



House of Commons

Children, Schools and Families  
Committee

---

## Public Expenditure

---

**First Report of Session 2008–09**

*Report, together with formal minutes, oral and  
written evidence*

*Ordered by the House of Commons  
to be printed 8 December 2008*

## The Children, Schools and Families Committee

The Children, Schools and Families Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Children, Schools and Families and its associated public bodies.

### Membership at time Report agreed

Mr Barry Sheerman MP (*Labour, Huddersfield*) (Chairman)  
Annette Brooke MP (*Liberal Democrat, Mid Dorset & Poole North*)  
Ms Dawn Butler MP (*Labour, Brent South*)  
Mr Douglas Carswell MP (*Conservative, Harwich*)  
Mr David Chaytor MP (*Labour, Bury North*)  
Mr John Heppell MP (*Labour, Nottingham East*)  
Mrs Sharon Hodgson MP (*Labour, Gateshead East & Washington West*)  
Paul Holmes MP (*Liberal Democrat, Chesterfield*)  
Fiona Mactaggart MP (*Labour, Slough*)  
Mr Andrew Pelling MP (*Independent, Croydon Central*)  
Mr Andy Slaughter MP (*Labour, Ealing, Acton & Shepherd's Bush*)  
Mr Graham Stuart MP (*Conservative, Beverley & Holderness*)  
Mr Edward Timpson MP (*Conservative, Crewe & Nantwich*)  
Lynda Waltho MP (*Labour, Stourbridge*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk)

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/csf/](http://www.parliament.uk/csf/)

### Committee staff

The current staff of the Committee are Kenneth Fox (Clerk), Sarah Thatcher, (Second Clerk), Emma Wisby (Committee Specialist), Judith Boyce (Committee Specialist), Jenny Nelson (Senior Committee Assistant), Susan Ramsay (Committee Assistant), and John Kittle (Committee Support Assistant).

### Contacts

All correspondence should be addressed to the Clerk of the Children, Schools and Families Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6181; the Committee's e-mail address is [csfcom@parliament.uk](mailto:csfcom@parliament.uk)

# Contents

---

<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>Preface</b>	<b>5</b>
<b>1 Expenditure trends and plans</b>	<b>6</b>
<b>2 DCSF Annual Report</b>	<b>12</b>
Public Service Agreements	14
<b>3 Schools funding</b>	<b>16</b>
Deprivation funding	16
Academies and local decision making	17
<b>4 Efficiency savings and productivity</b>	<b>18</b>
Gershon targets	18
Productivity	20
<b>Conclusions and recommendations</b>	<b>22</b>
<b>Formal Minutes</b>	<b>24</b>
<b>Witnesses</b>	<b>25</b>
<b>List of written evidence</b>	<b>25</b>
<b>List of recent Reports from the Committee</b>	<b>26</b>



## Summary

---

### *Expenditure trends and plans*

The funding arrangements put in place for the Department for Children, Schools and Families in the last Spending Review have to be seen against an economic and financial background which is considerably worse than it was when we took evidence in the summer. The broader issues are for others to consider, not us; but the concern for the Department is that these serious economic problems could undermine investment in education and related services and could prevent the Government from achieving its objectives. For example, the private sector may be far less willing to enter into PFI arrangements in connection with the Building Schools for the Future programme. The prospect for the services which are funded via the Department is that at best the funding provided from it will be much tighter than it is at present, and that, come the next Spending Review, the likelihood is that, to put it no higher, the rate of growth in expenditure will be minimal. Those in charge of schools and children's services more widely need to be planning now for ways of coping with a much more austere future.

Capital investment in education, particularly in Building Schools for the Future and in further education, has had a significant positive impact, and we are pleased to see the Government reaffirming its commitment to its capital plans, both from an educational perspective and for the wider economic benefits. Some concern has been expressed that the review of Building Schools for the Future under the Public Value Programme will lead to the programme being curtailed. For the avoidance of doubt, it would be helpful for the Department to make a clear statement about its view of the future of the BSF programme in response to this report.

### *Departmental Annual Report*

There are three key problems with the presentation of expenditure figures which derive from the new Department's remit. These problems are:

- There is no clue as to which expenditure streams or grants within Table 8.3 are supposed to deliver the objectives set out in Table 1;
- The three major sub-heads (Schools, Children and Families and Young People) relate only in part to recognisable delivery institutions. While Schools expenditure is clearly linked to schools, Children and Families is, as a stream of money, less obviously spent through bodies that can be scrutinised and assessed;
- Local government has been required to create Children's Services departments. Within authorities, services still include recognisable entities dealing with matters such as child protection, childcare, adoption, young offenders and so on. None of these comprehensible service sub-heads appear in the detailed breakdown of expenditure in Table 8.3.

We understand the complexities of changing the presentation of information but, if the Department is to continue with its departmental strategic objectives, having information

about expenditure on each objective is extremely useful, and we ask that it be included in the Departmental Annual Report from next year on.

#### *Public Service Agreements*

There is an argument that in the Departmental Annual Report for each lead Department on a PSA there should be clear financial information listing the amount of money each Department has committed to the objective in the previous financial year and that which it plans to spend in coming financial years. This is another issue which we will wish to discuss with the Department in advance of next year's Departmental Annual Report. It is also an issue which we shall ask the Treasury to examine.

Some of the new PSA targets have 2020 as an end date. There is no real accountability in a target that is set 12 years ahead, so staging points along the way are essential. Targets must also be allowed to stand until the point at which they are due to be met, otherwise the goalposts will be changing constantly. If the targets are set 10 or 12 years ahead, but are changed at every three-yearly spending review, no target will be attained or missed, but all will be superseded.

#### *Efficiency savings and productivity*

Over education programmes as a whole, referring back to the Department for Education and Skills, the Government says that savings of £4.46 billion have been made, against a target of £4.3 billion. The way in which it has been achieved is again painted in broad and frankly vague terms. We will look for much more of the promised detail on the achievement of the Gershon targets in the 2009 Departmental Annual Report.

The new Public Value Programme will look at Building Schools for the Future, child care and teaching assistants. We ask the Department to provide us with more detail on the issues in relation to teaching assistants that the Public Value Programme is examining, and what the potential outcomes might be. We also ask the Department to provide further information about what aspects of Building Schools for the Future will be reviewed under the Public Value Programme. One concern is that BSF contracts at the local level are not transparent, and we ask that greater transparency is one of the issues that the review addresses.

The question of how the effect of increased spending on education can be measured is another that we have examined before. The whole question of what productivity means in a sector such as education is a complex one, and the Government has previously been reluctant to provide analysis of it. In this year's Annual Report, however, there is discussion of productivity. Given the Government's belief that cost-benefit analysis provides a much better measure than productivity of the effectiveness of expenditure on education, we recommend that the Department undertakes more wide-ranging cost-benefit analyses and puts them in the public domain through the Departmental Annual Report. We also recommend that when the Department makes cost-benefit analyses of specific sectors those too should be made public in order to provide the best informed debate possible about the effectiveness of expenditure on education and related services.

## Preface

---

1. This Report arises from the Committee's commitment to an annual examination of Department for Children, Schools and Families' expenditure and management of resources. It is based principally on the Department's Annual Report<sup>1</sup> and meetings with the Rt Hon Ed Balls MP, Secretary of State for Children, Schools and Families, and with David Bell, Permanent Secretary, and Jonathan Thompson, Director General, Corporate Services, of the Department for Children, Schools and Families.

2. In this report on expenditure we pick up a number of the issues that we looked at in our Report earlier this session on the DCSF and the Children's Plan,<sup>2</sup> such as the further changes to the schools funding system and the Department's progress on efficiency savings under the Gershon process. We also look at the overall prospects for financing of the DCSF's programmes, the way that the DCSF reports on its expenditure and measuring productivity in education and related services.

3. We are grateful for assistance with this inquiry from Tony Travers, Director of the Greater London Group at the London School of Economics.

---

1 DCSF, Departmental Annual Report 2008, Cm 7391, May 2008

2 Children, Schools and Families Committee, Second Report of Session 2007-08, The Department for Children, Schools and Families and the Children's Plan, HC 213

# 1 Expenditure trends and plans

4. Public expenditure on education (including training) in the United Kingdom was equivalent to 5.6 per cent of GDP in 2007–08, following a period of increase since 1997–98. Spending has increased as a share of the economy during a period of economic expansion, so the resources made available have increased significantly in real terms. Table 1 shows education spending as a proportion of GDP for each year from 1997–98 to 2007–08. This definition includes all education, including services within the ambit of the Department for Innovation, Universities and Skills.

5. It is worth adding that public expenditure on education as a proportion of GDP was also well over five per cent in the early 1990s (5.4 per cent in 1992–93). The increase in public expenditure on education—as a percentage of GDP—is levelling off. Table 2 shows the planned levels of public expenditure as a proportion of GDP for the three years up to 2010–11. Health expenditure has risen more rapidly as a proportion of the economy and is planned to continue to do so. Table 3 shows expenditure on all phases of education in larger European countries in 1995, 2000 and 2005, with an OECD average for comparison.

**Table 1**

**Public expenditure on education as a % of GDP, 1997–98 to 2007–08—United Kingdom**

	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
Education as % of GDP	4.7	4.6	4.5	4.7	5.1	5.1	5.4	5.4	5.6	5.5	5.6

Source: *Public Expenditure Statistical Analyses 2008, HC 489, London: TSO Table 4.4*

**Table 2**

**Public expenditure on education as a % of GDP, 2007–08 to 2010–11—United Kingdom**

	2007–08	2008–09	2009–10	2010–11
Education as % of GDP	5.5	5.6	5.6	5.6

Note: On a slightly different basis to Table 1.

Source: *Meeting the aspirations of the British people 2007 Pre-Budget Report and Comprehensive Spending Review, Cm 7227, TSO; London, Table D.2*

**Table 3**

**Education expenditure as a % of GDP, larger European countries and OECD average 1995, 2000 and 2005**

	1995	2000	2005
France	6.6	6.4	6.0
Germany	5.4	5.1	5.1
Italy	4.8	4.8	4.7
Spain	5.3	4.8	4.6
United Kingdom	5.2	5.0	6.2
OECD average	5.5	5.0	5.6

*(Source: Education at a Glance 2008, OECD Indicators, Table B2.1, Paris: OECD)*

6. Tables 1 and 2 showed overall UK public education expenditure as a proportion of GDP. Another way of analysing spending is to compare changes adjusted to take account of inflation (*i.e.* in real terms). Table 4 shows changes in real terms spending on each phase of education in each year since 1997–98, including those now within the Department for Innovation, Universities and Skills.

**Table 4**  
**(All) Education expenditure, by sub-sector, 1997-98 to 2007-08 England**

	£ million, in real terms													
	1997-98 to 2002-03							2003-04 to 2007-08						
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08			
<b>Schools</b>														
Capital	1334	1460	1582	1926	2228	2699	3276	3671	3992	4007	4519			
Current	22691	23169	24860	26996	29566	30509	33550	34595	36227	36645	37505			
of which:														
Under fives	2178	2223	2473	2765	3306	3355	3744	3982	4104	3828	4052			
Primary	8139	8258	8580	9297	10038	10486	11107	11237	11676	11819	12056			
Secondary	9862	10053	10594	11371	12492	12951	14313	14888	15457	15797	16059			
Other	2229	2347	2910	3237	3371	3345	3975	4061	4548	4748	4877			
<b>Further Education/ Adult &amp; Community</b>	4149	4065	4177	4527	5369	5629	6392	6603	7161	7231	7544			
<b>Higher Education</b>	5594	5548	5901	5471	5831	5975	6235	6467	6948	6918	7189			
<b>HE Student Support</b>	1596	1585	1423	1341	953	606	494	939	1106	1307	1445			
<b>Admin, inspection etc</b>	1591	1686	1118	1174	1320	1497	1546	1693	1750	1711	1790			
<b>TOTAL</b>	36955	37513	39061	41434	44005	46915	51492	53968	57184	57817	59992			
<b>TOTAL (Cash)</b>	29699	30911	32835	35327	39519	42239	47703	51377	55589	57817	62242			

Source: Departmental Report 2008, DCSF, Cm 7391, Table 8.4

7. Spending on each phase of education—apart from student support—has increased in real terms in the years since 1997–98. Overall, the former Department for Education and Skills’s spending programme had increased, in real terms, by 110% in the period from 1997–98 to 2007–08. In the most recent year (2007–08), the biggest spending rises were in ‘Schools capital’ and ‘Further Education and Adult & Community Learning’. Schools’ current spending was up by 2.3% in real terms.

8. Table 5 below shows the expenditure figures for 2003–04 and 2007–08 (from Table 4) with each sub-head shown as a percentage of the total. The changes shown between 2003–04 and 2007–08 represent evidence of the relative priority given by the Government to each phase and sub-head of spending in the past four years. The Table shows that capital spending has increased in relation to current spending; current expenditure on under fives, primary and secondary education has declined, while spending on FE and HE student support has increased in relation to the total. Overall, there has been a shift of relative funding from ‘younger’ to ‘older’ phases of education.

**Table 5**

**Spending sub-heads as a percentage of total expenditure 2003–04 and 2007–08**

	2003–04	2007–08
Schools		
Capital	6.4	6.5
Current	65.2	62.5
of which:		
Under Fives	7.3	6.8
Primary	21.6	20.0
Secondary	27.8	26.8
Other	7.7	8.1
<b>Further education/Adult &amp; Community</b>	12.4	12.6
<b>Higher Education</b>	12.1	12.0
<b>HE Student Support</b>	0.9	2.4
<b>Admin, Inspection etc</b>	3.0	3.0
<b>TOTAL</b>	<b>100</b>	<b>100</b>

(Source: as Table 4)

9. Table 6 summarises spending per pupil for the schools in each year since 1997–98. Expenditure per pupil has risen in each year and continues to rise faster than the real increase in spending on schools. Pupil numbers are starting to fall.

Table 6

## Real terms revenue funding per student/pupil, 1997-98 to 2007-08

1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 Estimate
100	103	108	118	125	129	138	144	151	159	166

Source: *Departmental Report 2008*, Department for Children, Schools and Families, Cm 7391, London: TSO, Table 8.6.

10. All of this takes place against an economic and financial background which is considerably worse than it was when we took evidence in the summer. The Government has had to make available extraordinarily large amounts of capital to banks to enable them to continue operating and to try to prevent another run on a bank such as that which undermined Northern Rock. The country has now, according to the Bank of England, entered recession, where it is likely to remain for at least the next year. With that recession goes falling output and increasing unemployment and, in consequence, falling tax revenues. The broader issues are for others to consider, not us; but the concern for the Department is that these serious economic problems could undermine investment in education and related services and could prevent the Government from achieving its objectives. For example, the private sector may be far less willing to enter into PFI arrangements in connection with the Building Schools for the Future programme.

11. The Government has aimed to provide reassurance on these issues. In October the Prime Minister committed the Government to honouring its investment programme for education and health, saying: "You should know that the measures we are taking are not at the expense of better public services ... Our commitment to our investment in schools and hospitals and to ensuring fairness is as strong as ever".<sup>3</sup> In the recent Pre-Budget Report the Chancellor again said that health and education remain a priority and that £800 million of capital investment in schools previously proposed to be spent in 2010-11 would be brought forward to 2008-09 and 2009-10.<sup>4</sup>

12. We shall watch to see how matters develop over the coming months, but **the prospect for the services which are funded via the Department is that at best the funding provided from it will be much tighter than it is at present and that, come the next Spending Review, the likelihood is that, to put it no higher, the rate of growth in expenditure will be minimal. Those in charge of schools and children's services more widely need to be planning now for ways of coping with a much more austere future.**

13. **Capital investment in education, particularly in Building Schools for the Future and in further education, has had a significant positive impact, and we are pleased to see the Government reaffirming its commitment to its capital plans, both from an educational perspective and for the wider economic benefits.**

3 "No cuts in health or education budgets", says PM, *The Guardian*, 10 October 2008

4 HM Treasury, Pre-Budget Report 2008: Facing global challenges: supporting people through difficult times, Cm 7484, 24 November 2008, para 6.13

14. Some concern has been expressed that the review of Building Schools for the Future under the Public Value programme, discussed below, will lead to the programme being curtailed. **For the avoidance of doubt, it would be helpful for the DCSF to make a clear statement about its view of the future of the BSF programme in response to this report.**

## 2 DCSF Annual Report

---

15. As the Committee commented in its report on the Children's Plan, the DCSF has several sets of objectives—Every Child Matters outcomes, Departmental Strategic Objectives and cross-governmental PSA targets—and it was not clear to us how these Objectives related to each other or which had priority.<sup>5</sup> The 2008 Departmental Annual Report (DAR) is structured around the Departmental Strategic Objectives, and the Department indicates that this will be the structure for future reports.<sup>6</sup> Table 1 of the DAR attempts to show how the various objectives interact with each other. It lists which PSA targets are linked to Departmental Strategic Objectives, and how they relate to Every Child Matters outcomes. It is interesting to note, for example, that PSA 9 on the abolition of Child Poverty is linked to the ECM outcomes, but not to a Departmental Strategic Objective.

16. Further problems become apparent when examining the expenditure tables. Table 8.3 of the DAR groups the Department's expenditure under three heads: Schools, Children and Families, and Young People. This breakdown is an attempt to align spending to the name of the new Department, but it is clear that it has not been successful in that attempt.

17. It is evident that the Department has worked hard to find a way of presenting the new Department's programme, but there are three key problems with the presentation of expenditure figures which derive from the new Department's remit. These problems are:

- There is no clue as to which expenditure streams or grants within Table 8.3 are supposed to deliver the objectives set out in Table 1.
- The three major sub-heads (Schools, Children and Families and Young People) relate only in part to recognisable delivery institutions. While Schools expenditure is clearly linked to schools, Children and Families is, as a stream of money, less obviously spent through bodies that can be scrutinised and assessed.
- Local government has been required to create Children's Services departments. Within authorities, services still include recognisable entities dealing with matters such as child protection, childcare, adoption, young offenders and so on. None of these comprehensible service sub-heads appear in the detailed breakdown of expenditure in Table 8.3.

18. When we raised these issues with the Permanent Secretary and Director General, Corporate services, we were told that it would be possible to align the expenditure more precisely. Jon Thompson said:

---

<sup>5</sup> Children, Schools and Families Committee, Second Report, 2007-08, The Department for Children Schools and Families and the Children's Plan, HC 213, para 22

<sup>6</sup> DCSF, *Departmental Annual Report 2008*, Cm 7391, page 11

“It certainly would be possible to produce an analysis of the £168 billion that the Department has available in the public spending review period against the six departmental strategic objectives...It is available within the Department.”<sup>7</sup>

19. The Department provided the information in writing after the evidence meeting. The allocation of DCSF resources for the current financial year is:

	£'000
DSO 1 <i>Secure the wellbeing and health of children and young people</i>	536,452
DSO 2 <i>Safeguard the young and vulnerable</i>	170,168
DSO 3 <i>Achieve world class standards in education</i>	39,606,111
DSO 4 <i>Close the gap in educational achievement for children from disadvantaged backgrounds</i>	2,608,912
DSO 5 <i>Ensure young people are participating and achieving their potential to 18 and beyond</i>	7,623,754
DSO 6 <i>Keep children and young people on the path to success</i>	981,609
Lead and manage the system	1,063,987
<b>DCSF Total</b>	<b>52,590,993</b>

20. We are grateful to the Department for providing the information that we asked for. This brings home clearly the division between school and education, and other children's services, and the dominance that education enjoys: on these figures, £49,838,777,000 (just under 95%) of the Department's budget is spent on educational services. Within the region of 23,000 schools to fund, we can see how this comes about; but with that structural rigidity it may be that the Department automatically looks to schools to undertake an increased number of 'social' tasks rather than necessarily considering whether delivery through schools is the best way of delivering them.

21. We asked if it would make more sense to illustrate spending by showing how money is allocated to Children's Services departments and then show its allocation to other more specific services. David Bell and Jon Thompson indicated that it could be done,<sup>8</sup> but in a supplementary memorandum the Department cautioned that

“The existing Table 8.3 is based on the Departmental organisational structure, which is largely in line with the various areas of policy development. The table can be reformatted in a number of ways but this will take considerable effort to ensure that

7 Qq 18 and 19

8 Q 20

the information is correct, will be helpful and will be understandable to users. The Department will consider if this is possible when preparing the 2009 Departmental Report”.<sup>9</sup>

22. We understand the complexities of changing the presentation of information so radically, and there is a strong argument that information should be provided in a consistent form over a period of years in order to allow proper comparisons. We look forward to discussing with the Department what might be possible in the build-up to next year’s Departmental Annual Report. However, **if the Department for Children, Schools and Families is to continue with its Departmental Strategic Objectives, having information about expenditure on each objective is extremely useful, and we ask that it be included in the Departmental Annual Report from next year on.**

### Public Service Agreements

23. The system of Public Service Agreements (PSAs), commonly known as targets, was completely overhauled in the 2007 Spending Review. The responsibility for delivering each PSA lies with a number of Departments, who share a Delivery Agreement. The stated aim is to have fewer PSAs and targets, although as we said in our report on the Children’s Plan:

“Under the 2004 Spending Review, the DfES had five headline objectives, and 14 indicators in total which were used to assess progress towards those objectives. Under the 2007 Spending Review, the DCSF a gain has five headline objectives, but 26 indicators. For the DCSF at least it appears that the pressure to achieve targets will not be reduced.”<sup>10</sup>

24. We will no doubt return to the question of the usefulness of a multiplicity of performance indicators, but one of the issues we explored on this occasion was the amount of money that each Department which shared a target contributed towards its achievement. We asked whether it was possible to identify precisely how much money was being spent across Government on PSAs for which the Department has responsibility. David Bell said that “No department was able just to put its name to a PSA being led by another department without being clear that it had the means to support the achievement of those ends.”<sup>11</sup> On the specific point, however, Jon Thompson told us:

“We definitely could tell you how much of our budget is allocated against the relevant Public Service Agreements. To manage expectations, the total budget can be broken into the six departmental strategic objectives, so you can allocate all the money into those bits, but PSAs do not cover the totality of the Department’s spend, so you then have to go to another level. We could answer your question from our perspective, but beyond the Department the information that we would provide to you would be less specific. We could not necessarily answer how much in total is

---

9 Ev 21

10 Children, Schools and Families Committee, Second Report, 2007–08, The Department for Children Schools and Families and the Children’s Plan, HC 213, para 25

11 Q 34

spent on a particular PSA, but we could definitely tell you how much we are contributing.”<sup>12</sup>

25. We can see why the DCSF might not have the full range of information about funding of a specific PSA from outside departments, but there is no doubt that this lack of clarity about what a commitment to support a PSA actually means in financial terms makes our job of holding the Department and the Government to account more difficult. David Bell noted that each PSA has a delivery agreement,<sup>13</sup> but these do not appear to list the financial contribution made by each Department to the achievement of each PSA. **There is an argument that in the Departmental Annual Report for each lead Department on a Public Service Agreement there should be clear financial information listing the amount of money each Department has committed to the objective in the previous financial year and that which it plans to spend in coming financial years. This is another issue which we will wish to discuss with the Department in advance of next year’s Departmental Annual Report. It is also an issue which we shall ask the Treasury to examine.**

26. The other issue on Public Service Agreements that we pursued was the extent to which the objectives from the 2004 Spending Review were still being pursued. The example that we looked at was that of reducing childhood obesity. The 2004 target was to halt the year on year rise in obesity by 2010. The 2007 target is to reduce the proportion of overweight and obese children to 2000 levels by 2020.<sup>14</sup> David Bell argued that this new target was more ambitious but explained that the 2010 target was no longer being pursued.<sup>15</sup> This causes a real problem. **There is no real accountability in a target that is set 12 years ahead, so staging points along the way are essential. Targets must also be allowed to stand until the point at which they are due to be met, otherwise the goalposts will be changing constantly. If the targets are set 10 or 12 years ahead, but are changed at every three-yearly spending review, no target will be attained or missed, but all will be superseded.**

---

12 Q 33

13 Q 38

14 Q 42

15 Qq 42 and 45

## 3 Schools funding

---

### Deprivation funding

27. This Committee and its predecessor have discussed issues to do with schools' funding for a number of years. An enduring issue throughout the various inquiries has been that of how best to provide funding for pupils from deprived backgrounds. In January of this year, the Secretary of State told us:

“At the moment, within the overall dedicated schools grant, about 10%—slightly more than £3 billion; about £3.5 billion of that £36 billion DSG—goes on deprivation spend, so there is already a substantial chunk of expenditure there. However, that is within the context of an historical set of arrangements. Clearly, there is a balance to be struck between the pace of change and stability.”<sup>16</sup>

28. The Institute for Fiscal Studies (IFS), in a report for the CfBT Education Trust, argued that the distribution of the funding for deprivation is ‘flattened’ by local authorities’ distribution formulae, and that while schools with large numbers of pupils receiving free school meals receive more funding, this is likely to be because “current deprivation levels are strongly correlated with historical deprivation levels. Funding from year to year does not seem to respond to changes in deprivation very much at all”. The IFS calculated that pupils on free school meals attract over 70% more funding than other pupils (£1,500 more in primary schools, £2,400 in secondary schools) but that only around 40–50% of that premium was actually passed on to schools with those pupils by local authorities through their formulae.<sup>17</sup>

29. When we raised this with the Secretary of State, he acknowledged that the full amount of deprivation funding did not find its way to the schools for which it is intended, though he said that the DCSF calculated that around 66% did reach the target schools. He said that it was being monitored and that the DCSF was “actively encouraging local authorities to raise that percentage. That is one of the things that we will need to look at in the review of schools funding that we are now starting. But we are not seeking to centralise education funding and to take away that discretion”.<sup>18</sup>

30. As the Secretary of State told us, deprivation will be a key issue to be discussed in the schools funding review. The outcome will depend largely on how the Department addresses the conflict between stability and increased funding for deprived areas. Since the furore over schools funding in 2004, stability of funding has been the overriding objective of the Government. Given the constraints on funding that can be expected in the next spending round, which is when any new funding regime would come into effect, stability is likely to win again over any form of redistribution based on deprivation or other needs. On the other hand, **one of the DCSF’s strategic objectives is to ‘close the gap in educational achievement for children from disadvantaged backgrounds’, and one of the main levers**

---

16 Evidence given by the Secretary of State on 9 January 2008, HC 213, session 2007–08, Q 48

17 Research by the Institute for Fiscal Studies for CfBT Education Trust, *Level playing field? The implications of school funding*, June 2008.

18 Q 150

**to try to achieve that is undoubtedly increased funding. We would also wish attention to be paid to authorities and schools with sharply rising needs arising from population increases. We will monitor the review process to see how the Government intends to address this perennial problem.**

### **Academies and local decision making**

31. There is another issue which relates to local determination of funding. Academies have individual funding agreements with the Department, and 400 are now planned. There must be a question mark over how that will impact on local funding formulae. If there are a large number of academies in a given area, that local decision making which the Department says is important will be eroded, and while the Secretary of State says that the Government does not wish to centralise education funding, the greater the number of academies, the greater the degree of involvement of the Department in these funding decisions. This is another issue which needs to be explored during the review.

## 4 Efficiency savings and productivity

---

### Gershon targets

32. Another issue which we and our predecessors have looked at regularly is the Gershon programme of efficiency savings. In that regular examination, we have expressed concern about how the target of £4.3 billion of savings over the life of the programme (the figure is for the former Department of Education and Skills) translates into actual savings in cash and other resources. Our scepticism remains, as other than reductions in numbers of staff employed, much of the rest of the programme as it relates to the DCSF appears to be an accounting exercise rather than a reduction in the amount of resource expended. As our predecessors said in 2006, we do wonder whether quantifying these efficiency savings in cash terms is in any way helpful.<sup>19</sup>

33. We discussed with senior officials and the Secretary of State the progress that has been made in achieving the savings that the Department was assigned. We were assured that the Department was on track to achieve those savings, and that they would be quantified in detail in the Autumn Performance Report and in the 2009 Departmental Annual Report.<sup>20</sup> The Secretary of State told us that “we need to show not only that we have delivered our Gershon savings but that we are doing everything we can, nationally and locally, to use our budgets effectively”.<sup>21</sup>

34. We agree wholeheartedly with the Secretary of State that budgets should be used efficiently. However, we have still not seen the firm evidence that the Gershon programme produced real efficiency savings. The Pre Budget Report speaks in broad brush terms of the overall targets being exceeded<sup>22</sup> and refers us to a document entitled *2004 Spending Review: final report on the efficiency programme*. That provides marginally more information, but certainly not the level of detail that we would expect.

