Meg Hillier MP
Committee of Public Accounts
House of Commons
London
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21 January 2018

Department for Education Annual Report and Accounts

Thank you for your letter of 14 November following the Committee's evidence session on 12 October. Your letter set out concerns about the Department's programmes. I am replying with up-to-date information and in the same subject order as your letter.

Promised additional funding, school budgets and efficiency savings

In September 2017, we published the per-pupil amounts that each Local Authority (LA) would receive for 2018-19, based on the additional funding announced in July 2017 and the new National Funding Formula. As we do every year, in December 2017 we multiplied these per-pupil amounts by the latest pupil numbers (from the October 2017 school census) to calculate and confirm the total cash amounts each LA will receive for its schools for 2018-19. LAs are now finalising their local funding formulae, which will be used to distribute this funding to schools in their area.

In paragraph 1.4 of the October 2017 Treasury Minute response (49th Report of Session 2016-17 – Financial sustainability of schools) the Department welcomed NAO’s assessment that “it has a clear monitoring and evaluation plan for the Schools Financial Health and Efficiency programme.”

The Department has since further refined its metrics related to school spending, financial health and efficiency, focussing on:

- spending on teachers, education support staff, and non-staff;
- overall efficiency; and
- the proportion of schools in cumulative surplus/deficit and the size of net reserves.

The Education and Skills Funding Agency (ESFA) continues to monitor and support academy trusts and LAs to help the sector achieve financial
sustainability and maximise value for money.

This support includes:
- continually reviewing and, where necessary, updating finance guidance documents and toolkits to build capacity and share best practice;
- holding trusts to account and intervening when things go wrong, as well as continuing to develop our approach with LA maintained schools; and
- strengthening our preventative approach for both academies and maintained schools, including through specific pilots. We are:
  - contacting academy trusts which are forecasting a cumulative deficit, to help them put in place measures to achieve financial stability;
  - piloting a more proactive approach with LA to support their work with maintained schools to develop robust financial plans; and
  - making efficiency advisers available, where appropriate, to help assess the opportunities for further mitigation and efficiency improvements for trusts at risk. These advisers may also work with LAs if appropriate. Accreditation is underway for the first group of school efficiency advisers to work with a number of trusts from January 2018.

We will learn lessons from these pilots and seek feedback from the Trusts and LAs we work with as part of the pilots.

The Department has signed contracts with providers for the North West and South West regions. The project is on target to begin delivery in February 2018. There are presently 160 schools signed up across the regions for the pilot and, as the pilot develops, we aim to engage up to 900 schools in each region. The pilot will run for 12 months with a decision on whether and how to roll the service out nationally to be taken in late 2018/early 2019.

From the start of the programme to create new free schools, we have considered value for money in our decision making processes and have continued to seek out ways to drive value for money. At all times we carefully balance the benefits of opening a new free school with the costs of doing so. Sites are identified in appropriate and safe surroundings, which are a good fit with the school's educational aims and have access to appropriate facilities for physical education. Where there is the opportunity, we use land already available in the school estate or available on a peppercorn lease. When a commercial deal is required, we look for sites considering cost and value for money.

Finding sites for some free schools has proved challenging, especially for those in cities where property prices are at a premium. To overcome some of the challenges of securing sites and land, we have established LocatED to provide the commercial and property market expertise to secure the required sites more quickly, and at better value for the department. In July 2017 we announced that we would work more efficiently to release savings of £280 million up to 2019/20, including working more collaboratively with LAs to provide free schools to meet basic need. This announcement is an extension of our pursuit of value for money and we will continue to look for opportunities to make further efficiencies.
For instance, in future waves, we will prioritise applications where we are likely to be able to secure a value for money site in a timely manner with an acceptable level of risk.

Early years

LAs have a statutory duty to provide information, advice and assistance to parents and prospective parents on the provision of childcare in their area. To improve accessibility for parents we recently strengthened this duty to require LAs to publish their childcare information on their websites and to update it termly. Parents will be able to find information on the childcare providers in their area from their local Family Information Service (FIS). In addition, the Childcare Choices website provides parents with information about all of the government’s childcare offers in one place. It also hosts the childcare calculator to help parents understand what childcare support best suits their family circumstances.

Since the national rollout of 30 hours free childcare in September 2017, the department has worked closely with LAs and key partners to ensure that parents are aware of how and when to apply. In November 2017, the department published a parent communications toolkit to enable LAs to provide parents with detailed information about 30 hours and Tax-Free Childcare. DfE and HM Revenue and Customs have subsequently also provided LAs with social media assets to help parents to the process of securing a 30 hours place.

In March 2017, we published the Early Years Workforce Strategy, the aim of which is to support the early years sector to remove barriers to attracting, retaining and developing the early years workforce. We are currently consulting on criteria to strengthen the content of level 2 qualifications, as well as the specification for a qualification in early years special educational needs and disabilities (SEND) practice.

