

Education Select Committee Response – DfE Main Estimate 2014/15

1. In the Permanent Secretary’s letter of 3 April 2014, Mr Wormald stated that the £400m budget exchange “will help ensure the provision of additional new school places which will be needed beyond 2015”. However, in July 2013 David Laws stated that not only was the existing funding “sufficient to provide the 417,000 [school] places we need by 2015”, but also that “over the longer term, we will also fund a further 500,000 places up to 2020-2021, as announced in the recent spending round – again we judge that this will be sufficient to meet the projected demand for school places”.^[1]

If the previously planned funding together with the funding provided in the 2013 Spending Round is sufficient to meet demand up to 2020-21, why was it necessary to use budget exchange to add another £400m to “ensure the provision of additional new school places which will be needed beyond 2015”?

Every year we assess what our capital requirement is. This will vary – going up or down depending on shifts in demographics, the price of land and construction costs, quality and mix of applications to receive funding, and Ministerial priorities. In Spring 2014, looking at our remaining capital pressures beyond those for which allocations had already been made, we considered the cumulative effect of these changes on the overall capital position and identified likely pressures, which we resolved through agreeing £400m of revenue-to-capital budget exchange with the Treasury. Because our overall capital position is derived from variances on multiple programmes we cannot break down where we allocated every pound of the £400m budget exchange as distinct from the allocation of the wider budget. The additional £400 million enabled us to safeguard the whole of our capital position – which is why the previous response said that it was there to support the delivery of the government’s priorities, including both ensuring sufficient good school places and maintenance of schools in the worst condition. However, it is important to note that well before we agreed the Budget Exchange, in December last year, we had made basic need allocations for the three-year period up to 2017, providing funding with effective average national rates of £12,301 for primary and £15,475 for secondary places. Basic need is our first capital priority, and funding it adequately did not depend on Budget Exchange, which is why David Laws was right to say in his speech in 2013 that based on the latest projections, the 2013 Spending Review settlement provided enough funding for the school places that were needed.

2. Almost two years before the start of the 2015-16 financial year the Spending Round was able to quantify the number of Free Schools that the funding could support (up to 180 new Free Schools, 20 Studio Schools and 20 UTCs), which David Laws stated was sufficient to fund 500,000 new places. Why were the DfE unable to quantify the impact of the £400m just a few months before the beginning of the 2014-15 financial year? Can you quantify the impact of the £400m now that we are a quarter of the way through this financial year?

In his speech in 2013, David Laws said “We will continue to set up free schools where there is both demand from parents and where they can make the biggest difference to local provision through addressing basic need and improving the quality of local schools.” He then went on to say “Over the longer term, we will also fund a further 500,000 places up to 2020 to 2021, as announced in the recent spending round – again, we judge that this will be sufficient to meet the projected demand for school places.”

The number of free schools that open is dependent upon the number of high quality applications we receive. We consider each application on its merits and provided it meets

^[1] www.gov.uk/targeted-basic-need-programme

the high standards on value for money and educational quality that we set, we seek to approve it where this is affordable.

The statement in SR 13 about providing funding was, therefore, intended as a guide, not as a precise costing. We could not give a precise costing because costs depend on the type and location of each school, and because schools opened are dependent upon applications received.

As per the answer to the previous question, because our overall capital position is derived from variances on multiple programmes we cannot break down where we allocated every pound of the £400m budget exchange as distinct from the allocation of the wider budget.

3. Please provide a breakdown of the capital funding supporting the creation of new school places in each year 2010-11 to 2015-16 by programme (Basic Need, Targeted Basic Need, Free Schools etc), including

- (i) the budgeted and, where available, actual expenditure for each programme in each year;
- (ii) the number of new school places delivered by each programme in each year; and
- (iii) the average cost per new school place for each programme in each year.

Table 1: 16-19 Demographic Growth Capital Fund

Year	Budget (£m)	Actual Expenditure (£m)	Number of places planned [2]	Average cost per new place [3]
2011-12	30 [1]	23.75	2,630	£9,030
2012-13	40	37.8	3,312	£11,413
2013-15 [4]	80	Expenditure for 2013-14: 22.7 Forecast for 2014-15: 52.5m	4,224	£17,763

Notes on table 1:

[1] The budget for 2011-12 includes £2.5m that was allocated towards remaining project commitments on the 16-19 Capital Fund programme.

[2] This is the number of places the funding was provided to create. These places will be across 16-19 provision, including in sixth form colleges as well as school sixth forms. We do not have a disaggregated figure for the spend on school sixth form places only.

[3] Average cost for 2011-12 and 2012-13 is calculated by dividing the actual expenditure by the number of places planned. Average cost for 2013-15 is calculated by dividing the approved allocation (c. £75m) by the number of places planned. The full budget was not allocated because not enough applications met the approval criteria.

[4] For the years 2013-15 this was a two-year programme. We have provided the funding figure across the two years because it relates to projects spread across these two years and so it is not possible to split the number of places or cost per place into separate years.