35. Over education programmes as a whole, referring back to the Department for Education and Skills, this document says that savings of £4.46 billion have been made, against a target of £4.3 billion. The way in which it has been achieved is again painted in broad and frankly vague terms:

“Education: £4,460 million of savings achieved Over £630 million has been saved through schools using their resources more effectively, including through making efficiency comparisons using groups of schools, improving the ability of schools and local authorities to manage their finances effectively, and application of new financial management standards.”<sup>23</sup>

---

19 Education and Skills Committee, Fifth Report of Session 2005–06, *Public Expenditure*, HC 1201, paragraph 32

20 Q 192

21 Q 193

22 Cm 7484, para 6.17

23 *2004 Spending Review: final report on the efficiency programme*; box 2A

**Presented in this way, the information tells us almost nothing, and we will look for much more of the promised detail on the achievement of the Gershon targets in the 2009 Departmental Annual Report.**

36. There are a number of new efficiency programmes to carry on from Gershon. The Public Value Programme was said to be looking for smarter ways of doing business and saving money, and the three areas singled out for the DCSF were Building Schools for the Future (BSF), childcare and teaching assistants.<sup>24</sup> The inclusion of BSF was understandable; the other two, as with much of Gershon, was not. In evidence, David Bell told us that “What we have been asked to do is ensure that we are getting absolutely the best value out of that [programme]”.<sup>25</sup>

37. This made a little more sense, but we looked for more detail in the Pre-Budget Report. This told us:

“DCSF is assessing the value for money of Building Schools for the Future (BSF), childcare and teaching assistants. Building on the success to date of BSF and Academies, the PVP will inform decisions on the cost effective delivery of key strategic objectives through the schools capital programmes, including the roll-out of Waves 7 to 15 of BSF. On teaching assistants, the PVP is assessing their deployment, and impact on educational outcomes. The PVP has also developed the evidence-base on how best to deliver the Government’s long-term childcare objectives. The value for money evidence demonstrates that providing a level of free provision for the most deprived 2 year olds, inline with the Prime Minister’s commitment, is likely to have a greater positive impact on child outcomes than extending the number of free hours of childcare available to 3 and 4 year olds beyond the 15 hours per week they will receive by 2010–11;”<sup>26</sup>

38. This gives us some understanding of how the Public Value Programme is being used in Building Schools for the Future, and we can also see that ensuring that extra investment in childcare is directed in a way in which it is expected to have the greatest impact makes sense. The issue of teaching assistants, however, still requires clarification. Is there going to be more centralised direction on the jobs which teaching assistants can do, or the ways in which they work? On the surface it makes as little sense to say that the use of teaching assistants is part of this programme as it would to say that teachers are part of it. In an environment where decisions on staffing are devolved down to schools, and in which schools are the direct employers of their staff, how can any system-wide ‘improvement’ in their deployment be achieved? **We ask the DCSF to provide us with more detail on the issues in relation to teaching assistants that the Public Value Programme is examining, and what the potential outcomes might be. We also ask the Department to provide further information about what aspects of Building Schools for the Future will be reviewed under the Public Value Programme. One concern is that BSF contracts at the local level are not transparent, and we ask that greater transparency is one of the issue that the review addresses.**

---

24 HM Treasury, *Pre-Budget Report*, Cm 7484, November 2008, paragraph 6.31

25 Q 195

26 HM Treasury, *Pre-Budget Report*, Cm 7484, November 2008, paragraph 6.31

## Productivity

39. The question of how the effect of increased spending on education can be measured is another that we have examined before. The whole question of what productivity means in a sector such as education is a complex one, and the Government has previously been reluctant to provide analysis of it. In this year's Departmental Annual Report, however, there is discussion of productivity:

“Productivity in UK education has increased by on average 0.1% per year between 1996 and 2006. ..Within that period, productivity increased by 2.1% per year between 1996 and 1999, but fell by 0.7% per year between 2000 and 2006...The fall in productivity from 2000 is caused by a decline in the number of pupils of 0.3% a year, whilst at the same time expenditure has increased by 2.7% a year, funding amongst other things a large increase in school support staff.”<sup>27</sup>

40. The Secretary of State argued that this reported fall in productivity should rather be seen as an indication of the Government's willingness to invest in more staff to enable more children to achieve as best they can:

“...if we are going to keep raising standards, that means more teaching assistants, more personalised learning and one-to-one education, and more educational investment to go to the next stage. If you measure that by productivity, you would say that that means that it has taken you more teaching input to raise standards to the next level-which means your productivity is falling-whereas I would say that we are investing more in the personal learning of children who, without that extra personal attention, would not succeed.”<sup>28</sup>

41. This is the kind of argument that the Government has used previously to argue against producing productivity measures, and it is still not clear why it has decided to change its mind. In previous years, the Department has argued that cost benefit analysis provides a better insight into the effect of additional spending. We asked why the Department did not publish these analyses, and the Secretary of State told us that they had been done on discrete areas, such as on raising the participation age to 18 where the conclusion had been that it would benefit the economy and wider society, but not for investment in school level education generally.<sup>29</sup>

42. We have not seen any of the Government's cost-benefit analyses, but we find it strange that it does not make more public use of them if, for example, it shows that investment in education and training for all up to the age of 18 would bring wider benefits. Given the Government's belief that cost-benefit analysis provides a much better measure than productivity of the effectiveness of expenditure on education, **we recommend that the Department undertakes more wide-ranging cost-benefit analyses and puts them in the public domain through the Departmental Annual Report. We also recommend that when the Department makes cost-benefit analyses of specific sectors those too should**

---

27 DCSF, *Departmental Annual Report 2008*, Cm 7391, page 97

28 Q 196

29 Q 197

**be made public in order to provide the best informed debate possible about the effectiveness of expenditure on education and related services.**

## Conclusions and recommendations

---

### Expenditure trends and plans

1. The prospect for the services which are funded via the Department is that at best the funding provided from it will be much tighter than it is at present and that, come the next Spending Review, the likelihood is that, to put it no higher, the rate of growth in expenditure will be minimal. Those in charge of schools and children's services more widely need to be planning now for ways of coping with a much more austere future. (Paragraph 12)
2. Capital investment in education, particularly in Building Schools for the Future and in further education, has had a significant positive impact, and we are pleased to see the Government reaffirming its commitment to its capital plans, both from an educational perspective and for the wider economic benefits. (Paragraph 13)
3. For the avoidance of doubt, it would be helpful for the DCSF to make a clear statement about its view of the future of the BSF programme in response to this report. (Paragraph 14)

### DSF Annual Report

4. If the Department for Children, Schools and Families is to continue with its Departmental Strategic Objectives, having information about expenditure on each objective is extremely useful, and we ask that it be included in the Departmental Annual Report from next year on. (Paragraph 22)
5. There is an argument that in the Departmental Annual Report for each lead Department on a Public Service Agreement there should be clear financial information listing the amount of money each Department has committed to the objective in the previous financial year and that which it plans to spend in coming financial years. This is another issue which we will wish to discuss with the Department in advance of next year's Departmental Annual Report. It is also an issue which we shall ask the Treasury to examine. (Paragraph 25)
6. There is no real accountability in a target that is set 12 years ahead, so staging points along the way are essential. Targets must also be allowed to stand until the point at which they are due to be met, otherwise the goalposts will be changing constantly. If the targets are set 10 or 12 years ahead, but are changed at every three-yearly spending review, no target will be attained or missed, but all will be superseded. (Paragraph 26)

### Deprivation funding

7. One of the DCSF's strategic objectives is to 'close the gap in educational achievement for children from disadvantaged backgrounds', and one of the main levers to try to achieve that is undoubtedly increased funding. We would also wish attention to be paid to authorities and schools with sharply rising needs arising from population

increases. We will monitor the review process to see how the Government intends to address this perennial problem. (Paragraph 30)

### Gershon targets

8. Presented in this way, the information [in the *2004 Spending Review: final report on the efficiency programme*, on savings in education] tells us almost nothing, and we will look for much more of the promised detail on the achievement of the Gershon targets in the 2009 Departmental Annual Report. (Paragraph 35)
9. We ask the DCSF to provide us with more detail on the issues in relation to teaching assistants that the Public Value Programme is examining, and what the potential outcomes might be. We also ask the Department to provide further information about what aspects of Building Schools for the Future will be reviewed under the Public Value Programme. One concern is that BSF contracts at the local level are not transparent, and we ask that greater transparency is one of the issue that the review addresses. (Paragraph 38)

### Productivity

10. We recommend that the Department undertakes more wide-ranging cost-benefit analyses and puts them in the public domain through the Departmental Annual Report. We also recommend that when the Department makes cost-benefit analyses of specific sectors those too should be made public in order to provide the best informed debate possible about the effectiveness of expenditure on education and related services. (Paragraph 42)

# Formal Minutes

---

**Monday 8 December 2008**

Members present:

Mr Barry Sheerman, in the Chair

Annette Brooke

Mr John Heppell

Mrs Sharon Hodgson

Paul Holmes

Fiona Mactaggart

Mr Andy Slaughter

Draft Report (*Public Expenditure*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 42 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 10 December at 9.15 am

## Witnesses

---

### Wednesday 25 June 2008

*Page*

**David Bell**, Permanent Secretary, and **Jon Thompson**, Director General, Corporate Services, Department for Children, Schools and Families (DCSF)

Ev 1

### Wednesday 16 July 2008

**Rt Hon Ed Balls MP**, Secretary of State, **David Bell**, Permanent Secretary, and **Jon Thompson**, Director General, Corporate Services, Department for Children, Schools and Families (DCSF)

Ev 29

## List of written evidence

---

1 Department for Children, Schools and Families (DCSF)

Ev 21: Ev 50

## List of recent Reports from the Committee

---

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2008–09

First Report	Public Expenditure	HC 46
--------------	--------------------	-------

### Session 2007–08

First Special Report	Creative Partnerships and the Curriculum: Government Response to the Eleventh Report from the Education and Skills Committee, Session 2006–07	HC 266
Second Special Report	Special Educational Needs: Assessment and Funding: Government Response to the Tenth Report from the Education and Skills Committee, Session 2006–07	HC 298
First Report	Children and Young Persons Bill [Lords]	HC 359 (HC 711)
Second Report	The Department for Children, Schools and Families and the Children's Plan	HC 213 (HC 888)
Third Report	Testing and Assessment	HC 169-I and II (HC 1003)
Fourth Report	The Draft Apprenticeships Bill	HC 1082

# Oral evidence

## Taken before the Children, Schools and Families Committee

on Wednesday 25 June 2008

Members present:

Mr Barry Sheerman, in the Chair

Annette Brooke  
Mr Douglas Carswell  
Mr David Chaytor  
Mr John Heppell

Paul Holmes  
Fiona Mactaggart  
Mr Andy Slaughter  
Mr Graham Stuart

*Witnesses:* **David Bell**, Permanent Secretary, and **Jon Thompson**, Director General, Corporate Services, Department for Children, Schools and Families (DCSF), gave evidence.

**Q1 Chairman:** I welcome David Bell, the Permanent Secretary to the Department, and Jon Thompson, who is Director General of Corporate Services there. It is very nice to see you both again. We are looking forward to a good, robust session this morning. This is a session that we hold every year in respect of our scrutiny role—it is about the money, as you know—so let us get started. We usually give you the opportunity to say a few words to open the proceedings.

**David Bell:** Thank you very much, Mr Chairman. Good morning, ladies and gentlemen. This Saturday marks the first anniversary of the Department for Children, Schools and Families. It is quite hard to believe that a year has gone by, with so much having happened in the past 12 months. From my perspective, it has been one of the most interesting and exciting periods of my professional life. Despite the potential for considerable upheaval, I think we can look back and say that we hardly missed a beat in setting up the new Department. That put us in a really good position to support the ambition of the Secretary of State and his Ministers to make this the best place in the world for children and young people to grow up. Like any good organisation, we set out our stall early, with the publication of the Children's Plan in December. You have already taken quite a close interest in the Children's Plan, having questioned and quizzed the Secretary of State. That is a 10 year plan to improve the lives of children and young people everywhere, and to provide the best possible support to families across the country. We are already vigorously into the implementation phase, in areas as diverse as setting up the new Qualifications Regulator and establishing the new—and we think quite innovative—funding streams for issues like play and positive activities for young people. We are also keen to continue to support disabled youngsters and their families. These are some examples of what we are doing under the Children's Plan. I am sure the Committee will want to question us on many aspects of the Department's policy, and we have already welcomed your close interest in our work and your very helpful first report, which provided some useful pointers to us as we move forward, not least in our new areas of

shared responsibilities such as juvenile justice, child poverty and so on. This Departmental Report covers the work of both the Department for Education and Skills and the DCSF, but in no sense is that problematic, because there are very important continuities in policy in areas such as child care, children's centres, raising school standards, reforming qualifications, and promoting diversity and choice. In addition, I believe we have continued to manage our resources extremely well with our efficiency plans for spending review 2004 on target. Our budget, planning and performance management arrangements are very well regarded across Government. In all of this, I would like to pay tribute to my colleague Jon Thompson, who I should say has recently been appointed head of the financial management, or accountancy profession, across Government, so he is now the head of profession. This is a very significant honour, although I am relieved to say that Jon will combine these responsibilities with his work for our Department. We have made considerable progress not just in the past 12 months, but in recent years. This has been in areas ranging from the number of children's centres open to results showing that many more young people are achieving well at school at age 16 and 19. But—and this is an important but—that is against the backdrop of very considerable ambition and demanding targets, laid out most recently under the public service agreement scheme and the spending review 2007. Therefore, our efforts have to be focused on all the next steps. Finally, Mr Chairman, I hope you will allow me a moment of indulgence to pay tribute to the staff of our Department, who have been tremendous this year. They have risen substantially to the demands of the new Department, and a recent staff survey showed the very high engagement of our staff. So we are pleased and encouraged that staff are still committed to the mission of our Department. That kind of passion and professionalism on the part of the civil service makes me proud to lead this Department as the Permanent Secretary.

**Q2 Chairman:** Does “engagement” mean satisfaction?

25 June 2008 David Bell and Jon Thompson

**David Bell:** There is a high degree of satisfaction across a number of areas. One statistic is that 82% of the staff said they had a very clear understanding of the Department's aims and objectives, and a similarly high percentage said that they understood how their work contributed to achieving the ends of the Department. The other thing is that 82% of the staff participated in the staff survey, which is, across all organisations, a very high return rate. I am an optimist, as you know. I see that as a sign of great engagement. They want us to see what they think, and believe that we will act on it.

**Q3 Chairman:** Thank you, Permanent Secretary. It is just that, as a former social scientist, I wondered what question you asked to find out that people were truly engaged, but we will discuss that another day. I have to start on a slightly discordant note. We were not that impressed that we had a response to our most recent report on the Children's Plan only at 7.20 pm last night. It was rather late for us to read it, let alone absorb it. The Clerk received it at 7.20 pm. Perhaps you think that is good, and shows that the Department was working at 7.20 pm, but we received it too late for it to be useful this morning. We have read it now.

**David Bell:** Indeed. I believe you will have an opportunity to question the Secretary of State next month, and I am sure you will want to take up the content of that response with him.

**Q4 Chairman:** We are aware of that, but for this meeting it could have been a little earlier. To open up, we have had seven good years in terms of expenditure on education. All the signs are that expenditure is now tailing off and falling behind the health commitment. That is disappointing for someone who was in the education sector, is it not?

**David Bell:** As you said, we have had very substantial increases in funding since the turn of the century. It is worth pointing out that the education and children's services settlement that was announced under spending review 2007 was still better than that achieved elsewhere in Government. I therefore think we should recognise that there is still a substantial commitment to education and children's services. It is entirely right, however, that we expect and ask all sectors, including schools and local government, to think very carefully about how best to use the money. I do not need to remind you, Mr Chairman, of the broader financial and economic context in which we operate. For that reason, we were still pleased to secure the settlement we did.

**Q5 Chairman:** What I am pointing out is that the Government were elected three times on the manifesto of "education, education, education", not "health, health, health". One might have expected education spending at least to keep pace with health spending.

**David Bell:** But there have been very substantial increases, as you know. The per pupil uplift since 1997 has been almost 88%. The overall uplift has been 67% in that period. It is unusual to go to

schools and hear people say, "We have not had enough money over the last decade." People are now managing new circumstances. We do not underestimate those circumstances, but it is worth repeating that the settlement was a very generous one in the context of the wider fiscal position.

**Q6 Chairman:** You have been coming before this Committee for quite a long time, both in your previous roles as Permanent Secretary of the previous Department and, before that, as Chief Inspector. Is it your view that the taxpayers' money spent on education has yielded what you anticipated it would yield?

**David Bell:** Yes, I do believe that, because there have been significant improvements right across the piece. We know now that record levels of youngsters are achieving what they should be achieving at the end of primary school. We know that the highest percentage ever of youngsters is achieving five-plus A to C grades at GCSE. We know the achievement at age 19 and so on. What nobody would argue is that we have, by any stretch of the imagination, finished the job. As the improvements have been seen across the system, some young people and families have not benefited in the same way. That is why the Department has redoubled its efforts to try to ensure that everybody benefits from all the investment that has gone in. One of the advantages of the new Department is that we are able to make links between what happens in school, vital as that is, with other services that enable young people, children and families to succeed. Although many youngsters achieve well at school, they are often unable to achieve as much as they might because of family pressures or other circumstances. Going forward, we are trying to enable schools to focus on the key core job of teaching, and teaching well, but enabling head teachers, teachers and others to draw upon all the other services that will help children and families thrive. It seems to me that we have made very, very substantial progress in recent years, but of course there is more to do.

**Q7 Chairman:** I do not know if you ever have conversations with Chris Humphries, the chief executive of the Commission for Employment and Skills.

**David Bell:** Not in his new role, Mr Chairman, but I have spoken to him previously.

**Q8 Chairman:** He said only yesterday that we are still not delivering the appropriate education to unlock the talents of 50% of young people going through the educational system. He further said that educational productivity is a real concern in this country. If the money is being spent wisely, why is it that Chris Humphries can say that 50% of kids are still not getting a fair crack at education, and why is the educational service on international scales—not on anything dreamed up in this country, but on international measures—still not rated highly in terms of productivity?

---

25 June 2008 David Bell and Jon Thompson

---

**David Bell:** Let me ask Jon to touch on the productivity point. If you take the measure of the percentage of young people who achieve five good GCSEs, including English and maths—that, I suspect, is the reference that you are making—we know that we have to do better and more in that regard. Those English and mathematics qualifications are a really important first step—next step—to moving on through the educational system. It is quite interesting that when we look at the qualifications attained by young people by the time they reach 19, we see quite substantial improvements there. We would all be nervous about suggesting that just because youngsters have not achieved English and maths as part of the five good GCSEs they are somehow complete failures. That is certainly not the case. But it is the case that ensuring that more and more youngsters achieve that important benchmark is significant. That is why we have tried to broaden the range of opportunities and qualifications going forward. It is not just about those youngsters doing the traditional qualifications and skills, but trying to expand very substantially the apprenticeships programmes, which you will be aware of, and also trying to think about how new qualifications such as the diplomas will play into that. I would not want you, Mr Chairman, to think that we are at all complacent, but equally I would want the Committee to recognise very substantial improvements. Perhaps Jon would like to touch on productivity?

**Chairman:** Before Jon comes in, let me say that it is very good to have you here. You have been before the Committee in different guises before, Jon. About four or five years ago you were running—Chief Financial Officer—North Somerset Unitary Authority.

**Jon Thompson:** Indeed.

**Q9 Chairman:** Now you seem to be running the country. You must be congratulated on this progress. I see you have an added job right across Government. How on earth can you do the complex job that you have in DCSF and all that stuff right across every Department in the country?

**Jon Thompson:** I have to balance my time extremely well. It is fairly demanding. What the Treasury wanted, in terms of a leading financial professional, was a practitioner—someone who had been and was a finance director—rather than someone from the Treasury.

**Q10 Chairman:** They want someone who really knows about money, rather than all the rest of the people in the Treasury, who obviously do not.

**Jon Thompson:** You will have to ask that question of their Permanent Secretary.

**Q11 Chairman:** What expertise do you have that the Treasury does not have?

**Jon Thompson:** My role is not about running the overall finances of the Government. We have to be very clear about that.

**Chairman:** We understand that.

**Jon Thompson:** My role is only about leading the finance community, in which there are 11,000 finance professionals—thinking about their training and development, what standards they apply and so on. The role of overall finance to the Government remains within the Treasury. What was a previous role has been split into two, and I have taken the finance community role.

**Q12 Chairman:** Is it seen as a Gershon saving—one man doing lots of jobs?

**Jon Thompson:** Indeed.

**Q13 Chairman:** Let us deal with productivity in education, across the sector.

**Jon Thompson:** I think that your Committee was looking for some further work on productivity around January of last year.

**Q14 Chairman:** Last year you said that you were not so interested in productivity.

**Jon Thompson:** I was going to say that the Office for National Statistics responded with a report on productivity in the education sector last autumn, which concluded, it is fair to say, that the inputs have resulted in significant increases in outputs, but that overall productivity had risen only marginally in the 10 year period—a huge increase in inputs and a huge increase in outputs, but when you put those two together, productivity had marginally risen in the 10 years. So there was a report into that area.

**Q15 Chairman:** Last year you told me that productivity was not so much of a concern, but cost-benefit analysis was. Now we are back talking about productivity. Are you switching from year to year just to confuse the Committee?

**Jon Thompson:** No, I am not. You rightly asked us about productivity and our report, produced by the Office for National Statistics, tried to respond to some of your questions about whether productivity could be measured and how that could be done.

**David Bell:** I think that it is also worth pointing out, Mr Chairman, that the Office for National Statistics and its work recognise the complexities of measuring productivity in public services such as education and health. It is not a straightforward task and you have to look at a range of measures. It is not just me saying it—that is what the ONS will tell you about the productivity measures. We would say that you should use a variety of measures, both national and international. We have seen movement, sometimes in the right direction, but sometimes slipping back against the international measures. It is a complicated area, but let us not lose sight of the thousands and thousands more young people who are achieving qualifications that they would never have achieved previously, and of the huge investment across all aspects of education and children's services.

**Q16 Chairman:** No one denies that, but we have to live with international comparisons done by a range of international organisations—usually well trusted—that suggest that we have slipped back over the past 20 years, not moved forward.

**David Bell:** Well, I seem to recall that we discussed that quite a bit in January when we had the session with the Secretary of State, based on the publication of the OECD measures. In some of those measures we remain strongly placed and in others we were slipping back. There were, as you well know, some important questions about methodology, but, at our end, nobody disputed that we have to keep our performance moving and to keep it up. All nations across the world, particularly the developed nations, are recognising that the extent to which you are able to have a highly educated and highly qualified workforce indicates your chance of continuing economic success, as well as social cohesion.

**Mr Stuart:** Very quickly, Mr Chairman, may I come in?

**Q17 Chairman:** I just want to leave one thing with the Permanent Secretary. Do you and Jon think that it is more difficult to attain productivity increases and improvements when there is plenty of money around? According to a figure that I have in front of me, there was a fall in productivity between 2000 and 2007 of 0.7% every year.

**David Bell:** Again, it is interesting that one of the measures used is the number of staff who are supporting children, or the number of staff who are employed in a school, against the output measure. We know, for example, that since 2000 there has been a very substantial increase in non-teaching support staff to help youngsters. It only reinforces the ONS's point that it is difficult to get an absolute measure; you cannot find a single number. You can quote the number that you quoted, and it is fair that the ONS quoted it, but whether it captures the complexity of all the measures that you are trying to assess in looking at improvement is—I think—a more open question. That is why we need to continue, with the ONS, to ask the question about productivity. As to whether it is harder to generate productivity when you have more investment, interestingly, Jon and I had experience of the local government world in the '90s, when it felt as if you always managed budgets down and you had to become very sharp and smart in how you did that. We need to keep that focus on efficiency that we have had in previous years. It is not something new, but it will become even more important to get the maximum benefit from all the spending that we are putting in, particularly as circumstances tighten.

**Chairman:** Now that we have drilled that down, David is going to ask the questions.

**Q18 Mr Chaytor:** Every year the Departmental Report seems to get bigger and more complex and the information is arranged in different ways. However, this year we have six departmental strategic objectives, but the analysis of spending does not relate in any way to the objectives. Is there a reason for that? Is it impossible or would it be

possible in future years to show a closer relationship between the allocation of the budget and the strategic objectives?

**Jon Thompson:** It certainly would be possible to produce an analysis of the £168 billion which the Department has available in the public spending review period against the six departmental strategic objectives on page 10. That is not included in the report but we can produce that. It would then cover the totality of the forward spending plan.

**Q19 Mr Chaytor:** You say that you can produce that. Could you do so now or are you saying that that could be a way of presenting it in next year's report?

**Jon Thompson:** It is available within the Department. We can usually provide it to the Committee, if you wish.

**David Bell:** It is partly a matter of form that the structure of the report is as it is. The Chairman quite rightly expressed some concerns last year that we had altered the form. We have got ourselves into a better position through consultations outside the Committee, but we are doing exactly the analysis that Jon describes. We can make that available. Perhaps it would be worth discussing outside the Committee whether the format of the Departmental Report could evolve in that way. I confess that I am never quite sure how much it is laid down that information should be provided in a certain format, style and structure. That would not prevent us doing what you have asked for, Mr Chaytor. It is quite a long report, as you point out. We would probably want, if we can, to trade off some new information and take some other information out.<sup>1</sup>

**Q20 Mr Chaytor:** My second point is a similar one. A large amount of the work that you are responsible for is delivered on the ground by children's services departments or children's trusts, where they exist. But in the report we do not see direct budget allocation to the children's services departments of local authorities. Would it be possible to have it presented in that way, either now or in a future report? Would that be valuable, or do you think that it is not significant?

**Jon Thompson:** Again, that information is available within the Department. Information on the significant elements of spend which either go directly into the schools system, through something like the dedicated schools grant, or which go to local authorities, through area-based grants, could be produced, either by or within the Department, if the Committee wanted it. We could consider including it in a forward Departmental Report—it would extend the appendices quite significantly, but we certainly can do it.<sup>2</sup>

**Q21 Mr Chaytor:** On table 8.3, which gives the detailed breakdown of expenditure, the basic structure is expenditure allocated to schools, children and families and young people, but surely those cannot be mutually exclusive, because young

<sup>1</sup> See Ev 21

<sup>2</sup> See Ev 21

---

25 June 2008 David Bell and Jon Thompson

---

people and children attend school. We see certain headings, such as the amount spent on Academies and specialist schools, which clearly benefits young people as well. Does that structure serve any purpose, or is it an attempt to match up with the name of the Department? It is not necessarily the best structure to present the information because there are so many overlaps between the three sub-categories.

**David Bell:** I should probably ask the head of the government financial management service to answer the technical points about how the data is presented, but you have made a valid point. If you look at the dedicated schools grant, of course we know that it goes directly into schools, but much of the expenditure under the children and families heading, for example, will have a direct impact on the same children, through children's centres. The work that we are doing with young people through the Connexions service or supporting positive activities will also impact on the same young people. This is more to do with the presentation requirements for the accounts.

**Jon Thompson:** Table 8.3 on pages 88 and page 89 is set out, to be honest, largely for convenience and for our own departmental purposes, because that is the way in which our budget is structured and because the local authority system would recognise those funding systems. In terms of making a three year forward announcement, which is also set out in the table, sticking to that architecture assisted both us and the system. In answer to your previous questions, we can certainly set out the information in a different way, and we would essentially rehash it in relation to local authorities.

**Q22 Mr Chaytor:** Do you accept that it is better for the process of scrutiny and accountability that the funding is shown as being allocated to institutions, rather than to broad-brush themes or individual services? For some institutions, such as school sixth forms and the Connexions service, the funding is clearly listed, but other heading are fairly vague, such as, "Other Youth Programmes" and "National Strategies". Do you accept that there is value in clearly linking the funding to specific institutions?

**Jon Thompson:** Yes, I do accept that. If it would be helpful, we could provide that information in a table 8.3A. We could take those figures and cut them in a different way to answer that.

**David Bell:** Interestingly, if you look at the accountability arrangements for schools over the past 20 years, you can identify that funding right down to school level because of the reporting requirements under the section 52 statements. We now have a fine level of detail on spend at the level of individual institutions, and the local authority accounts give a similar sort of detail. As Jon said, we have tried to group those in a broad way, but we could probably have some discussions and consultation outside the Committee on what would

be a more helpful way of exploding those big numbers and giving you a better sense of what they include.<sup>3</sup>

**Q23 Mr Chaytor:** I have just one more question. There has been a big increase in the numbers of annexes this year, and they provide a fascinating amount of detailed information, but the one thing that the Department seems reluctant to publish or make available is the future projections for pupil and student numbers. Your planning assumptions are based on the comprehensive spending review period so that we can look forward three years, but given apparent demographic changes, would the scrutiny process not benefit from your assumptions about the changes in the birth rate or the impact of immigration on pupil and student numbers? Student and pupil numbers are absolutely key to aspects such as the 14 to 19 developments and the Building Schools for the Future programme.

**David Bell:** There is no secret in those, and we wrote to you about that issue.<sup>4</sup>

**Q24 Mr Chaytor:** You did, but it is not in this document. As a matter of course, ought not that to be in there? We clearly know now, 10 years on, the numbers of children at the age of 16, because they are already in the schools.

