) We expect that schools will spend the money in financial year 2018–19. However, the normal terms of devolved formula capital (DFC) will apply, which provide flexibility for schools to spend the funding over the following 2 financial years if necessary.

d) An additional £400m capital funding was announced by the Chancellor at Autumn Budget 2018 for the 2018-19 year only. We have allocated £1.4 billion condition allocations for 2019-20, part of over £7.4 billion allocated since 2015 to responsible bodies to maintain and improve school buildings. Details of condition allocations for 2019-20 are published at: https://www.gov.uk/guidance/school-capital-funding.

3. Funding for teachers’ pensions

We are fully funding the increase in costs to schools and colleges in 2019-20 from the rise in employer contribution rate of the Teachers’ Pension Scheme (TPS) from 16.4% to 23.6% from September 2019, at a total cost of £940m. This includes the Teachers’ Pension Employer Contribution Grant (TPECG) and Supplementary Fund, worth £848m for schools.

The Department has prioritised this funding so that schools and colleges can focus their resources on providing the best education. HM Treasury is providing £645m of funding, and the Department will fund the balance, ensuring the shortfall does not come out of protected school budgets. This will also ensure that the Teachers’ Pension Scheme remains one of the most generous in the country.

5. Sanitary products

a) We are not planning to provide ‘top up’ funding to schools for this purpose. Instead, we will procure a supplier to take orders from schools and deliver products to them. This service and the products will be free for schools and paid for by Government directly to the supplier.

b) We will set an upper spend limit for each school, based on the numbers of female pupils of menstruating age, and some assumptions about expected
levels of take-up. We will be publishing details of the methodology in due course.

c) The aim of the scheme is to provide access to free sanitary products for anyone who needs them. So while schools won't be handing out products to all pupils regardless of need, they should be prepared for pupils to access the products if they need to because, for example, they have forgotten to bring them to school, they have started their period unexpectedly, or they cannot access products for reasons of affordability.

Schools know their learners best and are best placed to decide how to make products available. We are working with stakeholders to develop guidance which will support institutions in embedding this scheme, including utilising their autonomy to determine how products should be made available to learners.

d) Although we have published cost estimates in the Invitation to Tender the actual cost will depend both on the prices of goods and services secured through the competitive procurement process, and the levels of take-up by schools and pupils. We will be monitoring the position closely.

e) The Government is committed to funding the full cost of the scheme in the next Spending Review.

6. Funding movements

A summary and rationale of the movements at Supplementary Estimates is detailed below:

- **£80m RDEL Programme: Apprenticeships.** This Budget Surrender was required by HM Treasury in order to allow the Department to do Budget Exchanges.

- **£75m Budget Exchange to 19-20: Non Ring Fenced RDEL Programme.** This movement was to assist in managing anticipated pensions pressures in 2019-20.

- **£65m CDEL to Non Ring Fenced RDEL.** This switch, suggested by HM Treasury, was to assist the Department in managing in year Programme pressures. Without this switch, the Department was forecasting a net overspend in the non-ring fenced budget.

7. Student loan impairment

a) Of the £11.7bn, £4.3bn was to provide cover for modelling updates and OBR/macro-economic changes, the remaining £7.4bn was requested as contingency to mitigate the risk that uncontrollable events occur before the end of the financial year that affect the budget outturn.

b) We will be working with HM Treasury over summer to understand the impact of the ONS classification change on the National Accounts.
8. Further education

The total amount of funding provided for further education in 2019-20 and the previous four years is detailed below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource DEL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further Education re- stated</td>
<td>5,438</td>
<td>5,148</td>
<td>5,147</td>
<td>4,973</td>
<td>4,843</td>
</tr>
<tr>
<td>Other Further Education - from other estimate lines</td>
<td>294</td>
<td>320</td>
<td>373</td>
<td>314</td>
<td>305</td>
</tr>
<tr>
<td><strong>Total FE RDEL budgets DfE</strong> Estimate</td>
<td>5,732</td>
<td>5,468</td>
<td>5,520</td>
<td>5,287</td>
<td>5,148</td>
</tr>
<tr>
<td><strong>Capital DEL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total FE CDEL budgets DfE Estimate</td>
<td>80</td>
<td>26</td>
<td>78</td>
<td>219</td>
<td>112</td>
</tr>
</tbody>
</table>

**RDEL:**

Overall programme funding for further education has seen a year on year decline since 2015, much of which is due to demographic changes affecting the spend on 16-19 year olds – specific narrative below:

- 16-19 is funded on a per pupil rate; funding has declined due to a decrease in student numbers due to changes in demographics (there are fewer 16-19 year olds at the moment).
- The Adult Education Budget was re-baselined in AY16/17 (relative to 15/16 – but the lag in academic year vs financial year means spend in FY15-16 is higher relative to FY16-17) as a result of reductions announced at SR15, but has been flat since.
- The National Retraining Scheme/Lifelong Learning programmes were new in 2018-19, and the National Career Service has achieved efficiencies by switching to a digital first approach in 2018.
- Changes in how we provide resource funding to FE colleges and Sixth Form institutions experiencing financial difficulty led to a reduction of £105m RDEL between 18-19 and 19-20.

**CDEL:**

- The level of capital funding peaked in 2018-19, predominantly due to restructuring facility funds made available to FE institutions and sixth form colleges. This programme was replaced by the insolvency regime, reducing capital funding available in 19-20 by £138m.
- The reduction is partially offset by investment in new policy initiatives such as National Colleges, Institutes Of Technology, and T-Levels from 18-19 onwards.
9. Education and Skills Funding Agency

a) The Government launched a programme of area based reviews to consider FE college post-16 provision in every area in England, to commence in September 2015 and to conclude in March 2017.

The five key objectives of the area review programme were to deliver:
   a. Institutions that are financially viable, sustainable, resilient and efficient, and deliver maximum value for public investment.
   b. An offer that meets each area’s educational and economic needs.
   c. Providers with strong reputations and greater specialisation.
   d. Sufficient access to high quality and relevant education and training for all, including 16-19 year olds, adults and learners with special educational needs and disabilities (SEND), both those with high needs and those with moderate and low levels of SEND.
   e. Colleges well equipped to respond to the reform and expansion of the apprenticeship programme.

The Spending Review 2015 granted access to the Restructuring Facility (RF) – funding available up to the end March 2019 to support eligible FE colleges who were implementing area review recommendations to restructure but were unable to fund the change themselves.

Exceptional Financial Support (EFS) was not a formal part of the area review programme but was made available to protect learner provision where a Further Education or Sixth Form College was encountering financial, or cash flow, difficulties that put the continuation of provision at risk.

b) FE insolvency regime

The SR 2015 settlement included an agreement that DfE would legislate to bring in an FE insolvency regime – clarifying how existing insolvency legislation would apply to FE institutions as well as introducing a new special administration regime (education administration) that has a special objective to minimise or avoid disruption to existing learners. This legislation came into force in January 2019, ahead of the end of EFS to colleges in March 2019, and provides a clear process of how colleges can be managed if they become insolvent. This forms part of Government’s intervention framework, allowing colleges to enter administration when appropriate without unnecessary disadvantage to learners, while still ensuring the best possible outcome for creditors and taxpayers.
Updates to the intervention framework in April 2019 seek to lower the risk of a college entering insolvency through early identification of issues and taking appropriate action early to enable a turnaround where possible. As soon as signs of financial difficulty emerge, colleges can draw on appropriate support and intervention available from the ESFA and the FE Commissioner.

Thank you for writing on this important matter.

Damian Hinds  
Secretary of State for Education