Table 2: Targeted Basic Need

Year	Budget (£m)	Actual Expenditure (£m)	Number of places planned	Average cost per new place [1]
2013-15 [2]	825	Expenditure for 2013-14: 229.4 Allocated budget for 2014-15: 550.8	70,665	£11,041

On 18 July 2013, the Minister of State for Schools announced around £820m for the Targeted Basic Need (TBN) Programme to provide around 74,000 new high quality school places. Following the application phase, £825m (Capital 2013-15) was allocated to deliver 74,682 new places. 2,362 places are now being delivered through Free Schools. We saw further a further reduction of 1,655 places as some local authorities withdrew projects and new calculations of need were produced. As a result of the transfers and recalculations, the forecast position for the Programme is £780.2m (Capital 2013-15) to deliver 70,665 new pupil places.

Notes on table 2:

[1] Average cost calculated by dividing the allocated budget (£780.2m) by the number of places due to be delivered with this funding (70,665).

[2] TBN is a two-year programme. Most local authorities are paid over two years regardless of when places are ready, so it is not possible to disaggregate.

Table 3: Priority School Building Programme

Year	Capital Grant Budget (£m)	Actual Expenditure (£m)
2013-14	90	87
2014-15	603	-
2015-16	686	-
2016-17	538	-
2017-18	88	-

The Priority School Building Programme (PSBP) is a school condition programme, designed to address the needs of schools most in need of urgent repair, largely through rebuilding them. The PSBP is being funded through capital grant (214 schools) and private finance (46 schools). The capital and private finance funding will deliver 19,237 additional school places, where schools are being expanded. Some schools are being re-built with a smaller capacity to reflect a reduction in need in the area, and the net effect of both expansions and reductions is 10,851 additional places.

PSBP includes a mix of projects some of which are purely like for like replacements and others which will include some expansions. Where projects include expansions we cannot accurately attribute the spend between the expansion and the like for like replacement.

As the programme continues we conduct feasibility studies which determine when is best to sequence the building of all projects. At this stage not all are complete so we cannot accurately predict, at this point in time, the additional pupil places being provided on a year by year basis.

Table 4: Basic Need

Basic Need funding is provided to local authorities to deliver school places. It is not a centrally run programme. The total funding available is divided between local authorities to reflect their relative need. In December 2013, the department announced funding allocations for 2015-17 and, for these allocations, the effective national average rate per place was £12,301 for primary and £15,475 for secondary. These figures do not reflect any regional variations in funding.

Local authorities have created an additional 260,000 school places between 2010 and 2013 (data from the School Capacity Surveys 2010-2013).

		Basic Need (£m)					
		Main allocations		Additional allocations		Total	
Spending review (SR period)	Financial Year	Budget	Actuals	Budget	Actuals	Budget	Actuals
CSR07	2010-11 [1]	450	415.5	250	250.5	700	666
SR10	2011-12 [2]	800	900 [3]	500	500	1,300	1,400
SR10	2012-13	800	712	600	600	1,400	1,312
SR10	2013-14	800	798			800	798
SR10	2014-15	800				800	
SR13	2015-16 [4]	1,000		100		1,100	

Notes on table 4:

[1] A three-year basic need allocation was announced for the CSR07 period 2008-11 of £400m per year. A small additional amount was retained centrally to cope with exceptional growth in pupil numbers where this could not be met from other funding (£50m in 2010-11) – this is why the actuals are lower than the total budget. In 2010-11 there was an emergency basic need fund of £250m (allocated in 2009, paid in 2010).

[2] There were additional allocations in 2011-12 and 2012-13 following increases in ONS population forecasts.

[3] The actuals reflect £100m payment of 2012-13 funding in 2011-12, which HMT approved with the condition that the department maintained Basic Need funding at £800m in 2013-14.

[4] 2015-16 allocations of £1bn to local authorities have been published with £100m being retained centrally, to allocate in 2015-16 to support local authorities facing significant and unexpected increases in pupil numbers. Note that funding has also been allocated for 2016-17 – details are available on gov.uk (www.gov.uk/government/publications/capital-allocations-for-basic-need-and-infant-free-school-meals).

Table 5: Free Schools, UTCs and Studio schools

	Budget (£m)	Actual Expenditure (£m)	Number of places planned [1] (including UTCs and studio schools)
2011-12	78	50	11142
2012-13	296	275	31965
2013-14	570	704 [2]	57805
2014-15	1194		56723
2015-16	1093		54234

Notes on table 5:

[1] This gives the number of places planned to become available in each financial year – the funding to create these places will have been provided across several years. Spend in each financial year will go towards places in Free Schools opening across a range of years.

[2] A reduction in cost pressures across a number of capital lines at year end allowed for the flexibility to increase spend on Free Schools (bringing forward property purchases etc.) thus reducing the pressure on 14-15 and securing greater value for money (e.g. by buying property ahead of price rises). Due to timing we were not able to formally reflect our revised spend plans within budget lines. This resulted in, on the surface, an in-year overspend on Free School programme line, which was offset by underspends across a number of other lines. Our action at year end was a managed approach and approved by HMT.