**David Bell:** Absolutely, and there is no difficulty with that as a piece of base data for the report.

**Jon Thompson:** My apologies. I thought that that data was in there. Like you, I was just struggling to find it.

**Q25 Mr Carswell:** I have three questions for Mr Bell. The first does not relate specifically to funding questions, but as you can see it is not totally unrelated. I note that you are a fan of US politics and follow it closely, so would you like to see reforms in this country that would give a role to the House of Commons, as the legislature, to ratify the appointment of permanent under-secretaries and senior officials in the Department? That could be done in some sort of televised confirmation hearing, rather like the American system, and perhaps through this Committee? It is a perfectly serious point. Perhaps the House of Commons, as the elected legislature, should approve and vote on the departmental budget every year, which is something that we do not do de facto, if indeed we still do it de jure.

**David Bell:** I am sure that we could have a long and fascinating discussion about American politics and comparisons with the UK. With regard to your first point, however, we recently announced that a number of public appointments will be brought before committees, and in fact we have put forward two of Her Majesty's chief inspectors. I think that you actually asked the Chief Inspector about that at a recent hearing.

**Chairman:** She was not very happy about that.

---

<sup>3</sup> See Ev 21

<sup>4</sup> See Ev 22

**Q26 Mr Carswell:** That is why I would like to hear whether you, as the Permanent Secretary, would be happy to go through that.

**Chairman:** Would you not have applied to be Chief Inspector if you had to be interviewed?

**David Bell:** I had nothing to hide and I am sure that the current inspector has nothing to hide either. We put up a couple of appointments for the process: the Ofsted job and the post of chair of the Qualifications and Curriculum Authority.

**Q27 Mr Carswell:** What about the Permanent Under-Secretary?

**David Bell:** I am probably speaking beyond my pay grade here. There is something very strong and significant about the role that the civil service commissioners play in the appointment of the most senior ranks of the civil service. For the sake of our parliamentary democracy, it is quite important to separate the appointments of the permanent civil service from any oversight—if I can put it in that general sense—of the Executive. That would be absolutely consistent with our traditions, which go back a number of years. It is rather interesting, of course, that there is a forthcoming civil service Bill, and there is discussion about appointments. So, on balance, I would stick to the current system of ensuring that you have independence in the selection process and have that overseen by the civil service commissioners. You can make a respectable argument for public appointments, such as the chairs of the regulators and so on, being in a different category from those of the permanent civil service.

**Q28 Mr Carswell:** I am fearful that the current Government, or God forbid a future Government, might try to centralise local education authority budgets, either to try to carry out some hare-brained education scheme or, more fearfully, to try to solve the local government balance of funding problem. Do you see that as a danger, or are you moving towards that?

**David Bell:** That has been one of those interesting debates that has probably waxed and waned for 20 or so years, but it is interesting that we have retained a strong degree of local oversight control. There is a wider question about the funding of local government. You might say that the Government have already decided, through for example the Dedicated Schools Grant, that you take out a very large sum of money and say that that is identified and cannot be touched. But do not forget that even within that there is a high degree of local accountability and responsibility: for example, the way in which the funding formula is constructed at the local authority level allows for local influence and oversight. That is a matter for Governments to determine, but my sense is that there is not a lot of agitation for centralising and having a national funding formula. It brings controversy about the funding levels in particular authorities across the country. That is a controversial issue, I know, but one of the arguments that has been put up historically—it is a fair argument—is that you want

to try to recognise the different circumstances of different areas. I do not see any great pressure in that direction at the moment.

**Q29 Mr Carswell:** This is my final question. As you know, some local authorities have been allowed to do things such as experimenting with direct payments in social services. What changes would we need in primary legislation to allow a local authority to bring in a system that would give any parent the right to request and receive control over their child's share of local authority funding?

**David Bell:** You would require changes in primary legislation because we do not, under the current legislation, enable individual parents to have their share of the budget for the education of a child in the maintained system. It is interesting that you cited the example of the social care payments. I was with a group of parents in a London borough recently, who have had that opportunity to have personal budgets for their disabled children. Opinion was rather mixed. Some parents really appreciated the freedom to do that, and others were very anxious that if you went in that direction you would have a kind of collapse of service, and then a market would not emerge. Obviously, part of the role of local authorities in that context is to help to create the market, but for me that was a neat illustration on a very small scale of something that is not without its problems or controversy. But you are right, you would have to change primary legislation if you were going to give a parent a budget share.

**Chairman:** We will now move on.

**Q30 Annette Brooke:** I have to confess that I am totally bemused by the number of targets, so I hope that you will lead me through the maze, as I see it. I understand that there are 26 indicators for the five main Public Service Agreements, a further responsibility for another 13—cross-departmental, I presume—and then the six departmental strategic objectives are underpinned by 80 PSAs. Are you trying to measure too many things here?

**David Bell:** If we take the Public Service Agreements, the PSAs, under the 2007 settlement, there are 30 cross-Government PSAs and those have illustrated a significant shift from the previous PSAs, because they are genuinely cross-Government/cross-departmental. Each Department is allocated a lead role for a number of PSAs. We have a lead role for five PSAs: improving the well-being and health of children; improving children's and young people's safety; raising educational attainment; narrowing the gap in educational achievement; and finally, increasing the number of children and young people on the path to success. We are responsible for those. As you say, underneath those sit a number of indicators that give a measure of progress in each. For example, if we look at safety, there are indicators to do with accidents in the home, road traffic accidents involving children and young people, and so on. All the PSAs have those indicators, as you say, and then for some of those indicators, there are specific targets. For example, we have targets for educational attainment for

---

25 June 2008 David Bell and Jon Thompson

---

children at the age of 11, or at 16, and the like. It is, to use the jargon, a complex architecture and one of our jobs is to ensure that all those in the system, with whom we work, understand what the priorities and the PSAs are. If you take local government as an example, here we have the new innovation of local area agreements, which enable local authorities to identify within that large suite the things that they think are priorities, as well as priorities that are local and not national. So it is an architecture that can be explained, we have a clear description of what that architecture is, we have quite a bit to do to continue to explain that, but it is important to have that architecture in place that assigns responsibility for Public Service Agreements to Departments. It assigns it to senior officials who have to lead it, it requires Government Departments to work together and it does set hard and at times very demanding targets. It is right that Government, not just in our Department but across their responsibilities, set those demanding targets to bring about improvement.

**Q31 Annette Brooke:** Can you tell me if there is any degree of priority, or do you have to keep all these plates spinning at the same time?

**David Bell:** One of the reasons for moving to a smaller number of PSAs was to encapsulate those areas that were of most significance across Government. You might say, "Yes, but underneath that, you have all these targets and so on." It is an interesting question, because if you take the children's plan, which subsumes our PSAs, we have to move across many different fronts at once. You cannot say, if we focus on this one priority, everything else will be well, partly because there is a very significant interrelationship between what you do in one area of focus and what happens in another. Take the emphasis that we have given to early intervention—giving children a good start in life. You could say that that is at the top of the tree of priorities, but it can never be the only priority, because it has to be supported by the work that we are doing on children's health and well-being, ensuring that their safety is protected and making sure that they move from early education into a good school and get good teaching at the school. It is important to give a sense of the priorities, while recognising that we cannot move to a situation where there are only one or two priorities. This area of children's services is complicated, so we have to see those interrelationships between different priorities, or we will not achieve what we want to achieve.

**Q32 Annette Brooke:** Can I backtrack to the relationship between the money and the priorities? There are so many priorities. Also, with the cross-departmental shared targets, are there pooled budgets, or if the DCSF is the lead Department do we see somewhere in those figures all of the money that has been attached to that particular target?

**David Bell:** Perhaps Jon and I can try to answer that together. As far as the PSAs are concerned, as we said in our answer to Mr Chaytor, we have been very

clear what resources are required to achieve what we want to achieve. In fact, it was a very important part of our spending review negotiations with the Treasury to be clear that we were assigning money to particular PSAs or targets. There had been a wee bit of a tendency previously not to do a rigid analysis, saying, "Well, what kind of money do you need to achieve this?" We have now done that and it was an important part of our PSA process, so we can identify the sums of money attributed to any of the PSA targets. As far as formal pooling is concerned, the answer is: not at national Government level, but we are seeing some examples of that kind of pooling at local government or children's trust level, where local authorities are putting together moneys and then having the allocation of those moneys determined locally. But—this is a really important "but"—when it comes to the PSAs, such as improving children and young people's safety, we need to be very clear about what other departments are spending or planning to spend to enable us together to meet our shared targets. Throughout the process, we need to have good conversations with the Department for Transport over the kinds of initiatives that it is taking to reduce road traffic accidents involving children, and very good negotiations with the Department of Health over a particular allocation of funding for tackling childhood obesity and the like. We do not have a wish list. Part of the responsibility of the PSA owner—the people who lead the PSA—is making sure that the resources are identified in different departments to achieve the ends that we all want to achieve.

**Q33 Annette Brooke:** So if I was to ask a parliamentary question on child safety, such as how much is being spent on that PSA, and I directed it to the DCSF, would I then get an answer that gave me the precise details from each department?

**David Bell:** We could probably give you a breakdown of how much funding was allocated across different indicators, and we could probably see what departments were allocating. Sometimes, of course, it is not quite that straightforward. If we take health, which is an interesting example, the primary care trust would not necessarily separate out to the "nth degree" the specific expenditure for children, as opposed to their other responsibilities, although some aspects will be specifically identifiable, such as funding for health visitors and the like. So we could probably give a good approximation of the allocations of individual departments to achieve a particular PSA, but perhaps I will ask Jon to come in on this as well.

**Jon Thompson:** I would not have been quite that definitive. We definitely could tell you how much of our budget is allocated against the relevant Public Service Agreements. To manage expectations, the total budget can be broken into the six departmental strategic objectives, so you can allocate all the money into those bits, but PSAs do not cover the totality of the Department's spend, so you then have to go to another level. We could answer your question from our perspective, but beyond the

25 June 2008 David Bell and Jon Thompson

Department the information that we would provide to you would be less specific. We could not necessarily answer how much in total is spent on a particular PSA, but we could definitely tell you how much we are contributing.

**Q34 Annette Brooke:** That is not a line that I planned to go down, but what I am interested in is whether as part of an overall planned budget tackling priorities, you are all working together saying, "Well, this is the right global sum to be spending on this particular PSA." I do not quite see how you come together. I can see each department paddling its own canoe, and we can then say, "Oh that's great, that much money is spent." But I do not see how the allocation of finances on PSAs that cross departments is planned.

**David Bell:** How these PSAs were put together is really important. We had to negotiate with other Government Departments to get their commitment to contribute to PSAs that we were leading. For example, we had to talk extensively to the Department of Health about the PSA on children's health. We had to talk very closely with the Department for Culture, Media and Sport about the PSA to increase the number of young people involved in pathways to success and positive activities. No department was able just to put its name to a PSA being led by another department without being clear that it had the means to support the achievement of those ends. That is a really important point. It is not just us saying, "Here is a PSA, we will cross our fingers and hope that other departments will participate." The whole purpose was to involve the relevant Government Departments to demonstrate that they were committed to the achievement of those ends. To give you another example, there are other PSAs which we are not leading, but to which we might be contributing. Therefore, we are in a similar position of being asked by another department to contribute. For example, in some of the work that the Department for Environment, Food and Rural Affairs is doing, it is interested in the contribution that we are making with regard to sustainable schools. We could not just say, "We will sign up to that, but not do anything about it." You have to be able to demonstrate, in the outcomes identified under each of the departmental strategic objectives, that you are contributing in a very practical way to the achievement of those ends.

**Mr Stuart:** Could I come in on that last point?

**Q35 Annette Brooke:** If I may finish this bit, I will be happy to move on. How would you rank how much joined-upness you have achieved? On a scale of nought to 10, with nought being absolutely no joined-up working, where are you at the moment?

**David Bell:** Not nought, and not 10.

**Chairman:** That is a bad answer.

**David Bell:** That was the beginning of my answer—I have my glasses to put on and take off so I can gain time to think. I think we are probably in the territory of sixish to seven, and I will explain why. The requirement to have these PSAs was an important driver, but perhaps much more importantly the very

creation of the Department for Children, Schools and Families was about making those connections across Government. If we are interested in making this the best country for children and young people to grow up in, we as a Department cannot do that on our own. We just cannot. We therefore have in place formal dual-key arrangements on areas like juvenile justice. We have very clear, written, shared responsibilities with the Ministry of Justice. We are working very closely in areas related to alcohol abuse among young people, crime among young people, substance abuse more generally, and sport. In all those areas, we are working together really closely and well. Are we there yet? No, we are not. We have to be able to demonstrate, at national level, that we are able to do what quite a lot of local areas are doing themselves. A lot of local areas would say to us, "We are better at joining up services than you are at national level." I think that is an important challenge. I am quite optimistic about this, because what I do not see at all across Government is resistance to working together to achieve these PSAs. It is early days, but I think the signs are good. Your question is a good one to ask me the next time we meet, and I will see whether we have moved up the scale at all.

**Chairman:** Graham, I will call you briefly.

**Q36 Mr Stuart:** Very quickly, how can Committees such as this scrutinise what is a complex set of arrangements? You have said that you are not allowed to sign up to the PSA without being able to demonstrate what you are going to do. It is not obvious to me, from what we have been provided with, that we can see that for ourselves. We cannot easily identify your section, let alone the whole, and therefore there is a danger that we, as a parliamentary oversight body, are unable to hold to account whoever it is we should be holding to account for it.

**David Bell:** I think I can be, perhaps, more reassuring than that. We have broken down—and it is publicly available—all the indicators that lie under each of the PSAs, and beneath that where there are targets, and there will be public reporting of the progress we are making against these indicators and targets. Therefore, I would have thought that was a very good means by which the Committee will be able to look at the data and the progress we are making. Actually, this is probably a better way of tracking progress than we had previously. It is quite an interesting question for the Committee—and again maybe we can discuss this outside with the officials—how far you reflect that in the annual report, because we do have to publish our progress against the PSA targets in another place, but I think you will have hard data with which to hold us to account.

**Q37 Mr Heppell:** What you do not seem able to identify is what actual money is going to the PSA from every single area, from each single department. Clearly, if you had some sort of target for something, whether it is child obesity or whatever, then surely the commitment has to be something more than just

---

25 June 2008 David Bell and Jon Thompson

---

a woolly commitment. I would have thought it was possible to identify what resources each area is prepared to put into that commitment.

**David Bell:** Absolutely right. Our focus is on the outcomes. If we look at some of the outcomes that are specified under the PSAs, that is our focus. We are obviously interested in the input; how much money you are putting in, what kind of staff are you putting in, how you are helping the system to do these sorts of things. It is very, very clear, under this PSA suite, that when we have the various PSA boards that bring together the officials from across Government, if you are there from another department, supporting one of our PSAs, you have to be able to demonstrate what commitment you are making. You might say we are putting in X sum of money or Y number of people, or we are working with local government to do this, or we are working with highway authorities if it is transport—

**Q38 Mr Heppell:** Where could I see that?

**David Bell:** What you can see is what we have called through the delivery agreement, so each of these PSAs has its own delivery agreement. When the PSAs were all signed off by the Treasury last November or December, we then had to put into place a delivery agreement that will spell out in more detail what the contribution of different parties will be. As Jon said, sometimes that will be specified in very hard financial terms; in other times it will be specified by, for example, a commitment to a particular kind of programme in a different department. The important thing to say is: you cannot, as a Government Department—and I can speak personally—sign up to contribute to a PSA unless you have behind it the resources, whether that is money and/or people or programmes.<sup>5</sup>

**Q39 Mr Heppell:** How significant are the 2004 PSAs now? Now that we have moved on to 2007, what happens to the old ones? For instance, the target to reduce the under-18 conception rate: is that still a target, is it still a priority? Or is it possible for those to drop off the end of the screen as we move forward?

**David Bell:** There will be a final sweeping-up report of the year across Government—what progress was made under the SR04 targets, because there is final validation that has to go into the data—which will be done quite soon. Some of the targets will have changed as a result of coming to the end of one spending review period. Others will have progressed on. We can do a kind of tracking back, to show you where we have carried forward a target. So, for example, the one about under-18 conception, that remains a very important target. Interestingly, I should say that about 120 local authorities have put that as one of their local targets under the local area agreements, and it is a good example of how local areas still see this as a very important priority. So we can show you the tracking from 2004 targets as they have migrated into 2007, but of course, when you see

the full layout, you will see some targets that are new, as a result of these new PSAs. But as to the final report on SR04, I am not sure when that is due.

**Jon Thompson:** I am not sure. Essentially, the change between spending review 2004 and the Comprehensive Spending Review 2007 is that the number of Public Service Agreements shrank considerably. Some of them, like the one you just quoted, become an indicator for what is now a much wider public service agreement. We can track them and would happily provide that information.

**David Bell:** We have a—I was going to say helpful, but that would be for you to determine—chart, an exploded diagram that lays out each of the PSAs, with all the indicators underneath them. If you do not already have it, it is quite good, although I have to say that I did have to use my glasses when I saw the first version. We will make sure that we give you one that you can actually read.<sup>6</sup>

**Q40 Mr Heppell:** Some of the explanations for slippages have affected the local authorities that have not managed to achieve the target. First of all, I find it difficult to see where the link is between the targets that have been set and the local authorities, unless it is by local area agreements. Take the teenage pregnancy one, for instance. You say that 120 local authorities put that as their priority. Suppose they had not?

**David Bell:** Under the local area agreements process, even if local authorities do not identify something as one of their local priorities or targets, they are still accountable for reporting progress against it. It is not as if they are off the hook on that one—if I can put it that way. They have to be able to report progress. Just coming back to your opening comment on that question, Mr Heppell, teenage pregnancies is a really good example. We know by very careful analysis of the data that some areas, otherwise similar, are showing very different conception rates. Our analysis suggests that there are actions that can be taken at local level that can reduce the incidences of teenage pregnancies. That is one of the reasons why it is really important for local areas to focus on particular priorities, so that you can bring together all the kinds of support that you need. We know, for example, on the teenage pregnancies one, that you need the local schools heavily involved, because that is about students' self-esteem. You need the public health authority closely involved—you need the right kind of advice to youngsters on contraception, choices and options. It is important to say that there are local differences, and it is down to the choices and priorities that the local areas actually make.

**Q41 Mr Heppell:** You have reduction of child poverty down as a PSA target. Why is that not in the departmental strategic objective?

**David Bell:** That is one that is actually led—shared, as it were. I think you spoke recently to five Ministers—I think it was a first here, when you had a panel of Ministers talking. It was your Committee?

<sup>5</sup> See Ev 21

<sup>6</sup> See Annex B and C: Ev 21, 23–28

**Chairman:** It was.

**David Bell:** Five Ministers, was it? That is a really good example of where there is leadership from three Departments—ourselves, HM Treasury and the Department for Work and Pensions. It is a really good example of us trying to join up our efforts. This is not just about what you do, say, in the tax and benefits system, but about the kind of support that you give to families and children's centres—the earliest intervention. Recently, just in the past 24 hours or so, the Government have announced some pilots to do new kinds of work when it comes to tackling child poverty. That is a good example of Departments coming together and working together.

**Q42 Mr Heppell:** To return to the 2004 to 2007 PSA targets, data on the PSA target for obesity in children under 11 was due to be reported last December. For some reason, we are told, it has not yet been assessed—that is the explanation. First of all, why has it not been assessed? Secondly, why have we now got a different target for 2007? Whereas before the target was to halt the year on year rise in obesity by 2010. The 2007 target is now to reduce the weight of overweight and obese children to the 2000 level by 2020. Why have we got a change, effectively? Is it something to do with the date you already have that we have not seen?

**David Bell:** To take the last point first. The Government's previous chief scientific officer led some work under the foresight project looking at obesity and that was published last year. That pointed out the scale of the task that we faced if we were going to deal with the problem. Childhood obesity is a massive problem. Therefore, under the new SR arrangements we have set that as a longer term ambition. We have gone to 2020 and said that is the target. The kind of changes we are going to have to see made will take a longer period of time. In many ways the target is more ambitious than it was because we have said that by 2020 we will have reduced the proportion of overweight or obese children to 2000 levels.

**Q43 Mr Heppell:** Have you abandoned the 2004 PSA? Has that gone?

**David Bell:** No. There is still an obesity target but the target has changed. It has gone to what I said. We have said that by 2020 we will have achieved those levels.

**Q44 Chairman:** So you feel it is stronger?

**David Bell:** I think it has got stronger. Because the scientific underpinning and analysis of this was much better as a result of the foresight project. It demonstrated clearly that you need a number of interventions that would affect all children: the way they eat, the sport or physical exercise that they take as well as quite targeted interventions for those children that are most at risk.

**Q45 Mr Heppell:** What I am trying to get at is that the one does not negate the other. I should still be expecting the year on year rises to halt by 2010. That is still a Government target?

**David Bell:** We have an interim target towards 2010 but our overall target is that we move to 2020. The 2010 target was simply to halt the year on year rise in obesity. What we have said under the new ambition is that we get back to the 2000 levels by 2020. We are saying now that the 2020 target is the target. That is not the same target, you are right. It is a virtue of this process that you can say that perhaps that was not the right target to have. We need to amend the target in the light of new scientific evidence, which is what we have done.

**Q46 Mr Heppell:** What you are telling us now is that the 2010 target does not apply. You are saying that you have had to amend it.

**David Bell:** Yes, we have amended the 2010 target. We have now got a new target around 2020.

**Q47 Mr Heppell:** What I am trying to explore is whether these targets, three years on, can just disappear or they can be amended. Are they meaningful targets?

**David Bell:** There is no hiding it. You might say, is that not a "failure" against the 2010 target? Our view was based on the scientific evidence and our analysis of the trends and of what had to be done, it was not sensible to stick to a shorter-term target, that is 2010, but rather to focus more on a 2020 target. I think that is good sense. We have not tried to hide the fact. This has been publicly debated.

**Q48 Chairman:** It may be good sense to you but we live in a parliamentary democracy. If you went back to John Major and looked at the targets his Government set in 1995, who is still taking any notice of those? The fact is that if you put a target down now for 2020, you will not be here and we will not be here. Our job of calling you and the Department to account is difficult enough, now that the responsibility for children spreads across so many departments, and then you set targets to 2020 which most of us politicians realise means that you are almost unaccountable.

**David Bell:** This is an interesting example of a target that has been reassessed in the light of emerging scientific evidence and our analysis.

**Q49 Chairman:** I am sorry, but you have not convinced me—I do not know about my colleagues—that the scientific evidence means that you have to shift the target to such a long time frame.

**David Bell:** I am happy to say a bit more about that in a moment. What you can do, however, is hold the departments—and us principally, as the lead Department on this issue—to account for the actions that we are putting in place and in train to give us the best chance of achieving the 2020 target. There is a realism. As you know, some educational attainment targets are set over a shorter period. On something as complicated as child obesity, however, you cannot go against all the international trends

---

25 June 2008 David Bell and Jon Thompson

---

and set a target that can realistically be achieved in a shorter time scale. What you should be asking is, “What are we doing now to address the longer-term issues?”

**Q50 Chairman:** I am happy for there to be long-term targets, but people should be accountable year on year for progress on those so that Committees such as this can scrutinise them. As I said, yours is the lead Department—I hope that there was no demur on this—on anything to do with the child. That is what the Secretary of State has told the Committee.

**David Bell:** Absolutely.

**Q51 Chairman:** We take that seriously. It is difficult enough to track you, scrutinise you and hold you to account across all these departments, without you suddenly saying, “The new objective is to do something in 2020.” That worries us a great deal.

**David Bell:** If I can refer back to my answer to Mr Stuart, you will be able to track progress towards the target. It is not as if we are saying, “We’ll not come back and discuss this until 2020.” There will be reporting on progress against the target, and I am sure that you will hold us to account if you think that our actions or interventions are not appropriate or that we are going seriously off trajectory.

**Chairman:** Let us move on to schools funding.

**Q52 Fiona Mactaggart:** I want to start with an issue connected with Public Service Agreements. I am particularly interested in inequality. Probably only one of your PSAs—apart from the one on looked-after children—specifically relates to inequality, and that is the first one, which relates to improving children’s communication and social and emotional development and reducing the gap between children in the most disadvantaged areas and other areas. However, that is the one that you have gone backwards on.

**David Bell:** If I might say so, it is not the only one. We now have a free-standing PSA on narrowing the attainment gap, and this is the first time that we have had a free-standing focus on it. We know, and we have said publicly, that there have been data-capture problems, and that has been accepted by those who have looked at the issue. However, we recognise that this is a really important issue. One of the things that was announced in the Children’s Plan was additional targeted funding for the most deprived two-year-olds to give them a better start on communication and social skills. So we do realise that that is a significant point. There is also the impact of children’s centres. One of the criticisms that the National Audit Office made of the children’s centre programme was that although it offered lots of children great opportunities, it was not necessarily getting to the hardest-to-reach youngsters. One of the things that we have done there is to ensure that all children’s centres have outreach programmes to get at the youngsters we need to get at. So in areas where we have concerns, and where we might have gone back, we have to say, “What can we do differently to get a better result in the future?”

**Q53 Fiona Mactaggart:** Let us leap forward to schools funding, because local authorities are damping the allocation that they make in relation to inequality. According to a report produced by the Institute for Fiscal Studies for CfBT, the consequence is that secondary school pupils on free school meals get about 50% less than they would if your inequality measures were carried straight through, and primary school pupils on free school meals get 100% less because of the equalising effect at a local level. What are you doing about that?

**Jon Thompson:** The situation is that because of the double formula system, those issues are for local discretion and for discussion through the schools forum. The Department’s policy is that we have a national system that distributes national funding, and it is then for each local authority to consider that in the context of its local community, and decide upon its own local formula for the distribution of those funds. The safeguard in terms of schools is that they are significant members of the schools forum, and if you want to change the formula then they, obviously, have a significant say. That results in a quite different formula, operating in different parts of the country. Our policy at the moment is that the differential system allows local communities to make those decisions.

**Q54 Fiona Mactaggart:** But is it not the case that, in the schools forum, the loudest voices are often the most successful schools?

**David Bell:** That is not our experience of the schools forum, which is actually quite a lively place of debate. Over the years, schools have all recognised how important it is to have their voices heard, so it is not just a particular kind of school that has its voice heard there. As Jon said, this is a consequence—and, I think, a proper consequence—of our double formula system, whereby we have national priorities and set the total amount of money and then it is for local schools forums to discuss. We are at the earliest stages of our review of school funding. You asked me about that the last time I was here, Mr Chairman. There is a wide group of officials, schools’ representatives, local authorities, and so on. They have met three times, and are just starting to scope the territory. I do not know whether you might look on it as a separate inquiry, but I think it will be important and useful at some point in that process to advance those questions. The system we have at the moment is really set for the three years. It gives schools stability over the three year period, and any changes decided upon would take effect from the year 2011–2012. There is an opportunity to contribute to precisely this kind of argument about the relationship between national funding and local formulae.

**Q55 Fiona Mactaggart:** I am sure we will want to do that, but do you not want to have a formula that is transparent? I do not see that the present one is particularly transparent, when you have a national formula which weights deprivation very heavily and that is translated into a local formula which fails to do so.

25 June 2008 David Bell and Jon Thompson

**David Bell:** It is quite an interesting discussion. Sometimes we are accused of wanting to micro-manage everything at the centre, at national Government level, and here I think we have a genuine relationship between national Government's priorities and the funding that is spent in schools, as there is a separate grant combined with local choices that are made about funding for deprivation. I would be slightly anxious about suggesting that somehow there is no funding benefit or impact for youngsters in more deprived circumstances, because our analysis suggests that at the local level quite a large amount of the money does get to youngsters with particular kinds of needs. Schools forums are not cavalier about the way in which they distribute money, and I think you can go to almost any local authority in the country and find schools in really quite disadvantaged circumstances with children who are bringing additional funds into the school.

**Q56 Fiona Mactaggart:** I did not say that there were none. I said that according to the IFS (Institute of Fiscal Studies) study it was half as much as it should be at secondary level and 100% less than it should be at primary level.

**Jon Thompson:** Our own research with 150 local authorities says that about two thirds of the money we put into the system had reached deprived pupils. That does not quite accord with the IFS.

**Q57 Fiona Mactaggart:** We also know that it is very difficult to change fast enough when the circumstances of a school change.

**David Bell:** There are mechanisms to do that within individual formulae. I know that a particular issue you raised with us a year or so ago was about an influx of youngsters from different countries. We have put into play something called the exceptional circumstances grant, which will be triggered if there is more than a 2.5% increase in the number of children coming into a local authority area, because they are not speaking English as a first language. That is precisely to try to reflect that sometimes you have to react very quickly. Again, there is an interesting balance for us here. The principle of establishing three year budgets is a really good one, and we have used it because it gives schools the chance to plan over the longer term. However, it would be naive to reject the argument that somehow in some places there is a real shift in the population caused by youngsters coming from outside. So, the exceptional circumstances grant—which is a three year grant—is a good way of reacting quickly, without destabilising the formula on a year by year basis.

**Jon Thompson:** I was just going to expand slightly on that. There are three parts to the exceptional circumstances grant. There is an element for rapidly growing pupil numbers, for those areas of the country where there is huge growth in the population. There is a second element which is specifically related to English as an additional language, where there are migration issues, and the third element is specifically to help the relevant local

authorities. There are structural funds to enable the local authority to respond to either rapid population growth or migration, as well as funding for the individual schools that are dealing with the pupils. So there are three elements overall.