In Unlocking Talent, Fulfilling Potential, published on 14 December 2017, we also set out our plans for a £20 million investment in school-led professional development activity in pre-reception settings (including private, voluntary and independent providers) to support early language and numeracy. These partnerships between schools and other early years settings will focus on developing the skills of practitioners to drive improved outcomes for children.

LAs have a legal duty to secure early education places free of charge for eligible two, three and four-year-olds in their area. However, the statutory guidance is clear that government funding is intended to deliver 15 or 30 hours a week of free, high quality, flexible childcare and it is not intended to cover the costs of meals, other consumables, additional hours or additional services. Therefore, providers are able to charge parents for additional services as long as these charges are not a condition of accessing a free entitlement place. The Department and its delivery contractor, Childcare Works, continue to support LAs and childcare providers to deliver 30 hours in a way that works for both providers and parents.

This support includes:
- tailored support from Childcare Works;
- good practice set out in operational guidance; and,
- our Delivery Support Fund, which will allocate additional funding to LAs aimed at preventing sufficiency problems in the summer term.

In addition, the Department has developed free packages of business support for providers in partnership with organisations such as the National Day Nurseries Association (NDNA) and the Professional Association of Childcare and Early Years (PACEY).

**Children’s services**

Following the 2017 election, we thought it most useful to provide a roadmap covering the whole of the new parliamentary period to 2022.

This does not imply slippage of the programme, indeed the majority of our strategy for 2020 remains on track, with the system changes introduced and in place by 2020. We are though dependent on the availability of Parliamentary time to introduce the Regulations necessary to enable us to deliver some of the provisions in the Children and Social Work Act. One specific change which has been made to the delivery timetable, and is reflected in the roadmap, is for the assessment and accreditation of social workers. This was in response to the consultation with the sector, which came after the evidence, gathered by Committee in October 2016. We now expect to have rolled out the assessment and accreditation of social workers by 2022, following a phased approach of launching with groups of LAs.

The new improvement programme, launched in October 2017, is aimed at identifying and supporting those LAs most at risk of slipping into the ‘Inadequate’ category. It will complement our interventions work with failing LAs (29 LAs as at 31 December 2017) and build on the work of our Innovation Programme (which has thus far involved 116 LAs on 95 projects).

Once LAs in need of help are identified, we will look to provide support from our very strongest authorities. We will be expanding our existing Partners in Practice (PiP) programme, combining development of excellent practice, with support for other LAs, from the existing seven (representing 10 LAs across England) to at least double that number. The existing PiPs are providing support to more than 15 authorities. Applications were launched in the autumn 2017 and new Partners in Practice will be announced by the end of February 2018.

We have committed £20 million towards the improvement programme for LAs, drawn from existing children’s social care budgets.

We are working in partnership with the sector to test new Regional Improvement Alliances, which will create a system in which all LAs take part in systematic assessment and challenge of their performance. We believe this approach will complement the new Ofsted framework, and make sure intelligence about the quality of practice and processes is considered alongside
the data we already collect. That should help us to be clearer about which authorities are facing issues which might result in them slipping towards failure, in a way which data alone has not enabled us to do hitherto.

The new arrangements are currently being tested in the East Midlands, West Midlands and East of England. Outcomes and learning from these pilots, and the subsequent rollout plan, will be available by March 2018. There are currently 69 LAs rated ‘Requires Improvement’ in England, and the Alliances will enable us to identify which of these LAs are most at risk of falling into “Inadequate”, and enable LAs to share best practice and support each other to improve to “Good”.

Further Education

The latest analysis of the financial health position of the FE sector was carried out using the July 2017 financial plans. The analysis indicates that the financial position of the sector for 2016/17 will be broadly in line with the position reported in 2015/16. A more up to date position will be available once the analysis of the full set of data from the December 2017 financial records is available at end February 2018.

We are at the mid-point in the implementation of area reviews. The implementation phase commenced from January 2016 with the first wave, and is due to complete in April 2019 when the restructuring facility funding is no longer available to colleges. As of December 2017, well over half of the proposed college mergers (35 out of 58), and sixth form college conversions to 16-19 academies (17 out of 31) have completed.

To date, of those completed, 16 (30%) of structural changes have received restructuring facility funding. However, not all merger recommendations are progressing at the pace we would want and the FE Commissioner and the ESFA are working with colleges to find alternative solutions where appropriate.

The area review programme prompted over 35% of colleges to commit to structural change. 58 mergers have been proposed, involving around 120 colleges, and 31 proposals for sixth form college conversions to 16-19 academies. If all the proposals go ahead as recommended, we anticipate that the number of FE colleges will reduce from 332 at the start of the programme to 240 by the time of its conclusion, with 25% fewer General Further Education Colleges (GFECs) and 40% fewer sixth form colleges.

I am copying this letter to the Comptroller and Auditor General, the Treasury Officer of Accounts and to Eileen Milner, the Chief Executive of the ESFA.

[Signature]

JONATHAN SLATER
PERMANENT SECRETARY