Over the course of 2011-16 this funding will deliver an additional 211,869 school places. The average capital costs per place in free school projects in wave 1-3 were calculated by the National Audit Office as part of their November 2013 Study: *Establishing Free Schools*, and is set out below.

Table 6: Total capital costs per place provided

	Wave 1	Wave 2	Wave 3	TOTAL
Primary	£12,700	£12,700	£11,400	£12,100
Secondary	£11,400	£12,700	£19,000	£14,600

All-through	£950	£12,700	£10,300	£10,900
Mainstream schools	£11,300	£12,700	£14,100	£13,000
Special	-	£56,900	£63,700	£60,900
Alternative Provision	-	£17,500	£27,900	£22,500
All schools	£11,300	£13,100	£14,700	£13,400

Notes

1. Capital costs are calculated for each wave of application, regardless of when a Free School opened. They include the costs of acquiring and converting premises for school use.

4. What is the Department's estimate of the proportion of eligible children who are not currently registered for FSM?

Using data provided by Her Majesty's Revenue and Customs (HMRC) in December 2012, the department has estimated that around 160,000 pupils are entitled to free school meals (FSM), but are not claiming them.

What action will the Department take if the number of children registering for FSM drops significantly in the January 2015 census as a result of the introduction of the Universal Infant Free School Meals? Would the Department reconsider the basis for distributing pupil premium funding for that year?

We will look closely at FSM registration rates for infant-age pupils in the Autumn 2014 and Spring 2015 School Censuses. If there is a significant fall in the number of FSM-registered pupils (UIFSM) we will consider what action might be appropriate. We are confident, however, that schools and local authorities can work successfully to register their pupils who qualify for FSM under the existing criteria. We published a UIFSM Toolkit in March which contained guidance on how to maintain registration levels based on the experience of local authorities already delivering universal free school meals.

The department has also produced a model registration form which schools can ask parents to complete as part of the enrolment process. This will give schools the necessary information for them to determine how many pupils will attract funding for universal infant free school meals and pupil premium.

The department has written directly to schools and local authorities to highlight the importance of maintaining FSM registrations, making them aware of the UIFSM Toolkit and model registration form.

5. Would it be possible to identify children eligible for FSM directly from data held by the Department for Work and Pensions or HMRC? What discussions has DfE had with DWP and HMRC about this?

In what other ways could the processes for identifying eligible pupils be made more automatic?

The department has discussed with HMRC and DWP the possibility of automatic notification

or identification of pupils entitled to FSM. Current data sharing powers do not allow for such a process, which need to match individual children in families receiving benefits to their school or local authority.

The Small Business, Employment and Enterprise Bill, which is currently making its way through Parliament, contains clauses that will enable the department to explore the feasibility of sharing of income and benefits data which could potentially be matched to pupil records.

6. In what ways will Priority School Building Programme private finance projects offer better value for money than if the schools were funded by direct capital investment?

The business cases for both parts of the PSBP – private finance and direct capital procurement – show that both procurement routes represent value for money. Private finance procurement offers risk transfer to the private sector, for example in respect of the long-term maintenance of the buildings, which could contribute to better value for money. In the future, as the programmes are delivered, it may be possible to demonstrate the differences in value for money achieved through the two routes, but it is not possible to do so today. We are testing new approaches through the Private Finance route, such as the Aggregator funding vehicle, so this procurement should form a useful proof of concept.

7. Who will pay the ongoing PF2 costs (leases, maintenance and lifecycle services)? If it is the schools, will they get any additional financial support or will they be expected to use their existing allocated budgets?

The department is funding the majority of the costs associated with the PF2 deals. As the deals are centrally procured and entered into by the Secretary of State, the department will pay the unitary charge directly to the contractor. Schools are being asked to contribute to the cost of maintenance services by way of a fixed contribution rate. Lifecycle costs are part of the unitary charge and are funded by the department. There are no costs associated with leases as the PF2 deals do not require there to be any change in ownership of property.

8. Please provide a breakdown of the Estimate budget lines by programme, with comparative budgets for prior and future years. The Committee requests that future Estimate memoranda include such a table as a matter of course, in accordance with Treasury guidance. Annex A of the DCLG Main Estimate Memorandum is a good example of this.

The Supply Estimates Manual requires departments to provide a breakdown of the provision with each Estimate line and a comparison between the main Estimates and the Supplementary budgets. We comply with this requirement by providing the comparison and a high-level breakdown by Estimate Line in the Memorandum's Annex B, but due to technical reasons, we do not list the individual programmes for every Estimate Line in that Annex. The exception is the Education Funding Agency's major capital and resource programmes, and disclosing budgets for the separate NDPBs.

We are only required to provide prior and future years comparatives for the various budgetary control totals and this information is provided in Annex D.

However, we have looked at the DCLG's table, and starting in the 2014-15 Supplementary Memorandum, we will include prior and future year's comparative figures in the 'Detailed Breakdown of Changes to Expenditure' table in Annex B.