**Q58 Fiona Mactaggart:** Regarding transparency, I had a meeting recently with Ministers about how the schools in my authority are full to bursting, largely with a very changed population. It was clear that the officials in my local authority were not aware of the kind of funding that is available. How transparent is the funding to the people who might actually apply for the money?

**Chairman:** How quickly is it delivered?

**Jon Thompson:** The measurement is between the two school census dates in the course of a calendar year. That is very clearly set out in the dedicated schools grant publicity, which is summarised in eight pages. It is in paragraphs 16 through 19, and I think it is pretty clear.

**Fiona Mactaggart:** I am quite prepared to believe that they have not done their job properly.

**David Bell:** We would certainly not want to suggest that. It is a good point. This is an important issue. This is funding that local authorities might need in exceptional circumstances.

**Q59 Fiona Mactaggart:** I was very struck by a sentence in the document that launched the schools challenge. It said: "The majority of secondary schools where more than half of pupils are eligible for free school meals are in the National Challenge." Are you saying that the majority of secondary schools with the largest proportion of deprived pupils are in that group of secondary schools that are failing to get more than a third of their pupils through with five A to Cs, including English and maths?

**David Bell:** Yes.

**Fiona Mactaggart:** That is the clearest evidence that I can think of that we are not properly tackling inequality.

**David Bell:** It is not the case, however, that every school in the most difficult circumstances does not achieve that benchmark. That is one of the reasons why the National Challenge exists. In other words, this is not a stretch that is impossible for any school in such circumstances. Therefore we think that it is important, taking account of the impact of deprivation, to do what we are doing under the National Challenge. It is important though, and we say this quite explicitly in the National Challenge document, that we corral, so to speak, the kinds of services that will make a difference. So this is not just a narrow school improvement programme. It is about making sure that youth services, children's social services and the sorts of services that will help youngsters to achieve more are available. We make no apology for setting that as the minimum threshold, not least because a lot of other schools in similar circumstances are achieving higher results.

---

25 June 2008 David Bell and Jon Thompson

---

**Q60 Fiona Mactaggart:** What would you think about a school that moved in four years from one in 20 pupils getting five A to Cs, to half of the pupils getting five A to Cs, although not all of them getting English and maths? Would you think that that school was doing well?

**David Bell:** I would think that that was a school that was on a positive upwards trajectory. I would, however, ask the question about English and maths. A school can be making that kind of progress but all the students may still not be achieving—even at that threshold of 30%—English and maths. I would deduce, in the hypothetical circumstance that you describe, that that was a school that would be well placed to move through the threshold and onwards. That is why we have been quite careful in how we described the National Challenge schools. We said that they will be in different categories. Some will be on that upward movement and are expected to be through and out of the National Challenge threshold, but others will require more significant support and help.

**Q61 Fiona Mactaggart:** The school that I just described was on the National Challenge list and, like every school in Slough, has a large number of children for whom English is a second language and who therefore have additional challenges in satisfying the English requirement, compared with those in other local authorities. The head teacher e-mailed me in the last two days to say that parents who had put in to join the school next year—and in many ways it is truly improving—have pulled out, and are looking for other schools, because of the way the school has been categorised by being putting in the National Challenge. How carefully do you think about that at the point of publicising it? We are, of course, a selective local authority.

**David Bell:** We thought carefully about the impact, but we also thought carefully about the need to ensure that all schools achieve the 30% minimum on the five-plus A to C grades. Frankly, from our point of view, that had to be the driving motivation. I happened to visit a school recently in a London borough which had also been in the National Challenge list, where they were telling a very positive story about the improvements they were making. It sounded similar to the one that you described. They were quite close to the threshold of the five-plus A to Cs and just saw this as the next step in the progress that they are making. Speaking to that head teacher, his view was, “How can we argue against setting a minimum threshold of 30% of the youngsters achieving five-plus A to C grades, with maths? That is what they need.”

**Q62 Fiona Mactaggart:** That was not a school in a place with grammar schools where 30% of the children are selected out.

**David Bell:** It was a selective London authority and this was one of the secondary modern schools.

**Q63 Fiona Mactaggart:** Is there a London authority which is 100% selective?

**David Bell:** Not 100% selective, but this was a selective school in a selective authority.

**Chairman:** I am minded to call Paul on this second section of questions, but do you want to ask a quick question, Andy, on something that has transpired?

**Q64 Mr Slaughter:** Further to what Fiona was saying, and to see whether I have understood the deprivation issue, a substantial proportion—quite a noticeable percentage—of the schools grant is specifically dedicated to tackling deprivation. Are you saying that once that is allocated, whatever formula you use, you have very limited controls for determining either at LA (local authority) level or at the school level whether it is being properly applied? That is the first part of my question. Secondly, the main target outcome is presumably to improve educational performance, whatever the route to that is. Even if you are not able to control how the money is spent, are you able to assess whether it achieves the results you would expect? If it does not, what do you do then?

**Jon Thompson:** I will say something about funding before we deal with achievement. The national system allocates the funds. It has various safeguards. Those safeguards do not specifically relate to deprivation. The safeguards relate, for example, to the fact that at the local level, 85% of the local formula must be driven by the number of pupils in the school. At one end there are some safeguards for children with particular special educational needs, or statements, which may attract funding, but that may well depend on the local formula. Some have thresholds at 10 hours and some have higher thresholds, so there is additional funding. We come back to the principle that the policy of the double formula system is that those are issues for local decision and local discretion to decide, to give maximum flexibility to local communities and to local schools about how to use the funding to achieve for local people. That is the principle of the system. We try to provide maximum flexibility to schools to use the funding in the way in which the local leadership, governors and head teacher wish to apply it.

**David Bell:** If I follow the logic of the argument, it is for individual schools with their delegated budgets to decide how best to spend them, and our accountability mechanisms, principally through performance tables and the Ofsted system, will enable us to know how well they are doing. So that we are clear about it, the schools do not get into the kind of detail that you may have been hinting at, where you would ask, “What is the absolute connection between the amount of money spent and the outcomes achieved?”. They tend to focus largely on the outcomes. We have measures of both the absolute outcomes—in other words, the percentage of children who are achieving 5 or more A to C grades—and the progress that the students have made. That is how the system works, from national Government right down to the level of the local school’s accountability.

**Q65 Mr Slaughter:** So you are trusting LAs to comply with Government targets, although LAs may have a completely different philosophy for using a substantial proportion—10% or so—of a school's grant. If they decide to use it in other ways, which clearly they sometimes do, there is not much that you can do about it. Is any frustration showing, for example, in the recent decision to give extra money to secondary modern schools? If you are going to give extra money to those schools, presumably on the basis that they are disadvantaged compared with grammar schools in their area, you could look at other areas that do not have that formal split, but where there clearly is a two-tier education system, perhaps between voluntary aided and community schools or simply due to the way that the LA has decided to organise itself, and you could do the same thing.

**David Bell:** I have two quick comments, Mr Chairman. We are not trusting in a naive sense. We are trusting in the best sense. We are saying that those are the decisions that have to be made at local level, and that the various interests represented in the schools forum will get us to a position, we hope, where the funding is allocated according to the local priorities. At an individual school level, it has to be right, with our principles of delegation, that decisions about the allocation of funding are left to governors and senior staff. We would fund particular kinds of schools in particular circumstances through the National Challenge grant. The more general review of schools' funding arrangements is ongoing and, as I suggested to the Chairman earlier, that may be a subject for further discussion, once some ideas begin to emerge.

**Q66 Paul Holmes:** To return briefly to what Fiona started asking you, the Institute for Fiscal Studies says that half the money that you allocate for children in poverty does not get to them in their schools, and your figure is a third. Either way, a significant chunk of money, which you think needs to be spent on children in poverty, is not getting to them. Both of you defend that by saying that it is important to have local flexibility in allocating funds, yet you go over the heads of those local authorities by providing all this extra money for the National Challenge and saying that those poor schools need lots of extra money.

**David Bell:** We are saying in the National Challenge that we want all the local authorities working with the schools concerned to bring back their plans and ideas about how those schools would best be supported through the threshold and beyond. I think, as I said in response to Ms Mactaggart, that some schools will probably be very close to the threshold and will probably need very little additional support or other kind of intervention, while others will need substantially more intervention. I do not think that that is inconsistent with what we have done with previous programmes to support schools. We accept that there is a mechanism for funding the base level of every school in the way that we have described, but sometimes, in

different circumstances, there will be a requirement for support over and above that. The two are not incompatible.

**Q67 Paul Holmes:** But as a Department you say that you want lots of schools in every local authority area to come out of the local system altogether and be Academies or trust schools, totally independent and managing their own finances and all the rest. On the one hand you think it is important that local authorities and local schools work together and allocate the money, and on the other you say that you want as many school as possible to get out of that system.

**David Bell:** I have two or three comments to make on that. First, those are going to be local decisions that schools will make. For example, we know that in a number of trusts and Academies there is an interest in partnership, with the local authority looking at its strategic role and saying, "What kinds of schools do we need in our area?", alongside the needs of particular institutions. I do not think, again, that it is an either/or. It is entirely consistent with our view that local authorities should not be principally concerned with direct provision. The leadership, management, day to day accountability and responsibilities lie at school level. What the local authority should be thinking about is how best to secure its basic responsibility, historically, to provide a sufficient number of places, and the much more modern responsibility that it now has to secure the best kind of education. I think that that is compatible. What we have done at the national level is to give local authorities, schools and others in local areas the choice of a variety of ways to organise themselves to achieve the best results for the youngsters in that area.

**Q68 Paul Holmes:** I still do not see how that answers the point that I was making. You say that it is important for the local family of schools to divvy up the money according to local decisions, but you want hundreds of schools across the country, and many within each local authority area, to opt out and become self-managing financial trusts or Academies with no role to play within the local divvying up of money, because they have taken their cash and gone.

**David Bell:** It is important to say—the National Audit Office confirms this—that we do not provide any significant advantage to schools in any particular category. Trust schools within the maintained system will obviously still be in the Schools Forum discussions and so on, but the budget shares relevant to Academies have to be tied to the decisions made locally. They cannot skew all that funding because of the choices that they have made. Some of them have not made such choices. Becoming an academy, obviously, is less of a choice than a self-governing school or a trust school would have, but nobody gets an added advantage by being in a particular category.

---

25 June 2008 David Bell and Jon Thompson

---

**Q69 Paul Holmes:** Some of the figures on funding for Academies do not agree with that. Academies certainly get more per pupil in the first five years, when funding is protected. However, we will leave that for the moment. If, for example, a grammar school becomes a trust—if it now takes its own cash out of the pot and does what it likes—how will you ensure that it works in partnership with local secondary moderns? It is a trust. It is there to manage itself. Its only interest is looking after itself.

**David Bell:** A number of schools, grammar schools included, already work with other schools. We have been quite clear that the trust arrangements are a mechanism by which schools in one area—perhaps stronger schools, but sometimes not—will work with each other to provide the best kind of education. A number of grammar schools that were historically grant-maintained schools have now become foundation schools. They get their funding fair share, but as we said, under National Challenge—as we said in a number of our recent programmes, we want to move increasingly to a system where schools feel a responsibility to work with other schools in what they do. There are many hundreds of examples of schools working together, whether they are grammar schools working with other schools in the area, comprehensive schools working together, Academies or whatever. There are many examples of schools working together, whatever the circumstances.

**Q70 Paul Holmes:** But there is no way that you can require that. Once the trust or the academy is up and running, you cannot require it to do anything.

**David Bell:** Certainly, in terms of the approval of trust arrangements and the funding agreements for Academies, we are clear about the responsibilities to others, but the same would be true of maintained community schools. In the end, we cannot sit in central Government and say, “If you’re a community school in a particular area, you are required to do the following.” Again, it goes back to the principle of local choice. The vast majority of head teachers have their first responsibility towards the pupils in their own school, but they want to look outwards. They want not just to assist the students in their own school but, as part of their local leadership role, to support other students in what they are doing.

**Chairman:** David has been very noble in holding back on his question about National Challenge, because we want to look at efficiency savings and productivity. Because of time constraints, I now call Graham on that.

**Q71 Mr Stuart:** I am trying to square your opening remarks to the Committee with the facts in front of us. Since 2000, there has been a massive increase in expenditure on education, yet the Chief Inspector of schools tells us that standards have pretty much stalled since then. I do not see how we can square those facts with your opening remarks, which seemed to suggest that significant and satisfactory progress was being made.

**David Bell:** The Chief Inspector, of course, is right that we have not seen the rate of progress that we saw in the earliest period. However, it is worth pointing out that last year we saw the best ever achievement by youngsters at 16 in their GCSEs, and we saw the highest ever level of attainment among 11-year-olds. The Chief Inspector rightly pointed out that the rate of progress has been slower, and it is easy to try to explain that away, although I would not. Some would say, “Of course, it gets more difficult if you set higher and higher targets. You move into circumstances under which more children might find it harder to achieve.” We set those ambitious targets partly because if all schools achieved even what the top half achieve, we would be close to, or exceeding, our targets. We have not plucked them out of the air. We recognise that in recent years we have not made the progress that we should have made, or at the same pace, which is why a number of programmes are in place to keep pushing the pace. But let us not undermine the significant efforts and continuing improvements of recent years.

**Q72 Mr Stuart:** Nobody would want to undermine the significant efforts, but let us combine the chief inspector telling us that standards have stalled with the progress in international reading literacy study and programme for international student assessment showing that we appear to have fallen down, at a time of an astonishing explosion in expenditure on education stewarded by your Department. I still struggle to understand how you work out that overall the Department’s performance has been good. Undeniably there has been great political will on the part of the Government to put in place the resources and to see outcomes, but I and the Committee, I think, struggle to see how the Department has delivered a real return on the vast increase in expenditure put in place by Ministers.

**David Bell:** I could demonstrate that in a number of ways. For example, about a decade ago, the percentage of 11-year-olds achieving the required level was in the high 50s, but last year it was in the high 70s. The number of schools failing was well into four figures, but we are now well below that—in the low 100s. The attainment of 19-year-olds, at Level 2—the five-plus A to C equivalent—has improved substantially.

**Q73 Mr Stuart:** There are questions about whether you are measuring the same things. We have just written a report on testing and assessment suggesting that the narrowing of the curriculum and the teaching to tests has led to an apparent improvement, but that is not the same as a real improvement, although no one, least of all this Committee, would deny that there have been improvements in a number of areas. Owing to the high stakes and pressures on institutions, they have had to deliver and have learned how to work the system so that statistically their schools and institutions meet the supposed higher standards, without necessarily improving the learning experience

**David Bell:** I obviously read with great care your report on *Testing and Assessment*, and we shall respond in due course, although I hope not at 7.20 pm on the day before a sitting. The issue about testing is slightly separate, and I would challenge the argument that we might have achieved those improvements by narrowing the curriculum. The vast majority of schools use the greater curriculum flexibility now available to organise the curriculum to meet the needs of students. Furthermore, we should not apologise for students being better prepared for achieving more, whether at aged 11 or 16. The argument goes that youngsters are being taught to the test at age 11. Clearly, if that resulted in a complete narrowing of the curriculum, it would be worrying, but we know that if a child achieves Level 4 at age 11—the expected level for an 11-year-old—they have a far greater chance of achieving the five A to C grades later on. It is important, therefore, to maintain that focus on student attainment. On the statistics, the measures on English and mathematics were introduced partly in recognition of the fact that, despite the undoubted achievements and qualifications that youngsters were acquiring in other areas, English and maths form an important bedrock of future success. We have tried to adapt and change our requirements. Some people call that raising the bar, but perhaps for the reason you just cited in relation to international comparisons, we have to keep raising the bar, we have to keep demanding more if we are to ensure that our youngsters are well educated.

**Q74 Mr Stuart:** Yet at a time of massive increase in expenditure—education, education, education, as the Chairman of the Committee said, is the leading light of the Government—we have fallen down the league tables, our performance standards have stalled and huge revenues have been spent. I find it impossible to square those facts with your opening remarks. Has there been a fall in productivity from 2000 to 2007?

**David Bell:** According to the ONS survey, there was a 0.7% fall in productivity.

**Q75 Mr Stuart:** Each year from 2000 to 2007?

**Jon Thompson:** As the Chairman said earlier, between 2000 and 2006, the ONS conclusion was that productivity fell by 0.7%

**Q76 Mr Stuart:** I think it was 2007, so it was a long time. There was a year on year productivity fall at exactly the time that massively increased resources were put in. In the private sector, you would expect the exact opposite. You would expect, when you get a major investment opportunity, to deliver accelerated productivity improvement. How is it that your Department and its predecessor so significantly failed to deliver on what we would naturally expect?

**Jon Thompson:** As I understand the maths of the national statistics survey, it says that for the significant increase in inputs, there has been an almost matching significant increase in outcomes—as David said, significant rises in GCSE results and

at age 11 and so on. The two are very closely linked, but when you do the exact maths, what you find is that productivity falls, but the graph essentially shows both increasing at a substantial rate. The productivity, therefore, remains pretty flat.

**Q77 Mr Stuart:** A fall of 0.7% each year for seven years is a significant fall. When we look at the bigger issue outcomes, picking up on Fiona's remarks earlier, many of us are interested in those who, because of deprivation or for other reasons, have historically been failed by the system. We want to see opportunity genuinely delivered to all. Looking at outcomes, we would look at NEETs, for instance. We want to get around possibly manipulable or alterable examination results. Maybe standards have been diluted, or maybe they have not. It is hard to tell. Let us look at real outcomes, at those at the bottom who end up not in education, employment or training. At a time of a strong economy and vast expenditure on education, how is it acceptable and how is it compatible with your opening remarks, to see that, if anything, the number of people in that position between 16 and 18 has increased, and certainly not dropped, in the 12th year of this Government?

**David Bell:** You are absolutely right to comment on the data in the report, but recently published statistics have shown a recent fall. That is not encompassed by the report.

**Mr Stuart:** In one quarter.

**David Bell:** There is no denying the fact that youngsters who are not in employment, education or training present a very substantial demand. One reason we have tried to enhance what we have done, for example in the September period, the so-called September guarantee, is to give them the best opportunity possible. It is interesting to do the analysis. When you look at the breakdown between 16 and 18, not surprisingly there are more 18-year-old NEETs than there are 16 and a half or 17-year-olds. That gives us grounds for optimism, because it suggests that the majority of youngsters in that category are not choosing to opt out of any kind of education or training immediately after they leave school. What is happening is that the right kinds of opportunities may not be sustained for them. I cannot pretend that this is a straightforward, simple issue at a time when the economy is tightening and when there are all sorts of labour market pressures, but we are seeing some fall in the number of youngsters in that category, not reported, as you point out, in the Departmental Report. There is very vigorous activity on our part, in local government, in the Connexions service and others to find the best opportunities, so we do not end up with those young people as NEETs.

**Q78 Mr Stuart:** I suppose that what I am trying to get at is that, regardless of the percentage of people getting GCSEs, the major effort and focus has been to try to deliver for those at the bottom and tackle deprivation, because they were not getting a fair crack in life. If you look at whether young people have been given the skills and confidence to succeed,

---

25 June 2008 David Bell and Jon Thompson

---

that bottom group has not moved a whit at the end of this sustained period and vast amount of expenditure. If you wanted to look at one measure of the results for your Department, particularly for those from deprived backgrounds, would NEETs not be a pretty good one to look at?

**David Bell:** That is a good measure to look at. It is moving in the right direction, but it is moving slowly. I do not think that anyone—

**Q79 Mr Stuart:** It is not moving in the right direction overall, is it? It might have done in the last quarter, but it went up in 2006 and down slightly in 2007. That is the general picture, at a time of high employment and before the credit crunch and all the rest of it bites. Do you have an estimate of where we could go if we have a tough time for the next two years? I feel for those who are Labour Ministers if, at the next general election, after spending all that money for the people whom they most wanted to help—those at the bottom, on the basis that the bright kids from the best family backgrounds generally get on okay anyway—for the people for whom they really wanted to deliver a change, they end up with much worse statistics. That has got to be at least possible if there is a downturn at the bottom. If that were the case, would it not be a devastating indictment of the performance of your Department?

**David Bell:** If it were the case that the figures continued to go upwards, you would be right in your conclusion. We are trying to ensure that for those youngsters who are in the most difficult circumstances, having left school not ready to progress into something else, we are doing all that we can to provide the right kinds of opportunities for them at the age of 16, through a range of projects and programmes. It is interesting that one of the consequences of more youngsters doing well in the system is that for those who do not do well, it almost becomes sharper and more extreme. If you look back over the last decade or so, what can be described as the entry-level requirements for almost any occupation have increased. We know that that situation is going to get better—or worse, depending on how you look at it. It gets better the more youngsters acquire more qualifications, but worse for those who do not have them. Trying to capture those youngsters in the September, before they fall out and get into the habit of falling out and staying out, is therefore important. This is not an issue that can move quickly or easily. That is why it is very important that the commitment to raise the participation age is there, to enable all the youngsters to benefit from further education and training.

**Q80 Mr Stuart:** Following Gershon and the target of £4 billion savings, your Department is claiming that it made £2.8 billion by last year and is claiming to be on track for the £4 billion savings. Those are significant savings and therefore there should be a large freeing up of resources for other frontline activity. Where is the money? We cannot see it. We cannot see it in your report, we do not see where all

the new activity and investment is going as a result of those efficiency savings, if they are more than just some manipulative exercise.

**Chairman:** Jon Thompson, where are you hiding the money?

**Jon Thompson:** We all need to be careful there. The report fairly explicitly says this: you cannot equate £4 billion-worth of efficiencies as £4 billion-worth of cash that you can re-allocate back into the system. Indeed, the Committee has debated this in the past several times—what is an efficiency gain and what is not? In the spending review 2004 there were £1 billion-worth of cashable savings that you could put back into the system and they were used. Other efficiency savings are largely made up of savings of pieces of time, which are then used, but you cannot cash that in the sense that you can take the money out of the budget and put it somewhere else. The methodology has changed significantly in the comprehensive spending review 2007, where the majority of the savings now have to be cash. The most significant of those was the 1% efficiency assumption that was built into the minimum funding guarantee for schools. That is cash that you would otherwise have spent and that you now do not need to, and it amounts to over £1 billion.

**Q81 Paul Holmes:** Can you clarify exactly how you measure productivity? I will explain what I am driving at. In the health service, if you spend more money on more staff in a geriatric ward, productivity would go down because the same number of patients would be dealt with by more staff, but the quality of the care would increase enormously. How are you measuring productivity when those figures suggest that it has decreased despite more money being spent?

**Jon Thompson:** The Office for National Statistics methodology, as I understand it, takes the number of young people in school and their GCSE achievements as an indicator of outcome and compares that with the money on the side of the input. You have a significant increase in the input into schools and a significant increase in the GCSE results, and the two are fairly closely related. Over the past 10 years both numbers have increased substantially, by around 70%. When you put the two together, however, overall productivity falls slightly, by 0.7%, as is contained in the report.

**David Bell:** You might say that this is quite an interesting issue, Mr Holmes, with regard to the quality of what is provided, and that has been one of the really tricky features. None of us are running away or hiding from that productivity question, but we are trying to capture all of its complexity. To continue the analogy of the geriatric ward that you described, that might be like adding substantial numbers of non-teaching staff and thereby increasing the input. The outcome might have marginally declined because of the productivity measure, but you might say that the quality of experience for youngsters has improved, through one to one support, for example. It is a really tricky measure to get.

25 June 2008 David Bell and Jon Thompson

**Q82 Paul Holmes:** I have two other questions. For the financial year from April 2007 to April 2008, you committed to make £4 billion of efficiency savings. In December you said that you had reached £2.9 billion, but when will the final figures be available?

**Jon Thompson:** Sorry, to be clear, that covers the entire three year period from 2005 to 2008, not just the one year. We had saved £3.3 billion at the end of the last quarter, and the final figures will be available in the run up to Christmas, as some of the measures relate to the capture of information about how teachers are being used in schools and such things as diary surveys. There is a time lag until the end of the current academic year, so the results will be published in the autumn.

**David Bell:** I should say that the other aspects of that are more modest in size and scale, but the Department has met the target of reducing staff numbers by 1,400, which we were asked to achieve. We are well on track to achieve the relocation of services outside London, so it is important to see that as part of a whole programme, although obviously the big numbers are in the examples that Jon cited.

**Q83 Paul Holmes:** My last question relates to staffing. You set yourself a target of reducing the number of staff places by 1,960 and say that you have achieved 2,058, so what were those 2,058 doing? Were they doing nothing and you got rid of them with no effect, or have you transferred what they were doing to consultancies and quangos and is some of the money being spent somewhere else anyway? Are people double-jobbing like Jon is? How exactly have you got rid of over 2,000 staff with no effect on what you do?

**David Bell:** I see Jon's eyebrows raising a little. I think that there has been an effect, because obviously as our demands have increased there has been more pressure. About 500 of those members of staff, which is slightly more than the 2,000 that we cited, were Ofsted staff, because that was the contribution that Ofsted made. We have done a number of things. A large number of those people were in our Government office network, which has been scaled back substantially. Across the board in the Department we have simply cut back. Although it is sometimes easy to assume that there are thousands upon thousands of staff working on particular projects in the Department, people from outside are often quite surprised when they find that there are only two or three people working on a project.

**Jon Thompson:** The only other thing that I would say is that we have now got down to 2,606 staff, which in comparison to a £154 billion budget seems very efficient.

**Q84 Paul Holmes:** One criticism that is often made is that Government Departments, when reducing staff places, increase the consultancy work and pass things on to quangos. Is there any truth in that for what you are doing?

**Jon Thompson:** Consultancy spend has been pretty flat over the past three or four years, to be fair. I think that we have some particular circumstances at the moment, such as the development of the ContactPoint project, which is soaking up a fair amount of the consultancy budget. If that was not there, consultancy spend would have gone down, but at the moment it is pretty flat.

**David Bell:** I think the consultancy question is always an important and good question to ask. We have to make hard-headed business choices about when it is better to employ somebody and have them on the books than to pay them slightly more but have them there only part of the time. Although I understand that the issue is always subject to a bit of political knockabout, we just take hard-headed business decisions about where it is best to employ staff permanently, as opposed to temporarily.

**Q85 Chairman:** You are saving money and staff through the changes at your Department and the Learning and Skills Council (LSC)?

**David Bell:** Yes.

**Q86 Chairman:** Many people are very worried about the transition. People are talking about the patient being dead but still on life support and asking when you are going to pull the plug. What are the implications? There is a lot of uncertainty about the next two years of this transition.

**David Bell:** Absolutely. I understand that.

**Q87 Chairman:** Is this saving money? What is this turmoil in the LSC?

**David Bell:** That goes back to the machinery of government changes, with the split of responsibility pre and post-19, and Ministers' decision to have two bodies to do the funding, instead of having the LSC trying to straddle pre and post-19. At this stage, it is not possible to say what the details of the staffing consequences will be in the LSC. There are expected to be transfers of people into the local authority arena and into the national agencies. In terms of actual detail, however, we are not able to say what will happen case by case.

**Q88 Mr Chaytor:** Back to the National Challenge. Is each of the 638 schools under the threshold in the National Challenge?

**David Bell:** Yes.

**Q89 Mr Chaytor:** And eligible for additional funding?

**David Bell:** To go back to an answer that I gave earlier, it might be quite modest in some cases, because some schools will be on the margins.

**Q90 Mr Chaytor:** Funding is differentiated?

**David Bell:** We are going to make the decisions about funding when schools and local authorities submit their plans, which we hope to have by the end of July. We will assess them over the summer.

---

25 June 2008 David Bell and Jon Thompson

---

**Q91 Mr Chaytor:** But the Secretary of State has already said that secondary modern schools will attract upwards of £1 million of funding as a special category.

**David Bell:** Yes. We have been very fortunate in this programme to have secured about £400 million within our budgets, some of which was allocated under the Budget and some of which we re-allocated from within. The Secretary of State announced that we would want to allocate a particular priority within that total on the secondary modern side. We will have to look at that in the round against all the other demands, but he has made a real commitment to the secondary modern side.

**Q92 Mr Chaytor:** But the Department's method of categorising schools is fairly arbitrary, is it not? Not all schools in wholly selective areas are defined on your list as secondary modern, and many schools in partially selective areas are secondary modern to all intents and purposes, but define themselves as comprehensive.

**David Bell:** Not surprisingly, we have had these nuances pointed out by a number of players. We have to look at all that. What we do not want to do is to get into a position where particular schools feel that they are somehow being disadvantaged. We are putting quite a lot of additional money into this. Obviously, the categorisation will work through, and we will listen to what local authorities and schools tell us when they submit their action plans by the end of July.

**Q93 Mr Chaytor:** I understand that 40% of the 638 schools have CVA scores above the average.

**David Bell:** Yes.

**Q94 Mr Chaytor:** Presumably, it is inevitable that some schools will have A to C scores, including English and maths, of 29%.

**David Bell:** Correct.

**Q95 Mr Chaytor:** That is with an above-average CVA score. However, other schools, which are not in the national challenge, will have a GCSE score of 31% and a below-average CVA score. Why is the cut-off so arbitrary? Why was CVA not taken into account equally with the raw score at GCSE?

**David Bell:** To reinforce the point, we know that there are many improving schools, as measured by a number of factors in the national challenge list, such as the Ofsted report or the CVA score, but we felt that a minimum had to be established—some people might say that it should have been higher—in relation to maths and English. That was not an arbitrary choice; it is an important choice, given the centrality of English and maths. If a school was in the category just above the national challenge, as you described, it would presumably be looking very carefully at how to drive further improvement. We know that in some schools it might be hovering around the border, and there will be the impact of whatever happens in this year's GCSE results published in the autumn. We think it is really important that CVA is a good basis on which to

build progress and success in English and maths, but there will be no apologies at all for saying that there has to be an English and maths benchmark. Ofsted, in its consultation on the new inspection arrangements, is suggesting something similar when it makes judgments that there has to be a minimum threshold in terms of the objective results.

**Q96 Chairman:** Before we leave that point, should there not be an apology to some of the 600-plus schools which, as a result of the clumsy way the strategy was announced, felt pretty bruised? The way your Department launched that strategy hurt a lot of feelings and dispirited a lot of schools in the areas that some of us on this Committee represent—schools that were working hard, with good leadership. Surely that could not have been your intention.

**David Bell:** It was certainly not our intention to cause great offence and upset. Equally, the Department and the Secretary of State would make no apologies for saying that this is a really important national programme, and that if you are going to set a benchmark of 30%, clearly those below it will be affected by the announcement. That is a matter of fact. But we did not set out to cause offence. In fact, the Secretary of State has been very clear from the beginning that this is about helping schools to improve through the threshold and go on to further success. I hope that in the aftermath of what some people might have felt about the launch, people are now really focused on how they can get their plans together to get the support we think we, with their local partners, can offer to improve performance.

**Q97 Mr Chaytor:** The Department is going to spend upwards of £400 million over the next three years on this. To a large extent, though not entirely, the issue that is being tackled is one of large concentrations of hard-to-teach children in specific schools. Has a cost-benefit analysis been done to discover whether it would be cheaper to tackle the root cause of the problem, rather than spending £400 million to deal with the consequences?

**David Bell:** I would argue that our policies and programmes are designed to tackle the root causes. It depends how you define root causes.

**Q98 Mr Chaytor:** I would define the root cause here as the admissions policy that leads to certain schools having disproportionate numbers of hard-to-teach children.

**David Bell:** We are back to matters of local determination. I actually thought you were going to talk about the sort of support that youngsters and families might need, quality of primary education, focus on learning so that youngsters get to age 11 better placed. We see all of those as root causes. The admissions arrangements are set locally, and we have to say, "What are the consequences in the 600-plus schools, and how can we help those schools to improve?" That is why we would keep emphasising that this is an improving schools policy.

---

25 June 2008 David Bell and Jon Thompson

---

**Q99 Mr Chaytor:** You are just about to consult on the new admissions policy.

**David Bell:** We are doing that, yes.

**Q100 Mr Chaytor:** Are there not issues that should be considered here that may help the problem of the 638 schools?

**David Bell:** I know that admissions is an issue that has been of interest to the Committee on a number of occasions, and we are working on a consultation at the moment. Clearly, members of the Committee will want to comment on that. There are a number of important potential changes there, but we are consulting.

**Q101 Chairman:** It is of great interest to this Committee that one part of the recommendations on admissions that has never been accepted by the Government and by your Department regards the role of the School Commissioner. I understand that the School Commissioner has provided a report on his first period that has not yet seen the light of day. The issue was really about the degree of social differentiation in school intake, and the broad remit which this Committee particularly wanted the School Commissioner to have. We understand that this report exists in the Department. When will we see it?

**David Bell:** I know of this issue, but I cannot answer your question off hand. May I come back to you on that?

**Q102 Chairman:** You do know that the School Commissioner has written a report.

**David Bell:** I do indeed.

**Chairman:** And we have not seen it.

**David Bell:** Just to make the point, there is a lot of factual information and detail regarding the work of the Commissioner. May I come back to you on that?<sup>7</sup>

**Q103 Chairman:** We would like you to give us his report, rather than coming back to us on it. You are in charge of the Department?

**David Bell:** I am indeed. And it is a great pleasure.

**Q104 Chairman:** At the moment, would you like to publish his report or not?

**David Bell:** I need to consult on this a bit further before making a final decision. If you will leave me to do that, I will do it.

**Chairman:** Thank you for your attendance.

---

<sup>7</sup> A copy of the first report on the work of the Office of the Schools Commissioner was received by the Committee on 14 July 2008. The report covers the work of the OSC during the period from September 2006 to March 2008. DCSF placed a copy of the report in both Libraries of the House.

---

**Supplementary memorandum submitted by the Department for Children, Schools and Families**

Questions 18–19 (Mr Chaytor): *The relationship of the Departmental Strategic Objectives to the Budget*

The Department's Business Plan for 2008–09 attributes the Department's budget to the Departmental Strategic Objectives as follows:

		£'000
DSO 1	Secure the wellbeing and health of children and young people	536,452
DSO 2	Safeguard the young and vulnerable	170,168
DSO 3	Achieve world class standards in education	39,606,111
DSO 4	Close the gap in educational achievement for children from disadvantaged backgrounds	2,608,912
DSO 5	Ensure young people are participating and achieving their potential to 18 and beyond	7,623,754
DSO 6	Keep children and young people on the path to success	981,609
	Lead and manage the system	1,063,987
<b>DCSF Total</b>		<b>52,590,993</b>

The allocations of the 2009–10 and 2010–11 budgets has yet to be decided.

Question 20 (Mr Chaytor): *A table indicating how much money is being allocated to Children services or Children's Trusts and similar*

Question 22 (Mr Chaytor): *A table showing how much is being allocated to front line institutions*

In taking forward action on these two points the Department will consider carefully the detail of information that will be included in the 2009 Departmental Report. The existing Table 8.3 is based on the Departmental organisational structure, which is largely in line with the various areas of policy development. The table can be reformatted in a number of ways but this will take considerable effort to ensure that the information is correct, will be helpful and will be understandable to users. The Department will consider if this is possible when preparing the 2009 Departmental Report.

Question 23 (Mr Chaytor): *An extension of The Pupil Numbers table (Annex N on page 150)<sup>8</sup> to show the likely pupil numbers beyond 2008–09*

The information is given in Annex A.

Question 38 (Mr Heppell): *The PSA delivery Agreement for CSR 2007*

The PSA delivery agreements can be found at: [http://www.hm-treasury.gov.uk/pbr\\_csr/psa/pbr\\_csr07\\_psaopportunity.cfm](http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaopportunity.cfm). The Agreements that DCSF leads are PSA targets 10–14.

Question 39 (Mr Heppell): *The significance of SR 2004 PSA targets and the relationship between the DSO and the CSR 2007 PSA targets*

The Department's Autumn Performance Report will be published in November/December 2008 and will include final assessments for the majority of SR04 targets. Annex B (SR04 PSA targets transition into CSR07 period) shows the evolution of the PSA targets.

Annex C shows how the Department's six Departmental Strategic Objectives and their underpinning indicators relate to the PSA targets.

Question 104 (Chairman): *When the School Commissioner's annual report will be published*

A copy of the Commissioner's report will be sent to the Chairman today.

July 2008

---

<sup>8</sup> Department for Children, Schools and Families, *Departmental Report 2008*, Cm 7391, May 2008.

## Annex A

MAINTAINED SCHOOLS, ACADEMIES AND CITY TECHNOLOGY COLLEGES: FULL TIME EQUIVALENT<sup>1</sup> PUPIL NUMBERS<sup>2,3</sup> (000s)

<i>At January each academic year</i>	1996–97	1997–98	1998–99	1999–2000	2000–01	2001–02 <sup>5</sup>	2002–03 <sup>6</sup>	2003–04	2004–05	2005–06
	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>
Nursery and primary schools <sup>7</sup>	4,301	4,329	4,329	4,305	4,278	4,240	4,191	4,138	4,093	4,043
Secondary schools	3,042	3,073	3,122	3,182	3,232	3,264	3,308	3,327	3,317	3,309
Special schools	92	92	92	91	90	89	90	88	86	86
Pupil referral units	8	8	8	8	9	10	18	20	22	24
Academies <sup>8</sup>	n/a	n/a	n/a	n/a	n/a	n/a	3	10	15	25
City Technology Colleges	15	16	16	17	17	16	18	16	16	12
<b>Total pupil numbers in maintained schools, academies and City Technology Colleges<sup>9,10</sup></b>	<b>7,457</b>	<b>7,517</b>	<b>7,567</b>	<b>7,603</b>	<b>7,626</b>	<b>7,618</b>	<b>7,626</b>	<b>7,599</b>	<b>7,551</b>	<b>7,500</b>

<i>At January each academic year</i>	2006–07	2007–08 <sup>4</sup>	2008–09 <sup>4</sup>	2009–10 <sup>4</sup>	2010–11 <sup>4</sup>	2011–12 <sup>4</sup>	2012–13 <sup>4</sup>	2013–14 <sup>4</sup>	2014–15 <sup>4</sup>	2015–16 <sup>4</sup>	2016–17 <sup>4</sup>
	<i>actual</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>	<i>projected</i>
Nursery and primary schools <sup>7</sup>	4,004	3,982	3,979	4,007	4,063	4,139	4,231	4,329	4,416	4,492	4,557
Secondary schools	3,272	3,210	3,132	3,049	2,966	2,878	2,786	2,693	2,659	2,665	2,693
Special schools	86	86	85	85	85	85	85	85	85	85	86
Pupil referral units	24	25	24	24	23	23	23	22	22	22	21
Academies <sup>8</sup>	42	75	120	172	221	270	320	370	387	387	387
City Technology Colleges	12	6	3	3	3	3	3	3	3	3	3
<b>Total pupil numbers in maintained schools, academies and City Technology Colleges<sup>9,10</sup></b>	<b>7,440</b>	<b>7,383</b>	<b>7,344</b>	<b>7,340</b>	<b>7,361</b>	<b>7,398</b>	<b>7,447</b>	<b>7,502</b>	<b>7,572</b>	<b>7,654</b>	<b>7,748</b>

Sources: Annual Schools Census and DSL projections.

## Notes

1. Full-time equivalents aged 0 to 19, counting each part-time pupil as 0.5. Until 2001–02, part-time pupils could only be recorded at age four and under; from 2002–03, primary, secondary and special schools may record part-time pupils of any age.
2. Figures are rounded to the nearest thousand. Rounding of components may cause discrepancies in totals.
3. Projections use the mid 2006 based ONS population projections.
4. Projections take into account provisional 2008 School Census data.
5. From 2001–02 onwards, the school information is pupil level based from all schools except for Pupil Referral Units.
6. From 2002–03 onwards, the data includes dually registered pupils.
7. Projections allow for increase in take up of early years education towards universal provision.
8. The projected pupil numbers in Academies are subject to change. These projections are based on 400 academies by 2015. This projection is based on 50 academies opening each year between 2008–09 and 2013–14 and 17 academies opening in 2014–15.
9. These projections include those aged over 16 and it should be noted that maintained schools are only one of several routes available to post-16 learners and whilst these figures reflect the Department's projections of where learners will participate, they are subject to the choice that will be made by the young people themselves.
10. Experience has shown that totals in maintained primary and secondary schools are usually within  $\pm 0.2\%$  for the first projected year. There is less certainty in the longer term, for example the actual number of pupils in maintained primary schools in 2007 was 0.65% higher than was predicted in the 2001 based projections. Factors which contribute to differences between projections and outturn data include the underlying population trends, participation among under 5's and at age 16 and over and variations of proportions attending independent schools. Projections are increasing in uncertainty, particularly for post 16.

## SPENDING REVIEW 2004 PSA TARGETS TRANSITION INTO COMPREHENSIVE SPENDING REVIEW 2007 PERIOD

<i>SR04 PSA target</i>	<i>Implications for public performance reporting over CSR07 period</i>
<p>1. Improve children’s communication and social and emotional development so that by 2008 53% of children reach a good level of development at the end of the Foundation Stage and reduce inequalities between the level of development achieved by children in the 30% most disadvantaged Super Output Areas and the rest of England by four percentage points from 16% to 12%.</p>	<p>SR04 target ends in 2008—performance information will be available in October 2008 and a final assessment will be made in the 2008 Autumn Performance Report.</p> <p>New indicators on “Achievement at Early Years Foundation Stage” and “Gap in Achievement at Early Years Foundation Stage” underpin the CSR07 PSA to “Raise the educational achievement of all children and young people” and PSA to “Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers” respectively.</p>
<p>(Early Years, Extended Schools and Special Needs Group target, joint with the Department for Work and Pensions)</p>	<p>Both new targets use the Early Years Foundation Stage Profile (EYFSP), which supersedes the Foundation Stage Profile (FSP), but essentially retains the same approach to assessment, so maintaining continuity with the SR04 PSA target 1. EYFSP data will be available in October each year and the new early years targets will be reported on within the new arrangements for reporting on PSA 10 and PSA 11. The baseline will be confirmed in October 2008 (and reported in the 2008 Autumn Performance Report)—subsequent reporting will be framed in terms of improvement on the 2008 results.</p>
<p>2. As a contribution to reducing the proportion of children living in households where no one is working, by 2008:</p>	<p>SR04 target ends in 2008—elements 1 and 3 is due to be reported as being “met early” in the 2007 APR. Performance information on element 2 will be available in January 2008 and January 2009. A final assessment will be made in the 2009 Departmental Report, bearing in mind that all three elements of the target need to be met individually for the whole target to be met (if one of more elements are not met, the target will be deemed to be partially met).</p>
<ul style="list-style-type: none"> <li>— increase the stock of Ofsted-registered childcare by 10%;</li> <li>— increase the number of children in lower-income working families using formal childcare by 120,000; and</li> <li>— introduce by April 2005, a successful light-touch childcare approval scheme.</li> </ul>	<p>An indicator on take-up of formal childcare by low income families underpins the CSR07 DCSF DSO to “Close the gap in educational achievement for children from disadvantaged backgrounds”, and will be reported in the 2009 Departmental Report (in the context of DSO reporting). It also feeds into the Government’s CSR07 PSA to “Halve the number of children in poverty by 2010–11, on the way to eradicating child poverty by 2020”, although it is not a formal indicator.</p>
<p>(Early Years, Extended Schools and Special Needs Group target, joint with the Department for Work and Pensions)</p>	<p>2010 target rolled forward into CSR07 period—now an indicator underpinning the PSA to “Increase the number of children and young people on the path to success”. Reporting will continue through the Autumn Performance Report and Departmental Report (with data available in February each year).</p>
<p>3. Reduce the under-18 conception rate by 50%, by 2010, as part of a broader strategy to improve sexual health. (Joint target with the Department of Health)</p>	

*SR04 PSA target*

4. Halt the year-on-year rise in obesity among children under 11 by 2010 in the context of a broader strategy to tackle obesity in the population as a whole. (Joint target with the Department of Health and Department for Culture, Media and Sport)

5. Narrow the gap in educational achievement between looked after children and that of their peers, and improve their educational support and the stability of their lives so that by 2008, 80% of children under 16 who have been looked after for 2.5 or more years will have been living in the same placement for at least two years, or are placed for adoption.

6. Raise standards in English and mathematics so that:

- by 2006, 85% of 11-year-olds achieve level 4 or above with this level of performance sustained until 2006; and
- by 2008, the proportion of schools in which fewer than 65% of pupils achieve level 4 or above is reduced by 40%.

7. Raise standards in English, mathematics, ICT and science in secondary education so that:

- by 2007, 85% of 14-year-olds achieve level 5 or above in English, mathematics and ICT (80% in science) nationally, with this level of performance sustained to 2008; and
- by 2008, in all schools at least 50% of pupils achieve level 5 or above in English, mathematics and science.

*Implications for public performance reporting over CSR07 period*

Government is moving to a new ambition on obesity—“levels of childhood obesity” is now an indicator underpinning the CSR07 PSA to “Improve the health and well-being of children and young people”. There is a CSR07 commitment to making “a significant impact on this problem over the CSR period, reducing the rate of increase in obesity among children under 11 as a first step towards a long-term national ambition by 2020 to reduce the proportion of overweight and obese children to 2000 levels in the context of tackling obesity across the population.”

Performance against the SR04 target will be published in the 2007 Autumn Performance Report, which will also make clear the CSR07 commitment (and DCSF/DH dual-key commitments). Subsequent performance against the 2020 ambition will be reported in the 2008 Autumn Performance Report and 2008 Departmental Report onwards (with data available in December each year and DCMS relieved of their formal reporting requirements).

SR04 target on stability (and underpinning indicator on achievement) ends in 2008—performance information will be available in April 2009 and a final assessment will be made in the 2009 Departmental Report (assuming publication in May).

New indicators on “Proportion of children in care at Key Stage 2 achieving Level 4 in English and Level 4 in Mathematics at Key Stage 2” and “Proportion of children in care achieving five A\*-C GCSEs (or equivalent) at Key Stage 4” underpin the CSR07 PSA to “Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers”. Both will be reported from the 2008 Autumn Performance Report onwards (with data available in April each year, and autumn each year from 2008–09).

There are also two indicators on stability of looked after children underpinning the CSR07 DCSF DSO to “Safeguard the young and vulnerable”, which will be reported in the 2009 Departmental Report (in the context of DSO reporting). They are also included in the local government National Indicator Set.

SR04 target ends in 2008. Element 1 (2006 target) has already been reported as Not Met. Element 2 (2008 target) performance information will be available in November 2008 and a final assessment of the SR04 target will be made in the 2008 Autumn Performance Report (assuming publication in December).

A new indicator on the “Proportion achieving Level 4 in both English and Mathematics at Key Stage 2” underpins the CSR07 PSA to “Raise the educational achievement of all children and young people”. Performance will be reported from the 2008 Autumn Performance Report onwards (with data available in August [provisional] and December [revised] each year).

SR04 target ends in 2008. Element 1 (2007 target) may be reported as Not Met in 2007 Autumn Performance Report (subject to confirmation with policy team and HMT). Element 2 (2008 target) performance information will be available in December 2008, so a final assessment of the SR04 target may be made in the 2008 Autumn Performance Report (assuming no delays and publication in December—otherwise a final assessment would be made in the 2009 Departmental Report).

A new indicator on the “Proportion achieving Level 5 in both English and Mathematics at Key Stage” underpins the CSR07 PSA to “Raise the educational achievement of all children and young people”. Performance will be reported from the 2008 Autumn Performance Report onwards (with data available in August [provisional] and February [revised] and July [final] each year).

---

*SR04 PSA target*

*Implications for public performance reporting over CSR07 period*

---

8. Improve levels of school attendance so that by 2008, school absence is reduced by 8% compared to 2003.

SR04 target ends in 2008—performance information will be available in February or March each year, and a final assessment of the SR04 target will be made in the 2009 Departmental Report.

Number of persistent absentee pupils in secondary schools underpins the CSR07 DCSF DSO to “Close the gap in educational achievement for children from disadvantaged backgrounds” and will be reported in the 2009 Departmental Report onwards.

9. Enhance the take-up of sporting opportunities by five to 16-year-olds so that the percentage of school children in England who spend a minimum of two hours each week on high quality PE and school sport within and beyond the curriculum increases from 25% in 2002 to 75% by 2006 and to 85% by 2008, and to at least 75% in each School Sport Partnership by 2008. (Joint target with Department for Culture, Media and Sport)

SR04 target ends in 2008. 2008 target has been Met Early and will be reported as such in the 2008 Autumn Performance Report.

A new indicator on the “Children and young people’s participation in sport” underpins the CSR07 PSA to “Deliver a successful Olympic Games and Paralympic Games with a sustainable legacy and get more children and young people taking part in high quality PE and sport”. Performance will be reported from the 2008 Autumn Performance Report onwards, although the indicator will also report into the Child Health and Wellbeing Board for performance management purposes.

10. By 2008, 60% of those aged 16 to achieve the equivalent of five GCSEs at grades A\*-C; and in all schools, at least 20% of pupils to achieve this standard by 2004, rising to 25% by 2006 and 30% by 2008.

SR04 target ends in 2008—performance information will be available in October 2008 [provisional] and January 2009 [revised] and a final assessment of the SR04 target will be made in the 2009 Departmental Report.

A new indicator on the “Proportion achieving five A\*-C GCSEs (or equivalent) at Key Stage 4 including English and Mathematics” underpins the CSR07 PSA to “Raise the educational achievement of all children and young people”. Performance will be reported from the 2008 Autumn Performance Report onwards (with data available in October [provisional] and January [revised] each year).

11. Increase the proportion of 19-year-olds who achieve at least level 2 by 3 percentage points between 2004 and 2006, and a further 2 percentage points between 2006 and 2008, and increase the proportion of young people who achieve level 3.

SR04 target ends in 2008—performance information will be available in February 2009 and a final assessment of the SR04 target will be made in the 2009 Departmental Report.

New indicators on the “Proportion of young people achieving Level 2 at age 19” and “Proportion of young people achieving Level 3 at age 19” underpin the CSR07 PSA to “Raise the educational achievement of all children and young people”. Performance will be reported from the 2008 Autumn Performance Report onwards (with data available in February each year).

12. Reduce the proportion of young people not in education, employment or training by 2 percentage points by 2010.

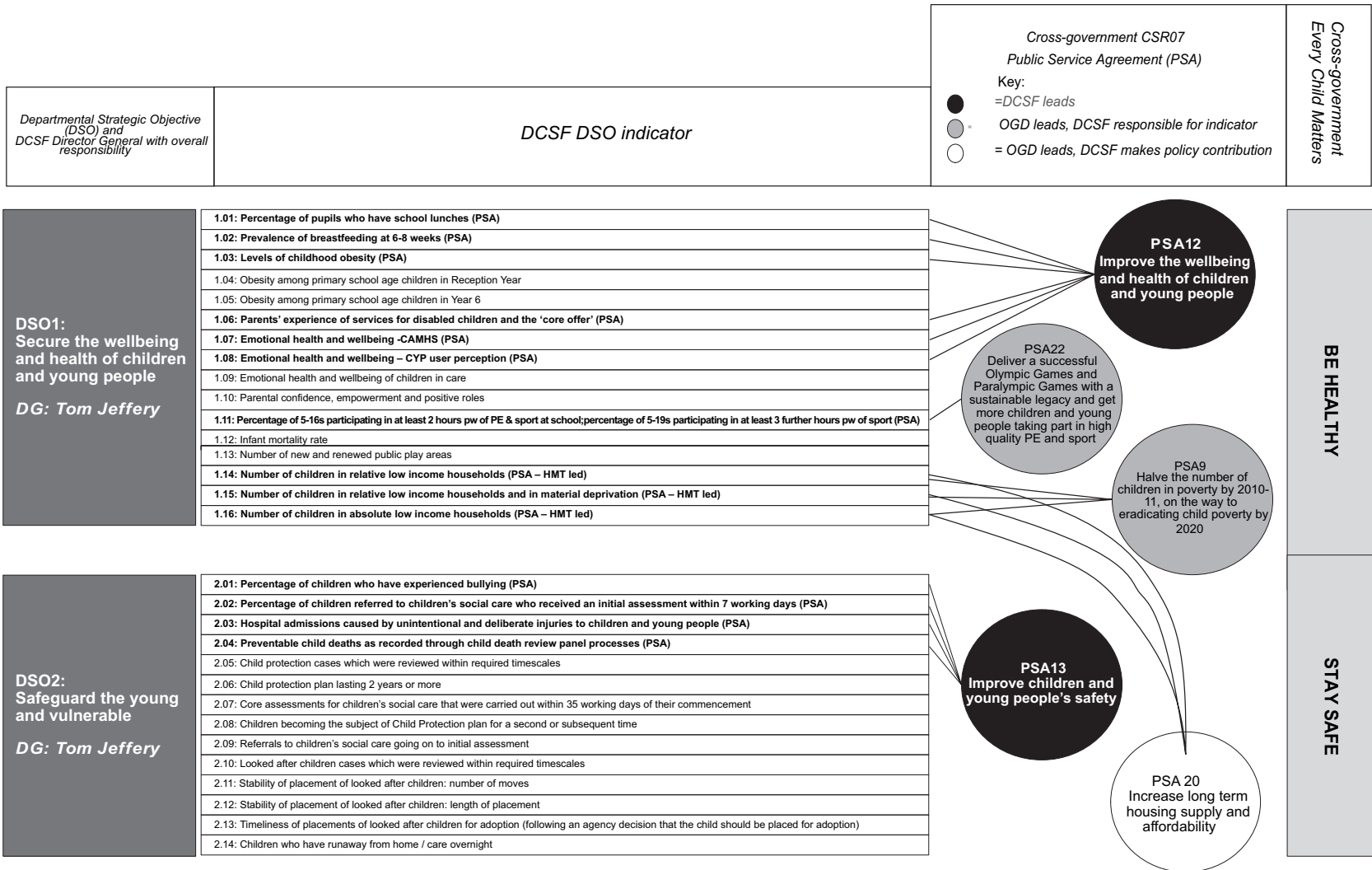
2010 target rolled forward into CSR07 period—now an indicator (with national target) underpinning the CSR07 PSA to “Increase the number of children and young people on the path to success”. Reporting will continue through the Autumn Performance Report and Departmental Report (with data available in June each year).

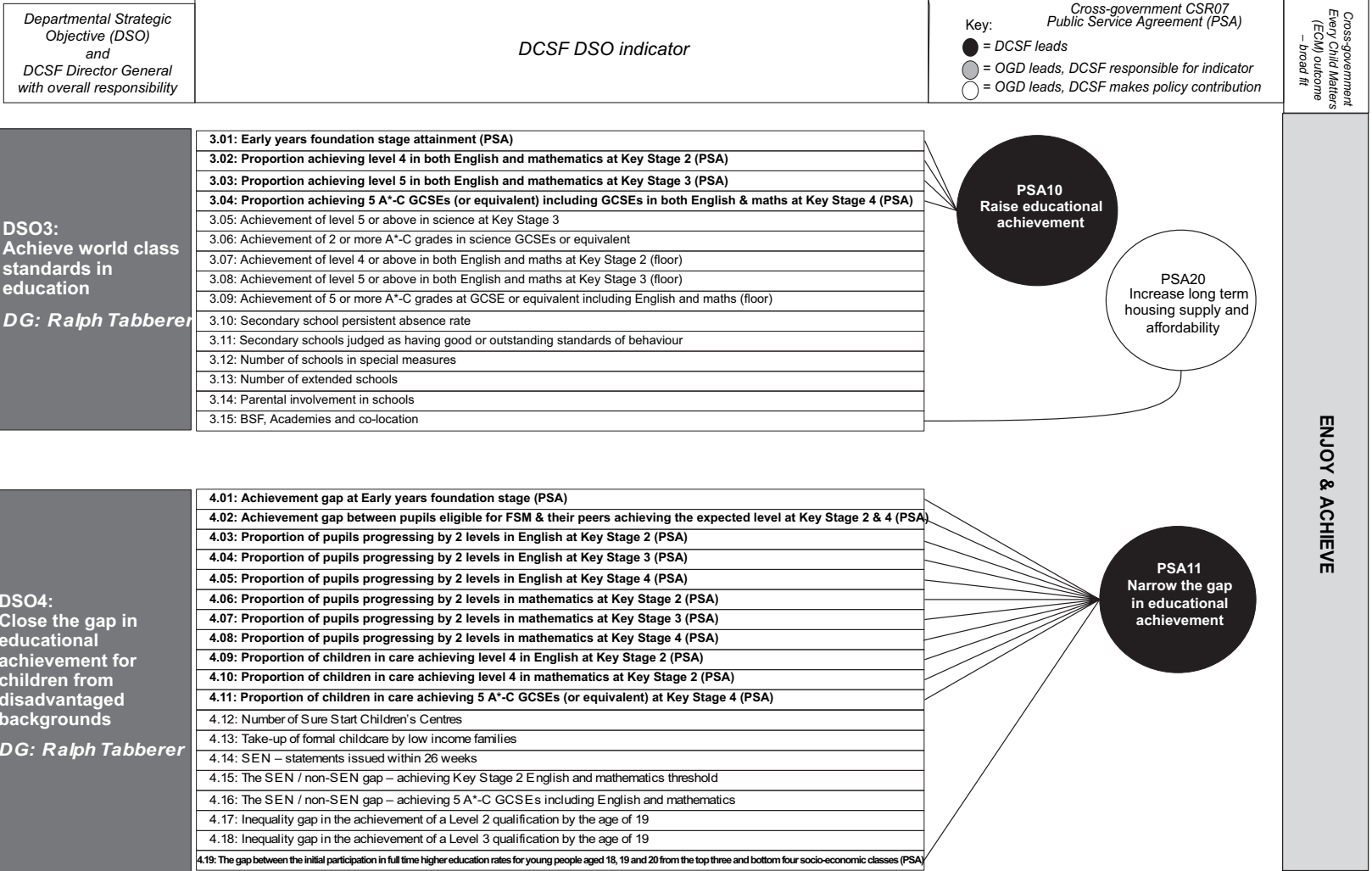
SR02 PSA target 6: Reduce the use of Class A drugs and the frequent use of any illicit drug among all young people under the age of 25, especially by the most vulnerable young people.

The baseline year for the measures is 2003–04 and the final year for measurement is 2007–08—leading to Home Office reporting back on final position in Autumn 2008. Target has been superseded by the substance misuse indicator in the CSR07 PSA to “Increase the number of children and young people on the path to success”. Reporting will be through the Autumn Performance Report and Departmental Report.

---

(ECM) outcome – broad fit

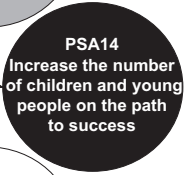




<p>Departmental Strategic Objective (DSO) and DCSF Director General with overall responsibility</p>	<p>DCSF DSO indicator</p>	<p>Key:                  ● = DCSF leads                  ● = OGD leads, DCSF responsible for indicator                  ○ = OGD leads, DCSF makes policy contribution</p>	<p>Cross-government CSR07 Public Service Agreement (PSA)</p>	<p>Cross-government Every Child Matters (ECM) outcome – broad fit</p>
---	---------------------------	---	--	---

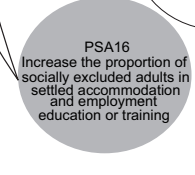
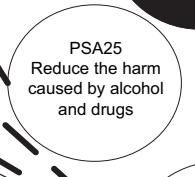
**DSO 5:**  
 Ensure young people are participating and achieving their potential to 18 and beyond  
 DG: Lesley Longstone

5.01: Proportion of young people achieving level 2 at age 19 (PSA)
5.02: Proportion of young people achieving level 3 at age 19 (PSA)
5.03: Post-16 participation in physical sciences (A Level physics, chemistry & maths) (PSA)
5.04: Take-up of 14-19 learning diplomas
5.05: Participation of 17 year olds in education or training



**DSO 6:**  
 Keep children and young people on the path to success  
 DG: Lesley Longstone

6.01: Reduce the percentage of 16-18 year olds not in education, employment of training (NEET) (PSA)
6.02: More participation in positive activities (PSA)
6.03: Reduce the proportion of young people frequently using illicit drugs, alcohol or volatile substances (PSA)
6.04: Reduce the under-18 conception rate (PSA)
6.05: Reduce the number of first-time entrants to the Criminal Justice System aged 10-17 (PSA)
6.06: Care leavers in suitable accommodation (PSA)
6.07: Care leavers in employment, education or training (PSA)
6.08: Rate of permanent exclusions from school
6.09: Perceptions that people in their area treat one another with respect and dignity
6.10: Perceptions of parents taking responsibility for the behaviour of their children in the area
6.11: Implementation of targeted youth support in local authorities
6.12: Rate of proven re-offending by young offenders
6.13: Young people within the Youth Justice System receiving a conviction in court who are sentenced to custody
6.14: Ethnic composition of offenders on Youth Justice System disposals
6.15: Young offenders engagement in suitable education, employment or training
6.16: Young offenders access to suitable accommodation
6.17: Sex and relationships education in schools
6.18: Prevalence of Chlamydia in under 25 year olds



## Wednesday 16 July 2008

Members present:

Mr Barry Sheerman, in the Chair

Annette Brooke  
Mr Douglas Carswell  
Mr David Chaytor  
Mr John Heppell

Mrs Sharon Hodgson  
Paul Holmes  
Mr Andy Slaughter

*Witnesses:* **Rt Hon Ed Balls MP**, Secretary of State, **David Bell**, Permanent Secretary, and **Jon Thompson**, Director General, Corporate Services, Department for Children, Schools and Families, gave evidence.

**Q105 Chairman:** I welcome the Secretary of State, the Permanent Secretary and Jon Thompson to the Committee. It is a pleasure to have you here and I am sure that you feel the same way. This is the annual pilgrimage of the Secretary of State to the Committee. As you know, a few Secretaries of State have sat before us since I have chaired this Committee and its predecessor. The great thing about such meetings is that they usually indicate that the recess is imminent. We consider this to be an important sitting. We usually ask the Secretary of State if he would like to say a few words to open the sitting and then go straight into questions.

**Ed Balls:** Thank you for inviting me to the Committee for the third time in six months. It is good to be back. We are here to discuss the Annual Report. I am sure that you will want to talk about wider matters concerning the Department, and about your recent reports on the Children's Plan and Testing and Assessment. It is over a year since our new Department was created and six months since the Children's Plan, and I have given evidence as part of your inquiries into those matters. I hope that we have proved over the last 12 months that this is more than simply a different name on the same door to the same Department; I think that we have. The new Department for Children, Schools and Families has a real mission and purpose. Over the six months since I was last before you, we have taken forward a number of commitments from the Children's Plan such as the establishment of Ofqual, the National Challenge for school improvement, the alternative provision White Paper and reforms of pupil referral units. We have launched the myplace youth services programme and have started a consultation on measuring child well-being. We have done a number of things that, I hope, have shown the Committee, since its report, that we are taking seriously our shared responsibilities with other departments. We have seen, for example, work on child poverty. In fact, we appeared with the Secretary of State for Work and Pensions and the Chief Secretary to the Treasury before the Committee to discuss that a month or so ago. We have had the Bercow Review into speech and language therapy, which reported directly to me and to Alan Johnson, the Health Secretary—we will be responding to it in detail when the first joint child health plan is produced by our two Departments in September—and, obviously, yesterday, the youth crime action plan, which was produced jointly by the Home Office, the Ministry of Justice and my Department. I hope that we have also made progress in responding to some of the

recommendations included in the Committee's report on our Department. We published our timeline for the implementation of our Children's Plan within hours of the publication of your report, which shows how keen we were to respond to that recommendation. We have directed more attention and resources into children with special educational needs, and we launched the Lamb inquiry to examine the way in which parents have engaged in the issue of special educational needs. In addition, we have launched plans for consultation to legislate to strengthen children's trusts. I welcome the Committee's intention to hold an investigation and an inquiry into those in the autumn. The Department intends to bring forward legislation for children's trusts in the next Session. There is a real opportunity for you to help us to get that legislation right in advance of the Public Bill Committee proceedings on it. We have given the Committee our response on Testing and Assessment, which I am sure you will want to discuss today. I should also like to make a short comment on the delivery of the National Curriculum and test results for this year. As I said in my letter of 4 July, the delay in the release of results to schools has caused great inconvenience and uncertainty, which in my view is unacceptable. As the Minister for Schools and Learners said when he gave evidence to your Committee 10 days ago, our first priority has been to ensure that schools receive results in an orderly way with the minimum of delay. Key Stage 2 results were released to schools by the Qualifications and Curriculum Authority (QCA) yesterday, which, as we know, is a week later than originally planned. As the head of the QCA, Ken Boston, said to the Committee on Monday and confirmed last night in a statement, the volume of Key Stage 2 results available yesterday were 94% in English, 97% in Maths and 97% in science. Key Stage 2 results will be updated further this Friday, 18 July. At that time, all available Key Stage 3 results will also be published. As the Committee knows, and as I am sure Ken explained on Monday, Key Stage 3 marking in English is behind marking in maths and science, but I am advised by the QCA that as of yesterday, more than 80% of the Key Stage 3 results will be available and in the data feed to schools on Friday. However, a considerably higher percentage of the results will be for maths and science—fewer than 80% of English results will be available. It is important that we learn lessons from the experience. When I first announced the need for a delay in my letter of 4 July, I said that I would ask for an independent inquiry into such matters, which, as my

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

colleague the Minister for Schools and Learners confirmed to you last week, will be led by Lord Sutherland of Houndwood, the first chief inspector of schools. The inquiry will investigate what went wrong, the reasons for the problems that we experienced, and what should be done to avoid a recurrence. It will report to Ofqual, the regulator, on matters within its remit, but more widely to me on other relevant matters that are outside Ofqual's scope. This morning, I wrote to Lord Sutherland with the detailed terms of reference. I have provided the Committee with copies of that letter, and the corresponding letter and terms of reference from Kathleen Tattersall, the chair of Ofqual, to Lord Sutherland, on the parts of the inquiry that are relevant to her organisation. We expect that report to be ready this autumn—it will be ready this autumn. The results of the inquiry will be published and I will keep the Committee informed of progress. As I said, what has happened in recent weeks is unacceptable, and we need to learn lessons from it through this inquiry.

**Q106 Chairman:** Thank you. I want to hold back on tests and testing for the moment. May I open up by saying that we, too, have tried to respond energetically to the fact that this is not the old Department and the old Select Committee but very new ones. You will know that the new Committee has held meetings on child poverty, and that our first inquiry—we are well into it—has been into looked-after children. So we, too, take that responsibility seriously. One of the things that we are concerned about is how we are able to scrutinise the new Department. We have been going through the Annual Report with our Specialist Advisers, and it is very difficult, having moved from one Department to two new Departments, to discharge our responsibility with the mismatch of figures that we have. This is a challenging situation for us. Budgets have changed. It is much easier with schools, but as soon as we get into the children and families area all kinds of budgets from different Departments are involved. That is a serious concern for us as a Committee, and we would like a proper discussion with you and David Bell about how we get this right, because it is not right that we find it difficult to find out how the money is flowing. Traditionally, we could quite easily see that. If you change the figures, David—as you did, I think, the year before last—we ask you to change them back again so that we can have consistency over the years. It is important for us to discharge our responsibilities, so we would like—not today but as a matter of urgency—discussions about how we get this right.

**Ed Balls:** I understand that. To give you one indication, if you measure our Department by the size of our budget, our budget is smaller than the budget of the Department for Education and Skills was, but our range of responsibilities is considerably broader than the original range of responsibilities of that Department. To give one example, my Department has joint accountability with the Ministry of Justice for the operation of the Youth Justice Board, in all aspects of policy, strategy and

implementation, but the departmental expenditure limit is held by the Ministry of Justice and so the budgeting and how the accounts are presented does not reflect the nature of that responsibility. To give you another example, with the youth crime action plan, the majority of the additional money that was contributed to the £100 million yesterday was contributed by my Department, but I would not say that that means that the majority of the responsibility for delivering the plan comes to my Department. It is clearly shared across all three Departments involved, with the Home Office and the Ministry of Justice substantially in the lead on the enforcement side of the plan. My sense is that this is a wider question about how accountability for public spending agreements operates, because in many of these areas those are now joint responsibilities. Departmental budgets voted on in Parliament do not really capture those shared responsibilities.

**Q107 Chairman:** That is right, and I think that it is a challenge to us and to you to get this right.

**Ed Balls:** It is more complicated for us because we have such a wide range of shared responsibilities.

**Q108 Chairman:** Or more challenging to us because we are supposed to be checking it.

**Ed Balls:** From my point of view, and I said this to you when I came here last time—I was very pleased to come to the child poverty inquiry—the more scrutiny by this Committee of our joint responsibilities, the better. I have always felt that accountability and scrutiny strengthens the hand of those people who are trying to do the right things in co-operation with others.

**Q109 Chairman:** I agree with all that, but it is just that when our Committee is looking at it, we want to know when a flow of money comes in and whether it really is a flow of money, and we want to know how big a flow it is and where it flows to.

**Ed Balls:** Fair enough.

**Q110 Chairman:** The second point is that, although it is nice to get your response to our report on testing and assessment, it has come in late—quite late for us to digest it—so we have decided to publish your response and issue our response in due course. The one issue that I want to take up with you this morning and that comes clearly and strongly out of our report is one which, on a quick reading of your response, still does not seem to be accepted on your side—it certainly was not accepted by the Minister for Schools and Learners. The evidence that we got time and again in that report, and now from a recent Ofsted report that I received only this morning, shows a really worrying drift towards teaching to the test and squeezing the access to the full curriculum. It seems to us, in terms of your initial response and what we have heard from Jim Knight, that you do not really believe that that is the case out there, but that is certainly how we feel about it.

**Ed Balls:** Do you want me to respond to that point and to points more widely?

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

**Chairman:** No, not more widely. The real thrust, our central concern, was that you do not seem to think that the testing regime is pushing teachers, heads and other staff in a school to be too obsessive about teaching to the test.

**Ed Balls:** It is not our view that the common practice is to teach to the test, and it is not our view that that is the best way to prepare children and young people to do well in the tests. It is our view, and the view of heads and professional teachers who are doing a good job, that a well-rounded understanding of the subject is a better preparation to do well in the test. Of course, part of learning is learning to be able to reproduce information quickly in an exam. Every time I have been educated in my life, part of that was looking at the exam papers and doing a couple of test papers, but if that is what you did every day throughout the year, you would make no progress at all. Of course there must be some understanding about how to operate in a testing regime, but it is not our view that teachers should be or are generally teaching to the test. I think we say in our response to the Committee that we want to gather more information on testing and assessment, and I am happy to come back and have further discussion with you on that. There is a range of wider issues that your report throws up, which I could say a couple of things about now, if you like. Are we going to have time to discuss this later in the morning?

**Chairman:** I think we will have another chance, but not this morning.

**Ed Balls:** In that case, may I say one thing? Many powerful points were made in your report. I also agree with your starting premise. You say clearly that the principle of externally assessed national tests in order to have proper accountability is accepted between us—that is our starting point. There is then a question about what the practice should be and how we can do that most effectively. I am not saying that the current position is set in stone, but I do not think that anybody wants to go back to the old days, when schools were not accountable and parents did not have proper information about how their child or the school was doing. We have made a change already on Key Stage 1, to move to teacher assessment, and we have the making good progress pilot and single level testing, which is happening around the country and in many ways addresses your concerns. The advantage of single level testing is that the teacher is in charge of when to do the test and which test to do, not the Government or the assessor. The monitoring of progress, which is integral to good teaching, is in the hands of the teacher, because the teacher is deciding on the level. Teaching to the test is less meaningful when you are talking about a test that is being set at a level for the individual child. We think that single level testing allows you to have both accountability and a more child-centred approach to testing, but we should not rush to any decision before we have proper evaluation. As you know, we have 450 to 500 schools that will be doing single level tests until next July. We have an evaluation that is being done by an external auditor—I think PricewaterhouseCoopers—for next July. I have

asked for an interim report on the first year, after the summer. I am happy to give the Committee an interim report, probably in October, on the progress that we think we are making with single level testing and broader teacher assessment: assessment for learning and making good progress. That could form the basis of a discussion and you will have wider points to discuss. I am anxious to say that we want to respond to the concerns expressed in your report. We do not agree with them all. I definitely do not agree with those who say that they would prefer to go back to the days when we did not have this degree of accountability and assessment—sometimes that is explicit and sometimes implicit. We are keen to respond but we have to do it properly and systematically. If I can provide you with an update on single level testing after the summer, that might allow us to keep pushing towards the right kind of reforms.

**Q111 Chairman:** Secretary of State, you know that we are trying to take on those shibboleths of 20 years ago. We started with testing and assessment, we are now at the National Curriculum and we are going to be looking at inspection. They were fundamental in the Baker years. We all know why they were introduced. Our job, as a Committee, is to ask, “After 20 years, are they fit for purpose?” In the first report we said that we thought that testing and assessment has gone too far and, however it is done, we have to shift the balance back. We hope that you hear that message. Sometimes, Secretaries of State hear the message but it takes a couple of years for them to come round to listening, as when you recently introduced a change in the law for school admissions three years after our Committee recommended it. We welcome all change, Secretary of State, even if it takes some time to come around.

**Ed Balls:** This Committee has a fine tradition of contributing constructively to policy development, and I am saying that this is a further opportunity to do that on teaching and assessment. The right thing for me to do is to keep providing you with our best information, which is why I will come back to you with an assessment of the first year of single level testing after the summer. I think that this is an important opportunity. The interesting thing is that the best schools are testing and assessing considerably more often than they are required to by any national testing regime, but they are doing it in a way that makes sense for the individual pupil and informs the teacher’s judgment of the progress of the child. I am not sure whether too much or too little testing is what the debate is about; it is about whether that testing is informing the judgment of teachers.

**Chairman:** And whether it is done by an American bureaucracy hired by the Department or it is done more locally.

**Ed Balls:** I am happy to be lured into those discussions.

**Q112 Paul Holmes:** A lot of people believe that teaching to the test is narrowing the curriculum and worsening pupil experience. When the teachers’

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

unions said it, you said, “That is the teachers’ unions and we do not agree with them”. When our report said it, you said that you do not agree with it. Now Ofsted has said it—it says it in this document. Are you saying that you do not believe Ofsted’s report, the report of your inspectors who you appoint?

**Ed Balls:** I said that I do not believe that most teachers are teaching to the test. We have a very clear view, reflected in the new Key Stage 3 curriculum, that it should be broad and engaging. By embedding creativity in the curriculum we have been trying to ensure that teachers are taking the broadest view of what they need to be teaching.

**Q113 Paul Holmes:** That would seem to imply that you, as Secretary of State, are saying that you do not believe Ofsted’s report. David Bell, you were head of Ofsted for four years and now you are Permanent Secretary. Since you have ceased to be the chief inspector do you believe that the reports are no longer accurate?

**David Bell:** As the Secretary of State said, there is a lot of evidence to suggest that we are giving greater freedom in the National Curriculum rather than less—Key Stage 3 reforms, the Rose review of primary education and a more flexible approach to 14–19 education. My experience of going round the country and seeing schools in action suggests that the vast majority of teachers are flexible and sensible about what they do. Ofsted has not said that there is a universal narrowing of the curriculum in every place. That is not the reality.

**Q114 Paul Holmes:** So the Permanent Secretary after four years at Ofsted and the Secretary of State do not agree with the Ofsted report. You think that Ofsted has got it wrong.

**Ed Balls:** What is Ofsted saying that you say we do not agree with?

**Q115 Paul Holmes:** That teaching to the test is narrowing the National Curriculum and badly affecting students’ experience in many schools across the country—not every school, but to a worrying extent. Ofsted has agreed with our report and with what the teachers’ unions have been saying for a long time, but you are both saying that Ofsted, the Committee and the teachers’ unions have got it wrong.

**Ed Balls:** I did not say that. I said that in our view the majority of teachers are not teaching to the test. That is not common or best practice, but where it is happening it is wrong. I think we say in our response to you that we want to collect more information to see how widespread the practice is. We do not think that it is the right thing to do. Does Ofsted say that I am wrong to say that it is not happening in the majority of schools?

**Q116 Paul Holmes:** Is Ofsted wrong to say that the trend is continuing, and that the teaching to the test effect can be observed also at GCSE and A-level?

**Ed Balls:** I did not say that teaching to the test never happened. I said that it did not happen in the majority of cases and that it was the wrong thing to do. I think that Ofsted would probably agree with me on that.

**Q117 Chairman:** I suppose that what we are saying, Secretary of State, is that if you are in Sanctuary Buildings, you have one view of what is happening in the world. Sometimes small experiences stay in your mind. Very recently, I went to a school a stone’s throw away from here. The head very much respects you and thinks that you are a good Secretary of State. He said that it was very nice that you gave the school some extra money for expanding access to the curriculum. Then he smiled and said, “Do you know what we spent it on? More rehearsals for the tests.” That is worrying, is it not?

**Ed Balls:** It is for that head and his governing body to decide what to do with those resources, not me. But that is not the judgment that I would have made.

**Q118 Chairman:** No, okay. Can we move on? The last thing that I want to ask you before we start on the more general questioning is this: where does the buck stop with the testing regime? There is a lot of media interest in our current problems with Key Stages 2 and 3. This Committee has been pretty consistent in its questioning. If you push me and most members of the Committee, you find that it is not the time or the delay that worries us, but the quality of the marking and whether parents and students can be assured that the tests are of a consistent standard and a true reflection of the effort that the children have put in over the year. That has been our concern throughout. It is what all of us have been saying. There are worries about the quality of marking. That is not so much the computer glitches. We all know about that and we have all become pretty experienced in this field over a number of years. The concern is about the quality of the marking and the assessment of the qualifications. I met the head of Ofqual yesterday and pointed out that to my knowledge this American company was using not graduates to mark papers, but people who have recently passed their A-levels. It seemed quite disturbing that there was not that consistency of quality in the marking. We have Ofqual; we have the National Assessment Agency; we have the QCA, but we also have the Secretary of State. Where does the buck stop?

**Ed Balls:** It is Ministers who are accountable to Parliament, directly and through the Select Committee, for the operation of our schools system, including the testing regime, so in the end the accountability comes to Ministers. That is why when I realised there was a problem, I wrote to inform you at the first opportunity I had. That is why I am here to give evidence and that is why the Schools Minister came last week. In the end, we are the people who are accountable to Parliament. But, in the case of the testing regime, we operate things in a particular way, as you know. I do not think that people would think it sensible or right for Ministers to make operational decisions about individual schools’ tests. I think that

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

people would be concerned that there was political interference, especially given that we are judged as a Government on what is happening in terms of school improvement. We are accountable for the funding of the regime and the way that it operates. We ask a non-departmental public body, the QCA, to deliver the tests on our behalf at arm's length from us. The QCA then contracts independently of Ministers with the people who do the practical delivery of the tests. So the accountability is as follows: ETS is accountable to the QCA for the delivery of its contract; the QCA is accountable to us and more widely for ensuring that that contract is effectively delivered; and I am accountable for ensuring that the QCA fulfils its responsibilities and for the overall operation of the regime. That is why the moment I saw that there was a problem I reported it to you.

**Q119 Chairman:** I hear that, but you can imagine the average parent looking at the QCA, Ofqual, the NAA and ETS and wondering if they are disturbed about what is going on. Who should be appearing to put people's minds at rest?

**Ed Balls:** But you called the QCA on Monday because it manages the delivery of the test regime on a daily and weekly basis. Therefore, you were right to ask it the questions. The QCA delivers the tests through its contractor, but we have made the important reform of having independent administrators reporting directly to Parliament. We now have a regulator of standards in Ofqual that reports independently of me. My information on test quality comes from Ofqual. Ofqual wrote to me to say that, in its view, there has been no impairment in the quality of marking. The exact words in the letter I received from Kathleen Tattersall are: "While results will be delayed and I cannot predict the volume of reviews that schools will request this year, from the processes we have observed, the quality of marking is at least as good as previous years and justifies issuing the results." That is what Ofqual has said independently of me to me and to Parliament. If Ofqual takes a different view, I am sure that it will report that immediately. I rely, as we all do, on Ofqual's independent judgment of the quality of marking being delivered to the QCA from ETS. Such judgments have much more power coming from Ofqual than from me. That is why I wanted to have an independent standards regulator.

**Q120 Chairman:** Secretary of State, I absolutely agree with you. I realise that these bodies have such responsibilities. However, when I met Ofqual yesterday, it was astonished when I produced a piece of evidence that I know to be true from Nottingham, a part of the country that you know well. An agency hired a young man who was freshly graduated in the sciences to mark science, maths and English papers. He was the most experienced member of his team, which included non-graduates. I could see the look on the face of the chair of Ofqual. She was astonished that that was the case. When listening to Ken Boston, for whom I have great respect, I

constantly feel that he is directing us to the lateness. That does not concern us so much. Our key concern is quality.

**Ed Balls:** Quality is absolutely paramount. I agree with you completely. It is not appropriate for me to comment on the facial reactions of the chair of Ofqual. However, an independent inquiry led by Lord Sutherland is reporting to Ofqual and to me. All these issues will be looked into, including some of the practices of marker hiring. I have been told by the QCA that the same markers are being used and that, if anything, there have been more quality checks. Lord Sutherland will look at that issue. It is important that Ofqual, independently of me, does its job properly and effectively. I am sure that it is doing so. It has been monitoring this situation for months and its judgment to me is that there is no evidence that the quality is lower. It has said that it is at least as good.

**Chairman:** Okay. Andy Slaughter would like to continue on testing.

**Q121 Mr Slaughter:** Secretary of State, Dr Boston sat before us on Monday to discuss the delays in the National Curriculum test results. We have seen that you have the transcript of that. Before you came in, we were discussing where the responsibility lies for this and how far it rests with ETS, the QCA or with you. On Monday, the Chairman said: "So was the wrong decision made about the contractor—in retrospect? I know you have all sorts of difficulties. The word on the street is that you did have a UK-based supplier, which had much more grasp of the technology, but you went for a much cheaper option." Dr Boston replied: "No, it was not a cheaper option—well, it was the lowest cost option, but it was not picked on those grounds. There were, finally, three bidders, from a field that started at six and went quickly back to five. On the key criteria of capacity to do the job, this company was clearly up there with any of them". My understanding is that that is not the case, but that ETS was significantly cheaper than other bidders. I do not know whether we are entitled to know what the prices bid were. Clearly, there have been deficiencies in some parts of the delivery of the service. Will you be looking at whether mistakes were made in the letting of the contract, particularly in relation to the sheer logistics of it? What seems to have gone wrong here is not so much the technical side as the actual physical process of marking—delivering scripts to markers—which, clearly, this organisation did not have the capacity to do. Is that not the QCA's responsibility—or your responsibility—to see that it was let to a competent contractor?

**Ed Balls:** The answer is yes. We shall be looking at this. My remit letter to the QCA said this year, "You will need to ensure delivery of National Curriculum tests and make sure that they are valid and reliable against the policy objectives established by Ministers." In the terms of reference for the Sutherland inquiry, which we have released this morning, we say that Lord Sutherland, reporting to me, will look at the "appropriateness of arrangements put in place by QCA to procure the

contract for delivery of National Curriculum tests and the subsequent management of that contract by the QCA, and, specifically: the procurement process from the development of the initial tender specification to the award of the contract; the suitability of the contract to allow delivery of QCA's remit; the arrangements for the contractor, ETS Europe, to report to QCA; the arrangements for ETS to report risks to QCA; the effectiveness of QCA's arrangements to manage the ETS contract and the delivery of National Curriculum tests . . . ; and the functioning of IT systems . . . to manage and deliver the National Curriculum tests and to ensure delivery of data . . .". So Lord Sutherland will look very widely at the procurement process and the subsequent follow-through from the QCA in monitoring that contract. I, like you, am looking forward to seeing the results of the Sutherland inquiry in the autumn. But it will look in detail at all the issues that you are raising.

**Q122 Mr Slaughter:** Including the contract letting process, where the cheapest was the best?

**Ed Balls:** The "procurement process from the development of the initial tender specification to the award of the contract". My remit to the QCA is to deliver the national tests. It is the QCA that then runs the procurement process. It runs that independent of Ministers. There is no ministerial decision making at any point through the procurement process. There were actually more than one—I think two—Office of Government Commerce Gateway reviews, in which the procurement process was reviewed by OGC. On more than one occasion the procurement process for the ETS contract was given a green light by the Office of Government Commerce. So, from a ministerial point of view, the fact that this was done at arm's length from us, but OGC gave it a green light, would be sufficient to give us confidence that it was being done properly. That is clearly not about the least cost. It is about value for money, but value for money means making sure that you get the job done. The unacceptability here is that the job has not been done satisfactorily. The contract has not been properly delivered, as I see things. But that is a matter for Lord Sutherland to look into.

**Q123 Mr Slaughter:** Two brief questions concern us now. If it is right that ETS was the cheapest company, and if it is discovered that the company is not competent to continue carrying out the work, are you not then in a difficulty? You will be going back to other suppliers, which had higher prices and which, presumably, now, in the light of what has happened, will want to charge very high amounts in order to undertake the work. Therefore, have not ETS rather got you over a barrel in that sense?

**Ed Balls:** This is a very large contract—£165 million. It is a five-year contract, but it is a contract that is clearly based upon performance. There will be a number of provisions in that contract. The management of that contract is for QCA, not for myself. It would be quite wrong of me to start pre-empting decisions that the QCA may make in

relation to their contractor. That would be the wrong thing to do legally as well, I think, but it is really important that any procurement processes at any time deliver proper value for money. That will always be a guiding principle for us, in any decisions that are made subsequent to today.

**Q124 Mr Slaughter:** Finally, I understand that once the results are with schools there is an opportunity for schools to challenge, to question whether that is right. In the light of what has happened so far, do you anticipate a higher level of challenge than before? We know that many schools are sceptical about the tests anyway, and they might be even more sceptical after the debacle with ETS and QCA this year. Are provisions in place to deal with what might be an upsurge in queries and complaints this September?

**Ed Balls:** Whether it involves dealing with complaints or calls to the helpline, that is a matter for QCA and ETS. They must ensure that they have proper provisions in place. There are complaints from schools every year.

**Q125 Mr Slaughter:** Have they done that? Are they anticipating it?

**Ed Balls:** It is for the QCA to ensure that such provisions are in place. Obviously, we have told the QCA that we must ensure at every stage that things are done in a proper and orderly fashion. We have allowed more time. Where possible, we have encouraged schools to make any complaints by 25 July, but we have also said that because of the delays, complaints to QCA can be made up to 10 September, or 10 working days after the beginning of the school term, whichever is longer. There is a clear window after the summer holidays if schools choose to complain, and it is important that ETS and QCA handle it properly. Ofqual will look very carefully to ensure that the processes are done properly from a quality and standards point of view, and I am sure that that is exercising the QCA at this minute.

**Q126 Mr Carswell:** Clearly, there has been a bit of a cock-up, and there are many thousands of families and teachers who will be anxious. There are also concerns about the reliability of the final results. As Minister, do you take responsibility for that?

**Ed Balls:** I have already answered that question to the Chairman. I said that Ministers are accountable to Parliament for the overall delivery of our schools policy, including the national testing regime. It is my responsibility to ensure that that happens, and I do so in an arm's-length way through an independent body, the QCA, which contracts with ETS. It is the responsibility of ETS to deliver the contract and it is QCA's responsibility to ensure that the contract is delivered. I have asked Lord Sutherland to do a report for me, because I want to know whether QCA has managed this properly, so that I can report to Parliament. That is my responsibility.

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

**Q127 Mr Carswell:** If Ken Boston is responsible in the way that you described, how will you ensure that he, as quango chief, takes responsibility?

**Ed Balls:** I am going to wait and see the results of Lord Sutherland's inquiry and it would be wrong to pre-empt that. I have set up an inquiry reporting to me which, as you have seen, covers a wide range of issues. How the QCA has discharged its remit from the Department to deliver National Curriculum tests at Key Stage 2 and 3 makes up the core of the inquiry, and I will publish that as soon as I get it.

**Q128 Mr Carswell:** Without wishing to wait all that time for the Sutherland report, do you have full confidence in Ken Boston as head of QCA?

**Ed Balls:** In my opening remarks I said that our first priority is to ensure that the tests are delivered in a timely and orderly fashion. That is QCA's focus this week. I have full confidence in Ken Boston and the QCA's ability to deliver that remit this week. Clearly, there are wider issues that we must look at, such as the procurement process and the subsequent management of the contract, and that is what the Sutherland inquiry will do. For me to go into that would be to pre-empt the inquiry.

**Q129 Mr Carswell:** So you might not be fully confident of how the QCA handled the procurement process?

**Ed Balls:** That is why I have asked for an inquiry by Lord Sutherland. I want to know what has happened and it would be silly for me to say anything that pre-empts that independent inquiry. I want to know whether the QCA has discharged its remit effectively, and that is what I have asked Lord Sutherland to look into.

**Q130 Mr Carswell:** So the Minister for Schools does not take responsibility. He blames others and gets someone called Sutherland to kick it into touch for the autumn. The quango chief will not accept that he is to blame and passes the buck to ETS. Things have been messed up and local parents and teachers take the rap. As Minister in Whitehall, are you sure that you are really in control of what is happening?

**Ed Balls:** I understand what you have just said, but I think that that is contradicted by what I said to you in answer to the previous question. I said that Ministers are accountable to Parliament and to the public for the delivery of schools policy, including the delivery of the National Curriculum tests overall. But the way in which we do that, rather than direct ministerial control of the tests, which would be the wrong thing to do and would not command public confidence, is to ask the QCA to manage that process. It then contracts. ETS is accountable for the delivery of its contracts and the QCA is accountable for ensuring that the contract is properly given and delivered. The reason why I have asked for an independent inquiry is that if there have been mistakes at any point in that process, I need to know so that I can report to Parliament. That, in the end, is where accountability lies. I have said—I said this to the Chairman when I wrote on 4 July—that I, like you and like many parents and teachers around the

country, am upset by what has happened. It is unacceptable, and the distress and inconvenience that it has caused should not happen. That is why I am having this inquiry.

**Q131 Mr Carswell:** When your predecessor, Estelle Morris, quit when she realised that the QCA had made a cock-up over testing, I seem to remember that she found the humility to say sorry. Will you be saying sorry?

**Ed Balls:** I do not actually think that that is a correct description of what happened with Estelle Morris. I have said that it is unacceptable. The QCA's Ken Boston said on the radio this morning that he apologised for what had happened and for the way in which ETS had let down schools and parents.

**Q132 Mr Carswell:** But you will not apologise.

**Ed Balls:** I am really upset, like you are, about what has happened, and I want to know what has gone on. That is why I am having an inquiry.

**Q133 Mr Chaytor:** The Sutherland inquiry has two strands. He will report privately to you but publicly to Ofqual.

**Ed Balls:** We will make both reports public, but there will not be a series of public evidence hearings. He will conduct his inquiries for Ofqual and the Department and make them public. I do not think that there is any difference in—

**Q134 Mr Chaytor:** So as soon as you receive the Sutherland report, it will be published.

**Ed Balls:** Yes.

**Q135 Mr Chaytor:** Should the contract with ETS also be published?

**Ed Balls:** That may be something that Lord Sutherland can look at. I cannot tell you today whether, legally, that is possible, but I am sure that Lord Sutherland will want to provide the fullest information in his inquiry. If it is possible for him to publish the contract, I am sure that he will. He has not been given any indication that we want him to keep anything private, but there will be commercial and legal issues for him to look at.

**Q136 Mr Chaytor:** You told us earlier that the value of the contract was £165 million over five years, so the key commercial factor of the contract is already in the public domain.

**Ed Balls:** That would have been announced to Parliament.

**Q137 Mr Chaytor:** But given that the terms of reference for Lord Sutherland's response to you focus largely on the nature of the contract, how can the contract remain secret if there is to be adequate public scrutiny of it?

**Ed Balls:** I gave you an open and candid answer, which was that I did not know whether there would be any legal or commercial reasons why it was not possible to publish the contract. I am sure that if it

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

is legally possible, Lord Sutherland will want to do so. From my point of view, that would be highly desirable.

**Jon Thompson:** This was a European Union public procurement process that led to the announcement on 28 January 2007 about the award and its value. There are legal processes for the original advertisement and the whole process, including the selection and the criteria for that selection, and they are already publicly available. On the ultimate question of whether the contract could be published, I do not know the answer, but a significant amount of the information is already publicly available because it is an EU public procurement process.

**Q138 Mr Chaytor:** But you are not aware of any further legal or commercial obstacles that would prevent the whole contract from being in the public domain.

**Jon Thompson:** I need to be very clear about this: that contract is between two bodies, neither of which is the Department, so I cannot actually answer that question for you. Sorry.

**Q139 Paul Holmes:** To return to the old-fashioned concept of ministerial responsibility, one frustration for MPs these days is that when we ask a Minister something, they will say, “Oh, you’ll have to ask Railtrack, you’ll have to ask the Learning and Skills Council, you’ll have to ask the primary care trust—that’s not our problem.” You are effectively saying that whatever comes out of the Sutherland inquiry, it is the fault either of Ken Boston and the QCA, or ETS, or both, but it is certainly not yours. As you say, you have published this morning the terms of reference for the Sutherland inquiry, and the first point says that it should look at how the QCA has discharged its remit. Should not the first point be to look at the adequacy of the remit from you and your Department?

**Ed Balls:** I understand the point that you are trying to make, but I have said from the beginning that the reason why Jim Knight came last Monday, the reason why I am here today and the reason why I wrote to the Chair of the Select Committee on 4 July is that Ministers are accountable to Parliament for the delivery of schools policy, including the testing regime. I have no problem with that, and the Sutherland inquiry’s terms of reference say that Lord Sutherland will look at the “appropriateness of the Department’s arrangements to monitor QCA’s delivery against its remit.” So he has got to look at whether the Department, as well as the QCA, was doing its job. Nothing is out of bounds for Lord Sutherland. He can look at the whole process, and I am very happy for him to look at whether the original remit was properly specified.

**Q140 Paul Holmes:** But it does not say, “You will look at the remit and see whether it is appropriate”. It says, “You will look at how the remit was delivered”, which is a different thing.

**Ed Balls:** I read you the remit a moment ago. It says “You will need to ensure the delivery of National Curriculum tests, make sure that they are valid and

reliable against the policy objectives established by Ministers.” We are asking Lord Sutherland to inquire whether there should be National Curriculum tests and whether they should have been externally marked, or whether they should have been done at Key Stages 2 and 3. That is the policy of the Government for which we are clearly accountable. We are asking him to look at whether the delivery of that remit was properly done by the QCA, but that includes the Department’s communications with the QCA. If Lord Sutherland feels that the remit was improperly specified, and that contributed to the problem, then he will say that, and I will report that to Parliament.

**Q141 Paul Holmes:** I have two specific examples of what you might have put in the remit. Ken Boston told us on Monday that in every year from 2003 onwards there have been problems with getting the tests in on time. Should that not have been part of the specific remit for employing a new contractor? Jim Knight said that a new contractor was having teething troubles, but it is a lot more than teething troubles; it is a shambles. As part of your remit for the QCA to appoint a new contractor, should you have been saying, “Why have we failed, and been on a knife edge every year since 2003? What do we do about it with the new contractor? What should be in that contract?”

**Ed Balls:** We said to the QCA that we wanted it to ensure that National Curriculum tests were delivered successfully. In May 2008 we had an improvement in key metrics over 2007, such as quality of marking, reduction in the number of lost scripts and improved services to schools. So we were clear and more detailed than in the headline about what we would like to see the QCA deliver, and part of what Lord Sutherland will do is look at whether that was done. I am sure that he will also look at whether it was appropriate for us to suggest that we should have had improvements in the quality of marking. I am very happy for him to look at those issues. The problem, as I understand it, is that ETS made commitments to speed up delivery time and improve marker engagement, and it has been in some ways its inability to deliver on those improvements that has caused the problem. It promised that Key Stage 2 results would happen more quickly than in the past, and it is not managing to deliver on that commitment to improvement.

**Q142 Paul Holmes:** Should not you as the Minister, and the Permanent Secretary, have looked at past experience and said, “Shall we look again at the quality threshold that we want the QCA to apply?” We have a long history of companies such as Capita, EDS, and ETS promising the earth—ETS put in the cheapest bid in this case, as we heard on Monday—and not delivering. ETS was in the press yesterday because it has a record of never hitting a single target it has promised in any contract in America. I am sure that you have applied some sort of quality threshold, learning from the experience of this Government with big companies such as ETS.

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

**Ed Balls:** I have set out to you the fact that we wanted an improvement in quality, and it is true, as will be clear in Lord Sutherland's work, that our officials observed different stages of this process. It is all done according to procurement rules and with Office of Government Commerce oversight. It is all done with due diligence checks on past records of individual contractors. The decision was then made by the QCA, without reference to Ministers. Lord Sutherland will look at all the issues to which you referred, and at whether the QCA properly undertook its responsibilities to deliver the remit. It would not have been right or best practice for Ministers to have been second-guessing judgments made through the procurement process. That is not how things are done and it is not the proper way to do things.

**Q143 Paul Holmes:** But, again—this is my final question—based on years of experience, should not you and the Department, as responsible people, have said, “We have a long experience of these big private sector companies negotiating contracts with civil servants which they benefit from and the taxpayer loses out on”? Ken Boston emphasised on the radio this morning and to us on Monday that this is the start of a five-year contract, and there would be huge legal and cost implications to sacking the organisation. Surely, based on experiences such as those with Capita, individual learning accounts and other things, you should have given QCA the remit to ensure that the contracts were a damn sight more watertight.

**Ed Balls:** And we did. We have had a great deal of experience in these matters, and after we arrived in government, in 1997 and 1998, we picked up the consequences of previous poor procurement processes, including those involving the Jubilee line and the Horizon project with the post offices. We have tried to put in place improved processes. PFI has dramatically improved things in terms of delivering on time and to budget. The OGC's job, with its expertise, is to ensure that procurement processes are properly followed. As I have said on more than one occasion, in this case, the OGC gave a green light to the QCA procurement of the ETS contract. If I get a green light from the OGC, you would not expect me, as a Minister, to second-guess its judgment of QCA's judgment of the ETS contract. That is what the OGC procurement process gateway reviews are for. We have had substantially improved value for money in the management of these contracts because of the way the OGC manages procurement processes. Lord Sutherland must tell us whether in this case those checks and safeguards were effective.

**Chairman:** I do not want this to dominate our whole sitting. We shall have a quick question from Annette and then we are moving on.

**Q144 Annette Brooke:** I think one could interpret from Ken Boston's evidence that this was an accident waiting to happen. What consideration,

especially in the remit, has been given to the possibility that the current assessment load is simply not sustainable?

**Ed Balls:** That was not my reading of Ken's evidence and I have not had that discussion with him. I exchanged letters with him back in March and April. I explicitly said that with new systems being put in place, it was important for us to monitor the situation. At a meeting with him on 2 June, I asked for reassurance that the ETS process was being properly managed. He explained that there had been some initial difficulties with marker recruitment and some of the original training processes, but that those were being sorted out and addressed. Both Jim Knight and I provided a number of answers to parliamentary questions, and letters from Ken, to Members of Parliament, to reassure them that the issues were being addressed. The first time that QCA told us that the test results were going to be delayed was 1 July. I want to know what happened in the weeks in between, which is why I am keen to see Lord Sutherland's findings. There are 10 million scripts and more than 1 million pupils are doing National Curriculum tests, so, of course, in weeks when the tests are done and marked, and the quality is being checked before the publication of the results—those things happen at the same time every year—the system is most under pressure to deliver. That is what Ken was saying on Monday. I do not think that he was saying—I do not think that he would be right to say it either—that the principle of externally assessed national tests is wrong. I did not get the impression that that was the Committee's view either, because your report on testing and assessment said the contrary.

**Q145 Chairman:** But, Secretary of State, when you look at this mess-up and at the fact that, as Ken said, there has not been a full delivery since 2003, do you not think that perhaps Lord Sutherland ought to contemplate not having some vast private sector organisation running the system nationally, but splitting it up regionally or sub-regionally, much closer to home? That might be a better alternative. You would still get the national testing, but the delivery would be different. It would be nice to see the £165 million going elsewhere—perhaps to local delivery agents.

**Ed Balls:** My concern was that contracting separately for different contracts to mark region by region would have been considerably more expensive. If Lord Sutherland advises us that the contracts and the contracting process should have been specified in a different way, that will be good. The question whether there should be national tests is for Ministers and your Committee to scrutinise. An advantage of single level testing is that there would be testing more than once a year so there would not be one moment at which the tests occurred. A complication of single level testing is that a number of levels of tests would be set simultaneously with teachers and schools deciding which test each child should enter. A more personalised approach to testing is a more

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

complicated approach. I think that it might be a better way of testing, but there can be no assurances that it would be less expensive.

**Q146 Chairman:** Do you think that you could be seduced into looking at national tests delivered locally and marked and assessed locally?

**Ed Balls:** Tests are marked by teachers locally all around the country. Are we saying that the bureaucratic burden of marking the tests should be transferred to schools? My judgment is that a lot of schools would find that difficult to accept. In the case of Key Stage 1, we have moved to teacher assessment.

**Q147 Chairman:** I am just trying to test you to see whether you are open-minded enough to say that you could look at these options.

**Ed Balls:** At the very beginning, I said that the Committee and I agree, although many others do not, that the principle of externally assessed national tests is right. The question is how best that can be delivered. I said that I did not think that the current system was set in stone. I am keen to discuss with you ways that we can make progress. We have already made progress at Key Stage 1 and I am keen to do so at Key Stages 2 and 3. I do not want to go backwards on the principle, but I am happy to look at these issues in detail. I think that single level tests are an important opportunity, if properly evaluated, to make progress in a way that delivers more discretion for local teachers.

**Chairman:** As I said, we must move on. David is going to start on school and college funding.

**Q148 Mr Chaytor:** Is there any argument against moving to a system of direct funding of schools from the centre?

**Ed Balls:** The argument is that that would take away local authority discretion, exercised through school forums. That is valued around the country by local authorities and they would feel it to be a further step towards centralism and ring-fencing that would not be appreciated.

**Q149 Mr Chaytor:** But you are pressing ahead with the Academies programme, which extends direct central funding to more schools.

**Ed Balls:** Yes, but the large majority of school funding is happening through the dual formula. I am not seeking to centralise education funding or accountability.

**Q150 Mr Chaytor:** In respect of the discretion exercised by local authorities over deprivation funding, the recent study by the Institute for Fiscal Studies suggested that only 70% of the funding that the Government allocate for deprivation ends up in the individual schools. That means that 30% is creamed off by local authorities. Is that not a powerful argument for extending to all schools your favoured option, which has been seen in respect of Academies?

**Ed Balls:** We obviously want the deprivation funding to translate through to the schools for which it is intended. That is an important part of our narrowing the gap agenda. There is £3 billion of deprivation funding in the dedicated schools grant. We want that to go to these schools. At the moment there is discretion at the local area level. Our analysis is that on average 66% of funding in the DSG (Dedicated Schools Grant) goes to the pupils for whom it is intended. We are monitoring what is happening this year, area by area. We are actively encouraging local authorities to raise that percentage. That is one of the things that we will need to look at in the review of schools funding that we are now starting. But we are not seeking to centralise education funding and to take away that discretion.

**Q151 Mr Chaytor:** Your own figures show that 66% of the funding you allocate goes to the individual pupil.

**Ed Balls:** Yes, and we would like to see that number increased. That is the nature of the dual funding formula. That is the nature of allowing discretion for local authorities in the allocation of these funds. I would rather that the percentage was increased. We know that schools with more free school meal pupils receive substantially higher funding. So there is a strong deprivation focus in the way we fund. Incidentally, our Academies programme contributes to that because given that Academies are disproportionately schools that take a higher percentage of free school meal pupils, they contribute to our focus on deprivation funding. I would definitely like to see that percentage rise.

**Q152 Mr Chaytor:** The consultation on the review of schools funding has just finished. When do you expect to be in a position to announce your response to that consultation?

**Ed Balls:** The review is under way. We have had three meetings of the formula review group. All the papers and minutes from those meetings are publicly available. We intend over the next year to work on development and then to go out to public consultation in early 2010 in order to have a formula ready for operation from 2011–12.

**Q153 Mr Chaytor:** So there will be a further round of consultation.

**Ed Balls:** There will be a further round of consultation once we come forward with the proposals. We have said from the beginning that this is a review of funding for the period after the spending review which is from 2011–12 onwards. For that to be effective, we need to consult in 2010. So we can take some views and then do the work over the next year.

**Q154 Mr Chaytor:** Would you accept that when the funding formula was changed previously, I think when Charles Clarke was Secretary of State, and when certain schools in certain local authorities resisted those changes and the Government were forced to halt the improvement to fairer funding, it

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

set in stone for about six years any move to get a more accurate reflection of deprivation across local authorities?

**Ed Balls:** As I said, one of the advantages of the Academies programme is that it enables us to increase our focus on deprivation in some of those local authority areas. The pockets of deprivation money over and above DSG contribute to that, particularly in rural areas. We are actively each year—particularly this year—working with local authorities to try to encourage them to increase the percentage. I do not think that it is set in stone. I am not satisfied with 66%, but that is the reality of a partly devolved funding system for schools.

**Jon Thompson:** There is a range of other factors, one of which is about the stability and the certainty for schools over a medium period. The other is about transition from one system to another and how, if you want to increase deprivation funding to a range of schools, you take it away from another. You need to consider both the stability and the transitional issues. Making a change in the system, even one as big as this, involves a range of other factors that need to be considered at some length.

**Q155 Mr Chaytor:** But this is a process that started in 1998?

**Jon Thompson:** Yes.

**Q156 Mr Chaytor:** May I ask about 14–19 funding? The document *Raising Expectations* discusses comparable funding allocated for comparable activity in respect of 14–19 funding. Does that mean that the Government will finally establish absolutely equitable funding between sixth forms and colleges for the same courses and activities?

**Ed Balls:** That is the direction that we have been seeking to—

**Q157 Mr Chaytor:** Will the process of convergence continue?

**Ed Balls:** The process of convergence will continue. I cannot—

**Q158 Mr Chaytor:** And does comparable funding mean equal funding?

**Ed Balls:** Because we are still looking at the results of that consultation, we are not in a position to make detailed announcements at this stage, but we are seeking convergence and a level playing field, and that is the direction in which we intend to move.

**Q159 Mr Chaytor:** One other thing on *Raising Expectations*. The 2006 Act contained a presumption for sixth forms to expand or schools to introduce new sixth forms. It also had a presumption for colleges to expand. *Raising Expectations* introduces new powers for local authorities to reorganise 16–19 provision in their areas. How do you reconcile the apparent contradiction created by the presumption for individual schools to expand, the encouragement for schools to become Academies and trusts, and the reintroduction of powers for local authorities to reorganise the whole structure?

**Ed Balls:** The 14–19 reforms that we are putting in place depend on effective collaboration. The new responsibilities for local authorities to fund and deliver 14–19 provision require them to ensure that arrangements for effective collaboration are in place. That does not mean that schools that want sixth forms should be prevented from having them. I am sure that all of us, where it makes sense, would like schools to be able to make their own decisions, but if those decisions are clearly contrary to the collaborative plans for 14–19 education, there needs to be a check. That is what we are consulting on in *Raising Expectations*, with a right to appeal. It is just not possible for schools to go it alone on 14–19 provision and make the system work, so it is a new arrangement.

**Q160 Mr Chaytor:** Do you expect that the presumption to open a new sixth form will depend absolutely on the approval of the local authority?

**Ed Balls:** As I said, there is an appeal.

**Q161 Mr Chaytor:** To whom?

**Ed Balls:** To Ministers.<sup>9</sup>

**Q162 Mr Chaytor:** And would a school's desire to convert to an Academy be subject to the approval of the local authority?

**Ed Balls:** *Raising Expectations* makes it clear that the collaborative arrangements for 14–19 education are for all state-funded schools in the area. In terms of a school converting to an Academy, that already requires a local authority sign-off.

**Q163 Chairman:** You must have been pleased this morning, Secretary of State, by the leader in *The Times* stating clearly that it believes that Academies are a success story.

**Ed Balls:** I am.

**Q164 Chairman:** What did you think about the rider?

**Ed Balls:** I was a leader writer for four years at the *Financial Times*, and was taught that the headline of a leader and the first paragraph are by far the most important, because most people do not get halfway through, let alone to the end.

**Q165 Chairman:** Even *Financial Times* readers?

**Ed Balls:** The key to a good leader was therefore to say why it was important, why it mattered and what should be done in the first paragraph. I thought the headline and first paragraph of the leader in *The Times* were excellent. Like most other people, I guess, I did not get to the end. Actually, that is not true—I did read the whole thing.

**Q166 Chairman:** But what did you think of the end? It said that how you were rolling it out was not as good as it could be.

**Ed Balls:** As I said, I thought that it was a fine first paragraph. There were aspects of the leader in *The Times* that I did not agree with. I think that it is really

---

<sup>9</sup> *Note by Witness:* The appeal would be to the Office of the Schools Adjudicator.

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

good that we have so many more universities coming forward as a result of the reforms that we introduced. It is right that Academies are co-operating with other schools on exclusions policy—they all are—and that they are teaching the core national curriculum, as they already were. When I started this job last June, local authorities were already signing off Academy plans and many were coming forward with Academy plans. Therefore, I do not think that the idea that involving the local authority in Academies is a new fettering of discretion is right at all. The great thing that Academies do—this is why I like the first paragraph—is to deliver rising results, disproportionately in disadvantaged communities. So for me this is a progressive education policy, and that is why I have been keen to strengthen that progressive dimension of Academies in the last year. That is what we are doing through the National Challenge, and that is why I thought that the leader became less focused as it went on.

**Q167 Chairman:** None of our four Conservative members are still present, but if they had been here they would, of course, have asked, “But what about this dead hand of local government?” Do you not regard it as a dead hand?

**Ed Balls:** A couple of weeks ago I was at a meeting organised by the LGA, at which the local authority role in education, school improvement, National Challenge and wider children’s policy was discussed. Around the table were local government leaders—Labour, Conservative and even Liberal Democrat—who were all enthusiastic about their role in school improvement and in co-ordinating children’s policy through the Children’s Plan. They find the anti-local government, centralist rhetoric of the Conservative party very odd indeed. I think that that view is shared in local government—Labour, Conservative and Liberal Democrat. I do not think the Conservative party is in the real world when it comes to children’s policy. It does not understand it.

**Chairman:** Let us switch to a Liberal Democrat.

**Q168 Paul Holmes:** I was not going to ask about Academies, but you have provoked me.

**Ed Balls:** I was trying to provoke you to talk about Conservative education policy.

**Q169 Paul Holmes:** Academies have reduced numbers of children on free school meals and reduced numbers of children with special educational needs, and they expel four times as many children as other schools. Do you recommend this improvement programme to all schools, or just to Academies?

**Ed Balls:** Academies disproportionately are being set up in disadvantaged communities. They take more free school meal pupils than their catchment area would require—I know that you do not like this—and are delivering faster rising results. That is great. Of course you want Academies to become popular and to bring in children from across the area, because that is what makes them convert comprehensive schools. In my view, Academies are

closer to that excellent comprehensive ideal than the schools that they replaced, in many cases. When it comes to exclusions policy, these are often schools that previously had been expelling or excluding a much smaller number of pupils and have become the schools where pupils who have been excluded end up. That is why we have seen that establishing effective discipline means a rise in exclusions in the beginning, although there has been some misreporting in recent weeks. There are more exclusions from Academies because there are more Academies, not because each Academy is excluding more pupils. The important thing is that Academies co-operate with other schools. Following Alan Steer’s recommendation, all new Academies in the funding agreements, and all existing ones, are working in behaviour partnerships with other schools, because when it comes to exclusion, truancy and the provision of pupil referral units, you cannot have individual schools going it alone. My experience is that Academies do not want to do that.

**Q170 Paul Holmes:** My experience is that they do. Again, per head of school population, Academies expel four times as many pupils as other schools. Do you recommend to all schools that they should quadruple their expulsions?

**Ed Balls:** Academies are turning around what is often a difficult situation. The difficulty has often been ineffective discipline and exclusion in the past. We give them more flexibility in the first couple of years precisely because that is an important part of the start, and I think that most other schools and heads in the area appreciate that. What they cannot do, however, is persistently over a number of years carry on doing that in a way which undermines other schools. It is important that Academies co-operate in exclusion partnerships and behaviour partnerships, and that is what is happening. The other thing is, looking at the figures, the average for free school meal pupils at maintained secondary schools is 13.1% and at Academies it is 33.8%—three times as likely.

**Q171 Paul Holmes:** At the risk of prolonging this issue—I was not going to ask you about it, but you have provoked me—you know that it is misleading to compare with national averages, because Academies are being set up deliberately in inner-city areas. The point is that they massively reduce the proportion that they take and the experience of the longer established Academies, although there are not that many longer established ones, is that they do not just go to the average for the area, they go below the average for the area.

**Ed Balls:** These are the latest figures. Academies have, on average, 29.5% of pupils with special educational needs, compared to an average of 19.2%.

**Q172 Paul Holmes:** But you are comparing the average for inner-city areas with the national average, which is an utterly different figure.

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

**Ed Balls:** You have to be careful. Without wanting to return to a technical analysis of today's editorial in *The Times*, I was really annoyed to see it refer to 638 failing schools, because that is not language that I recognise and I disagree with it. Many of those 638 schools are high achieving schools and I have said that consistently. Secondly, equating disadvantage, lower performance or Academies with inner-city areas is not right. The striking thing about National Challenge is how many schools in shire counties are in that category. You have to be careful when saying that they are happening only in inner-city areas. I made two points. First of all, Academies are disproportionately establishing in areas of greater deprivation. Secondly, they take a greater degree of free school meal pupils than their catchment area would suggest, so they are actually taking more disadvantaged pupils, given their area. It is quite hard to say that they are, by the back door, selecting affluence.

**Paul Holmes:** No, it is not.

**Chairman:** I am intervening between you two.

**Paul Holmes:** We will agree to totally disagree on the semantics of the answer, and perhaps we will come back to it at another time.

**Ed Balls:** I want to persuade you that this is a progressive policy. I have a quite different vision from the Conservatives, but I hope the Liberal Democrats and the Labour party, on some of these issues, can agree that, given that we share a progressive aim for education, we ought to be able to discuss how we can ensure that the means deliver those ends. I think that in Academies policy, that is what we are delivering.

**Chairman:** Paul, I am bringing you back to funding.

**Q173 Paul Holmes:** I have two questions on funding. First of all, the current review on funding is the second one running back to back. When do you actually expect to implement any changes as a result of it, or is this just a way of putting everything off until after the next election?

**Jon Thompson:** We expect that if we implement anything, it will be in 2011–12, which is the answer that we gave to the Chairman.

**Q174 Paul Holmes:** But would you then just make recommendations to consult on further, so that in effect it would not be until 2013–14?

**Ed Balls:** No—I apologise. What I said earlier, which I think is right, is that we are taking evidence now, there will be a further development phase and we will go out for consultation in 2010 for proposals to be implemented from the 2011–12 financial year. That is the intention: after the spending review, we then implement.

**Q175 Paul Holmes:** A different question on funding: 11 years ago, new Labour came to power and a whole wave of children aged five were starting infant school. They are now 16, they have just taken their GCSEs and are awaiting their results—they are a product of new Labour education policies. Over those 11 years, you have quite rightly put more money into schools and exhorted schools, parents,

teachers, pupils to do better, to get better exam results, to stay on, and for half of them to go to university. Would you expect that of those 16-year-olds who have just sat their GCSEs, more of them will want to stay on to do A-levels in September?

**Ed Balls:** The good thing is that 68,000 more of them will be getting five GCSEs including English and maths, than in 1997, so many more of them will have the qualifications to do well and carry on in education. The reason why we are raising the participation age to 18, and why every 11-year-old arriving in year 7 this September will stay on in education, training or an apprenticeship until 18 is that, despite the improvements in school results over the past 10 years and the fact that schools are doing better, it has been stubbornly difficult to raise participation after 16. There has been a rise, but from my point of view, it has not been big enough.

**Q176 Paul Holmes:** I am not asking specifically about the NEET group and those whom it is hard to get to stay on, but about those who are doing very well, partly as a result of you putting more money into schools in the past seven years, and all the rest of it. Yes or no: do you expect more of these 16-year-olds, who will get their results in the next few weeks, to want to stay on to do A-levels?

**Ed Balls:** Compared with 1997?

**Paul Holmes:** Yes.

**Ed Balls:** Yes.

**Q177 Paul Holmes:** And compared with last year?

**Ed Balls:** I don't know what the figures are going to be for this year, compared with last year.

**Q178 Paul Holmes:** Would you hope that more would want to stay on to do A-levels and go to university?

**Ed Balls:** I would expect them to want to stay on to do A-levels or to take some other form of work with education. I think that there are 100,000 to 150,000 more apprentices now than in 1997.

**Q179 Paul Holmes:** Let's stick to A-levels.

**Ed Balls:** I do not think that we should be too prescriptive.

**Q180 Paul Holmes:** I have a specific reason for asking about A-levels.

**Ed Balls:** I understand. However, it is important that we are not prescriptive at 16 about what is the right path for a high achiever. An apprenticeship to Level 4 or university level can be a really good thing to do, as well. However, I hope that more young people will stay on to take A-levels or other qualifications with the intention of going to university.

**Q181 Paul Holmes:** Good—so that was a yes, and Jon was nodding, too. This year, however, the presupposition from the Government to the learning and skills councils in making funding available for 16–19 education was that there would not be an increase in the number of pupils staying on in sixth form colleges to do A-levels. It was thought that there might be an increase in vocational training and

the rest of it, but not in A-levels, and therefore funding for sixth forms and A-levels will not effectively go up this year. I shall give you a specific example, but this applies to a number of schools in Yorkshire, the east midlands and, presumably, nationally. Brookfield community school in my constituency is, and always has been, a very good school—it was very good when I went there as a brand new teacher in 1979 and is very good now. It is always bursting at the seams in year 7 and always has a very large, thriving and academically successful sixth form. This year it had a significant and sudden increase in the number of people applying to stay on to do A-levels, but the Learning and Skills Council (LSC) said, “Tough, because we ain’t got any money to give to you.” Other schools are in that situation—I know of at least one more in Derbyshire and a number in Yorkshire that I have read about in the local press—of having to say to all these kids who are doing well at school and who want to stay on partly because you have exhorted them to, “We are not going to take you, because we are not being funded for you” or, “We’ll have to subsidise you from year 7 upwards at the expense of the rest of the school.” Why?

**Ed Balls:** I am obviously not going to doubt the details of those cases, and it is something that we should really take up with the individual schools and the Learning and Skills Council.

**Q182 Paul Holmes:** I have done that, and the LSC says that there is no money for growing A-level numbers, but there is for FE numbers. Why not for growing A-level numbers when your policy is to encourage more kids to do well and stay on?

**Ed Balls:** The funding for 16 to 18-year-olds went up from £5.9 billion—it is going up year by year, and will rise next year by 5.2%. There is considerably more funding year on year. We have been moving to a new funding system that is prediction led. The interesting thing around the country was that the LSC found that the predictions from schools and colleges substantially exceeded—if my memory serves me right—the number of pupils in the country. So there were some issues about how the planning system worked. Some schools and colleges were knocked back relative to their plans, but the LSC should be ensuring that the provision is in place for the actual numbers.

**Q183 Paul Holmes:** But the East Midlands Learning and Skills Council told me explicitly—I have read the same thing in the *Yorkshire Press* about the Yorkshire region—that the Government instructions to, requirements on and expectations of the LSCs was that they would not increase funding for A-level pupils because it would all go into apprenticeships, FE and all the rest of it. But your policy for 11 years has been to encourage children to do well, stay on and do A-levels, after which half of them will go to university.

**Ed Balls:** I will ask David and Jon to comment, but I do not recognise that instruction. Conversations that I have had with the LSC in Yorkshire suggested that although a degree of iteration had to be gone

through to get the new system to work, and while some requests for funding were out of line with pupil numbers, it would be possible to meet expectations with its budgets.

**Q184 Chairman:** Could you look into that issue and write to the Committee?

**Ed Balls:** I would be very happy to do that.

**Jon Thompson:** I agree with the Secretary of State and I am happy to write to the Committee. On my understanding, the overall LSC budget assumed a 3.2% rise in funded learner numbers. We can look at exactly how that breaks down.<sup>10</sup>

**Q185 Paul Holmes:** The East Midlands LSC and the heads involved say specifically that Government thinking from the centre said that there would be no increase in A-levels.

**Ed Balls:** The 5.2% was for school sixth forms, and the funded learner numbers in 2008–09 were 384,000—an increase of 3.2% compared with 2007–08. Two thirds of schools will have an increase in their LSC funding—some will be substantially more than the average increase of 5.2%. Those schools with reduced LSC funding are invariably linked to reduced learner numbers. Some schools have had reduced learner numbers but overall, the number is going up substantially. We will set out more details. Perhaps you could give us details of different cases.<sup>11</sup>

**Q186 Chairman:** We are going to move on. We have had a session about what has happened with the break-up and this two-year transition period of the Learning and Skills Council. After hearing from experts in the area, we were a little disturbed about how much instability there seems to be in the system. Are you worried about that?

**Ed Balls:** It is something that I am concerned about; “worried” would suggest that we thought that it was off-track. I am concerned about it because it is a big change. On the one hand we have been moving progressively—and I think rightly—to a more demand-driven approach to adult skills training. The new adult skills agency will ensure that that demand-led approach continues. On the other hand, for 16–19 funding, we are transferring responsibility to local authorities so that they have the funding to deliver the collaboration we need for these substantial reforms. We are taking part of the LSC to a new adult skills agency, while part of it transfers to local authorities. We will legislate for that next year in the Bill, we have consulted on it and now the LSC must get on and do its job, as well as planning for the transition. It is a big change. I am concerned because we do not want to lose the short-term focus on NEETs and learner numbers on apprenticeships, but we must ensure that the reforms are done well. The long-term prize of more effective funding provision for 14 to 19-year-olds is a big one. To do this properly, we needed to make that change.

<sup>10</sup> See Ev 50

<sup>11</sup> See Ev 50

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

**Q187 Chairman:** The Association of Colleges is worried that independent colleges will lose their independence as they will come under the yoke of the local authorities again.

**Ed Balls:** We are not moving to a bureaucratic and onerous funding regime. Further education colleges often take learners from a number of different local authority areas and there must be stability and predictability in the system. As with Academies, sixth forms and colleges, if we want to deliver 14–19 collaboration, colleges that provide that education need to be part of those collaborative arrangements. There need to be partnerships.

**Q188 Chairman:** Would it worry you that there was evidence given to the Committee that morale in the LSC was low and that people's priority was trying to make sure that they got a job after the transitional two years? That is not very good, you know—when we shake up the system as regularly as we have done.

**Ed Balls:** It would concern me; David has regular discussions with the LSC and change is happening. There is no doubt about that. In the case of health, I was concerned, as many of us were, by the reorganisation of primary care trusts and the potential that that had to undermine delivery of some of our health objectives. But at the same time, the fact that we now have in my constituency—in our area—one primary care trust for the whole area is much more effective than the old, more fragmented way.

**Q189 Chairman:** Is it not the opposite? Now you have various levels. You had one LSC; you knew what you were dealing with in a region. Now you have got these various bodies that you are dealing with.

**Ed Balls:** I do not think so.

**Chairman:** Well, this is what the colleges are talking about.

**Ed Balls:** From the colleges' point of view—

**Chairman:** It is the reverse of the health example.

**Ed Balls:** The point I was making in the health example was that good reforms must be well managed, and you must keep your eyes on the long-term goal. If the long-term goal was the wrong one—if we were wrong to be running local authority commissioning of 14–19, and wrong therefore to be reorganising, as we have done nationally with our two Departments, the funding of education at a local level into 14–19 on the one hand and adult skills on the other—then of course we should not be splitting the LSC. But personally I think that it is the right long-term goal and therefore our challenge and our concern are to manage that transition. We are doing so with the full co-operation of LSC staff around the country, many of whom are great enthusiasts for train to gain-type, demand-driven provision for adult skills and great enthusiasts for the way Diplomas and 14–19 collaboration can transform that transition to adult life through education. I think people believe in the vision, but we have to make sure that we get there in a careful and staged way.

**David Bell:** I was just going to add that, in a recent discussion that I had with the chairman and chief executive of the LSC, they were at pains to stress that they are still focused on all the current priorities, as the Secretary of State said, about reducing NEETs and so on, because they feel that it is really important to do that. At the same time, they are, I think, really constructively involved in the planning of the new agencies and working with us to do so. I should also say, because you mentioned the Association of Colleges, that the Association of Colleges, the Association of Directors of Children's Services, the main head teachers' unions and so on are really actively involved with us as a Department as we are planning these arrangements. There is no sense in which people are being kept on the outside as we take these reforms forward.

**Chairman:** We have quite a bit of territory to cover. Do you want to come in on this, David?

**Q190 Mr Chaytor:** Pursuing the argument about the need for 14–19 coherence and simplification, what is the purpose of the young people's learning agency? Why not just cut out the intermediary and direct the funding straight to local authorities?

**Ed Balls:** We are, but different areas will have different ways of doing things, and you cannot run 14–19 provision in many parts of the country—not every part of the country—simply by focusing on one individual local authority.

**Q191 Mr Chaytor:** The document *Raising Expectations* provides for the establishment of sub-regional groups of local authorities.

**Ed Balls:** But what it says is that there are two different ways in which you can do that. You can either do that through a group of local authorities coming together and as individual entities trying to reach an agreement, or you can do so by a group of local authorities coming together and establishing joint, shared and pooled commissioning arrangements. In the case of the latter, we will expect the young people's learning agency to essentially stand right back and only be there as a sort of adviser and collector of information, but many areas will find it quite hard, in my view, to get—at least quickly—to that degree of sub-regional integration. The moment you have individual authorities making case-by-case agreements, there is a role for ensuring that those agreements are effective, and for stepping in when there are disagreements and things break down. Then I think that the young people's learning agency will need to be more active. So there is a responsibility on value for money and there is a responsibility on monitoring and ensuring that objectives are being delivered. We would expect there to be a very light touch if there is an integrated approach sub-regionally, but if that is not possible, the young people's learning agency will have to hold the ring to a greater extent. That will depend very much on the nature of sub-regional relationships.

**Chairman:** The Committee is concerned about efficiency savings and productivity. John, over to you.

**Q192 Mr Heppell:** It looks like the Department is quite happy that it will reach its Gershon targets, although I think that there is still some confusion about how those savings are quantified. The figure of £2.9 billion was in chapter 10 of the Department's Annual Report. How has that figure been derived?

**Jon Thompson:** How is it derived?

**Mr Heppell:** Yes. I can see how some parts, such as job losses of civil servants, can easily be quantified, but some of the other stuff I find difficult to understand.

**Jon Thompson:** A whole series of programmes combined to give the targets that we were striving for, which were £4.3 billion in the previous comprehensive spending review round and £4.5 billion in the next CSR. We have discussed before in the Committee the fact that savings break down into two parts. First, there are cashable things such as improving procurement by structuring contracts so that schools can procure cheaper. A good example of that is the implementation of the open programme, which has gone into about 10% of schools so far and enables them to access national procurement deals and therefore get a cheaper price. That is a cashable saving. Then there are a range of savings—again, we have debated them before—that are called non-cashable savings. For instance, introducing a technology can save people time, and then we can estimate how much time is saved and attribute a financial number to that. It is not actually saving money off the budget, but it allows time to be re-prioritised into other areas. There is a programme that breaks it all down, which we could give you. There are at least 50 lines on the matter. The most significant things in the 2004 spending review were improvements in the application of technology in schools. You will be familiar with the huge range of IT programmes that have gone into schools, which have saved preparation and assessment time. The biggest cashable gains were in relation to procurement. As I said, the programme has at least 50 areas in it, and I am happy to provide that detail. It will be publicly reported in the autumn performance report this year, and again in next year's Departmental Annual Report.

**Q193 Mr Heppell:** So in that report, we will be able to see what is actually real cash savings that are there for reinvestment.

**Jon Thompson:** Sure.

**Ed Balls:** Something that I am very conscious of at the moment, especially given the wider economic climate, is that we need to show not only that we have delivered our Gershon savings but that we are actively doing everything that we can, nationally and locally, to use our budgets effectively. We have been doing a lot of thinking about how we can do even more, nationally and locally, to support efficiency. One thing that I discussed at the National College for School Leadership recently was how primary schools can work together to reduce collective administration costs and free up resources in school budgets. It does not really make sense for every individual primary school to be running its whole IT procurement and staffing budget separately. That is

obviously a matter for primary schools, but it is the kind of thing that we are looking at to try to be innovative.

**Q194 Mr Heppell:** Okay. For the first time, primary schools are now going to be asked to make a 1% saving, I think over a three-year period—1% annually. Why 1%, when local authorities are asked to make savings of 3% every year? Is the intention to increase it from 1% when schools get used to the idea of making the efficiency savings? Will it rise then to 3%, the same as for local authorities?

**Ed Balls:** I am slightly thrown by that question, because I thought that you were about to say, "1% seems much too high, isn't that going to be very tough for primary schools to deliver?" This is the first time that we have done this for schools. It is different for a local authority, with maybe 19,000, 20,000 or 25,000 staff and quite complex delivery processes, and for an individual school, which probably has less scope for that kind of savings through IT procurement. We looked at this and judged that 1% was a demanding objective for schools, but deliverable. That is 1% within the calculation of the minimum funding guarantee. The actual amount that schools on average will be getting will be considerably higher than the minimum funding guarantee.

**Jon Thompson:** The additional element is that we considered the balance between staff funding in the dedicated schools grant and non-staff funding, which is roughly split 80:20. We thought that 1% was a reasonable reduction to be made across the board. We thought about the disproportionate impact on the non-staff—in other words, if you took it all out of that, it would require a 5% annual saving, if you did not adjust the staffing budget. We thought that, on balance, 1% was reasonable if you took that 80:20 split into account.

**Q195 Mr Heppell:** Under the public value programme—the new efficiency programme—the importance of the process is to find smarter ways of doing business and saving money. What about the things that you have just said about staffing costs? I can see how Building Schools for the Future, with a great big budget, could fit quite easily into that category. How can teaching assistants fit into that category? I am not quite sure what a smarter way is for providing teaching assistants.

**David Bell:** The public value programme is intended to ensure that we are getting the best value out of the additional investment that we have put into teaching assistants. That seems to me to be an entirely reasonable thing to do. That has been one of the revolutions in the school work force over the past 10 years: we now have around 300,000 people who are doing those sorts of teaching assistant jobs. What we have been asked to do is to ensure that we are getting absolutely the best value out of that. That is one of the four programmes that you cited that we have to carry out. It seems to me to be an entirely reasonable thing to ask us to do. As the Secretary of State has said, we have been having discussions within the Department, not just to look at the public value

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

programmes as established by the Treasury, but to ensure that we are looking right across our responsibilities, to ensure that we are getting best value.

**Q196 Mr Heppell:** The Department annual report included an analysis of productivity this time. In the past, the Department has always said that it could not really work on any sort of productivity. Why has that changed now? Why are you doing it now?

**Ed Balls:** Following the Atkinson review, the Office for National Statistics published some work last autumn on educational productivity, which has informed the analysis in the departmental report. It is something that is interesting to people—whether we are using public money to best effect. I think that the discussion around productivity in education is an important one. It brings out some of the real challenges in making effective schools policy. One of the things that is very striking to me is that we, as a new Department focusing on children's policy, talk a lot about special educational needs and tackling those extra barriers to learning inside and outside of school. We do that not only because we care about children being well, healthy and happy, but because addressing those special educational needs is key to raising standards. As we raise standards on average—we are now up to 80% of children getting to Level 4, Key Stage 2—increasingly that last 20% involves more children with learning difficulties who need extra support. Therefore, if we are going to keep raising standards, that means more teaching assistants, more personalised learning and one-to-one education, and more educational investment to go to the next stage. If you measure that by productivity, you would say that that means that it has taken you more teaching input to raise standards to the next level—which means your productivity is falling—whereas I would say that we are investing more in the personal learning of children who, without that extra personal attention, would not succeed. Therefore, we need that extra investment to keep making progress, and accrued or misleading descriptions of those productivity statistics entirely miss the point. You have to keep making the case for more investment in education if you are going to deliver on the objectives for every child. We judged that the productivity debate was a good debate to have so that we can bring out some of the challenges and perhaps undermine some of the glib assertions that a fall in productivity in education is bad.

**Q197 Mr Heppell:** You have effectively said in the past that cost-benefit analysis is the best way to judge effectiveness in educational spending. What is the latest cost-benefit analysis and does that show that we are being effective with our spending?

**Ed Balls:** That is a good question. We produced a cost-benefit analysis on education to 18 and we judged that the impact upon the economy and wider society of universal education to 18 would be positive. I am not sure whether we have done a particular retrospective cost-benefit analysis of school reform in general. It has been more on discrete issues.

**Jon Thompson:** That is exactly our situation—we have done it on discrete issues rather than the system as a whole. As we debated last time, the Institute for Fiscal Studies report, I think, supports what the Secretary of State said. Between 1996 and 2000–01 there were significant increases in both input and output as judged by the Institute for Fiscal Studies, so productivity rose, but it has slightly fallen back between that period and now. My understanding of the IFS report is that if you take the 10 years as a whole, there is a 27% increase in outputs for a 25% increase in inputs, therefore there is a 2% productivity gain.

**Ed Balls:** My point is that you would expect productivity to fall in education because the challenge gets greater the more that you raise standards as the children who you want to get to that level need extra and more intensive help. It is almost like the opposite of manufacturing. In manufacturing or a service economy technological change normally drives a rise in productivity as you invent new things and find new methods. In education, the more you develop as a society and the more you are demanding that every child should do well, the more intensive in the way that you support children you have to become. Developed economies tend to find it more expensive to keep driving up standards but it is the right thing to do.

**Chairman:** Secretary of State, I think that the Committee would agree absolutely on that. Having recently been to Denmark to look at issues with children in care, there is no doubt when you come back to this country that the real challenge for us is going to be putting even more investment into early years, special attention for particular children and training and rewarding the work force better than we do at the moment.

**Q198 Mr Heppell:** I was slightly surprised by that earlier answer. Do you not do regular cost-benefit analyses all the time? You seem to be saying that you have not done it for a while, and that surprises me.

**David Bell:** One of the frustrations that we have had in looking more generally at the question of productivity is that some of the work done across Government appears to move at a rather stately pace. That is not through lack of will, it is because it is very difficult. All of our discussions with the Office for National Statistics, which heads this, suggest that it is difficult for the reasons that the Secretary of State has highlighted. As he said, on a number of policies we will do that cost-benefit analysis that you have mentioned. We have to examine the big-picture questions around effectiveness, productivity and so on across Government with the Office for National Statistics and it is complicated stuff. The Office for National Statistics has been working on this. The Atkinson review first reported in 2003 or 2004, so we are five years on and people are still wrestling with what is a really complicated business.

**Q199 Paul Holmes:** On the productivity issue, you make the case strongly enough. Would the Treasury be willing to argue the case that falls in productivity in health or education are good? When you publish

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

figures such as those in the report, the CBI jump in and say, "All this money that has gone into education and health is a waste of money because productivity is falling". Should you, as a Minister, or the Treasury be arguing more forcefully that falls in productivity are good because they mean increased quality?

**Ed Balls:** Clearly, in the case of health, there have been huge increases in productivity and cost. You have much more potential for technological change through new drugs and new treatments to allow you to cure many more people. Statins are an example of a new discovery that allows you to be much more cost-effective in your GP hour, because you prescribe them. That has a big impact on health.

**Paul Holmes:** For the first time today, I am asking a friendly question.

**Ed Balls:** I took them all as being friendly.

**Q200 Paul Holmes:** It is not just those issues. If you have more nurses on a geriatric ward, productivity falls, but the quality goes up. I taught top sets of 36, and they did very well, but if they had been of 26, they would have done even better. It is not just about special-needs kids or statins; it is about the overall quality of what you are providing. Will the Treasury argue more forcefully that falling productivity in education and health is a good thing if it means better quality?

**Ed Balls:** I have always been inclined to believe in the Treasury's rationality, so I am sure that it will take a rational view of these matters.

**Chairman:** You were brainwashed from a very early age, Minister.

**Ed Balls:** At all stages, we should be demanding in our desire for more productivity and for using inputs more effectively. One example that I have given is that we are encouraging primary schools to pool resources and to have one person providing a range of support services for a group of primary schools because that is much more cost-effective. We should always be thinking about how we can be more productive. At the same time, however, in education, there is not the same degree of potential for transformatory technological advances and change, because pedagogy is, on the one hand, about the teacher and the child learning. On the other hand, personalisation and one-to-one teaching is more expensive, as is having smaller class sizes, but it is what works for children who otherwise would not do well. In a sense, cost-benefit analysis captures those benefits through time—having fewer children coming out without qualifications—better than a simple measure of productivity that says, "My qualification today, per number of teachers or inputs in the classroom." If you take a proper, long-term approach to cost-benefit analysis, it probably suggests that, as a society, we become much more productive by having more teaching assistants and smaller class sizes.

**Chairman:** Secretary of State, we are in the home straight. Two colleagues have been extremely patient, and they are going to lead—first Annette and then Sharon—on Building Schools for the Future and the National Challenge.

**Q201 Annette Brooke:** I shall be rather brief. I should like to ask you about the National Challenge, in which I have an interest, as part of my constituency has a grammar school system. First, on the secondary modern schools that appear on the list, you have said that they can expect to receive more financial support than other schools. I hope that that is a positive side of the list. Why have those schools been neglected for so long?

**Ed Balls:** It is true that in the 638 schools, secondary moderns are disproportionately represented. Of the top five local authorities, judged by number of National Challenge schools, they would be disproportionately in areas that have grammar schools and selection. On the other hand, 60% of secondary moderns are above the 30% threshold of five grades A to C, including English and maths. Most secondary moderns are not National Challenge schools. From my point of view, the National Challenge is a positive for all the schools in the list, because they, the pupils and the parents are going to get the extra support that they need—£400 million. However, that must be tailored, school by school, to the particular needs of the school. If you are a high value-added school with great leadership and are on track, we will let you get on with it, but if you need more intensive support in English and maths, we shall be supporting that. That is what we are looking to do with the money. Some schools will need transformation, though. We discussed the Academies programme earlier. Recognising the particular characteristics of individual schools means taking it into account that, for some schools, selection makes the challenge greater. What we have said in the National Challenge—I made a commitment to provide more detail about our toolkit in the coming weeks—is what more help and support we should give to secondary moderns, recognising the extra challenges that they face. One way in which we have said we will give extra funding is through a new concept of a trust—a National Challenge trust—where you have a National Challenge school that will link up with another school in that area that is higher performing, so that the two schools can work together to raise standards overall. We have said that, in general across the country, we would put £700,000 into a National Challenge trust but we would go up to £1 million for a secondary modern. As I have said before, in the main that scheme will have secondary moderns partnering up with other higher performing secondary moderns where the leadership team already has experience of the extra challenge of raising standards in a non-selective school in a selective area. What will that money be for? It could be used for more intensive one-to-one personalised support in years 7 and 8; it could be used to help attract more teachers for smaller class sizes; or, if it is difficult to attract English and maths specialists, it could be used to encourage some of the wider aspiration programmes, which we know from experience work. It is all about understanding that these are schools that can raise results but the pupils may need more personalised support, and there is a challenge of aspiration that needs to be addressed.

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

**Chairman:** Can we make the questions and answers quite quick now, because we are running out of time?

**Ed Balls:** Sorry. Does that answer your question?

**Q202 Annette Brooke:** Yes, it does. I hope that the local authority will be aspirational enough when it agrees the plan. Also, as an aside, I would just like to say that the members of staff were very demoralised and I think that the Department needs to take that on board. As it is making the positive investment, it must lift the morale of staff, because the way that this came out it was very demotivating.

**Ed Balls:** May I say just one thing on that, Mr Chairman? I have said this in Parliament too. Many of these schools are high-performing schools with great leadership and are on track, and they should be celebrated and supported. Many of them will go through the threshold this August. This is not a group of 638 failing schools. What I am saying is that there is £400 million and we are systematically—school by school—going to do what it takes. For some schools, it will mean big change. I am advised by officials that when London challenge, which is now pretty much universally popular among schools in London because it has raised standards for all and been very supportive, was launched back in 2002–03, the local newspaper headline on launch day was “50 failing London schools set to close”. The reality is that that is the starting point of these debates, and you need to get over that difficult and, from my point of view, unhelpful first focus on the idea that these schools must all be failures, and focus on the positives and start giving these schools support. I hope that, over time, people will see that National Challenge is about support, but it is also about setting a challenge for schools that have not been doing well enough and where there has been a culture of low expectations, or setting a challenge for local authorities that have not been taking school improvement seriously for all schools and for all pupils, and that will include your local authority.

**Q203 Annette Brooke:** I am outside my geographical area on this. I do not criticise the provision, but I would like to talk about provision for children who are aged 16–18. When we had evidence from the FE sector, the witnesses suggested that National Challenge should be extended to 16–18 provision. Hopefully, if you are going to raise standards in secondary modern schools, more children will stay on at school, but some schools are unlikely to have a full sixth form so those children will need to move on to quality provision. Why, therefore, are you not including provision for those aged 16–18 in FE colleges and sixth form colleges in National Challenge, to ensure that the next step is guaranteed to be of good quality?

**Ed Balls:** I guess that the moment you move from people feeling demoralised to people asking, “Can’t more of us be involved?”, that is a sign that you are starting to win the argument that this is an opportunity and a positive, rather than a negative, move. National Challenge is a challenge to local authorities to focus on school improvements, school

by school. We are also challenging local authorities to deliver effective collaboration for 14–19-year-olds. I very much hope that local authorities, with their schools community, will see this as being all of a piece and that part of supporting secondary moderns is ensuring that they are part of collaborative arrangements that go from 14–18 or 19. It may be that the combination of National Challenge, what we are doing on 14–19 and Building Schools for the Future will lead to more sixth-form collaboration between secondary moderns or between secondary moderns and grammar schools.

**Q204 Annette Brooke:** Thank you. Collaboration is important. May I as an aside—

**Chairman:** Asides are still questions, Annette.

**Annette Brooke:** Yes, well ever so quickly, may I put Parkstone Grammar School into the same pot? It has also had a challenge on numbers from our local learning and skills council. It seems to be exactly the same situation. I am quite concerned that, as we are raising standards and most secondary modern schools are sending more pupils on to sixth form, those numbers are not taken on board by learning and skills councils.

**Chairman:** You can add that to your letter.

**Ed Balls:** I will do a proper response.<sup>12</sup>

**Q205 Annette Brooke:** I am trying to be quick because I have to go to Questions in the House, apart from anything else. We have had criticisms in our evidence that the National Challenge funding is targeted too much at school structures. You gave me some good examples where it was not targeted at school structures. But because there is pressure to take the Academy route or a trust school route, that is an argument that can be made. What would you say to that?

**Ed Balls:** I would say that even when you are going down the structural route, we are talking about revenue funding that is essentially about teachers teaching and learning. Of the £400 million, the structural solutions are all about what happens in the classroom. As well as the money for extra Academies and National Challenge trusts, which is slightly over half of the funding, there is also £100 million for targeted personalised learning, teaching and support for heads in classroom practice and pupil tracking. There is also money for more National Challenge and more school improvement partner support, school by school. I would expect all of that money to go on teaching and learning, even in structural solutions, but where you are talking about Academies and trusts, it is about half of it.

**Chairman:** Thank you Annette. Sharon, you deserve some sort of medal today. Building Schools for the Future—it is only £45 billion, and we have five minutes for it.

**Mrs Hodgson:** You probably noticed, Secretary of State, that I have been uncharacteristically quiet this morning. I was saving myself for my session. There have been some strange efficiency savings going on

---

<sup>12</sup> See Ev 50

in respect of my contribution. It will have to be fairly short. Perhaps if we had made efficiency savings earlier, I might have had a longer contribution.

**Chairman:** That was a test.

**Mrs Hodgson:** All right.

**Ed Balls:** It sounds like the Chairman is in special measures.

**Chairman:** Thank you, Secretary of State.

**Mrs Hodgson:** No. The Chairman might think that I talk too much. It might be a deliberate ploy. I would hate to think that that was the case.

**Chairman:** Not at all.

**Q206 Mrs Hodgson:** I should like to play devil's advocate and follow on from Annette's National Challenge questions. I was tasked by one of my councillors and you have already answered this question, so a one-line response will suffice. He said, "Is this not kicking schools when they are down, instead of giving them a helping hand?"

**Ed Balls:** No, I do not think it is. It is about challenge. We want every local school to be a good school. Schools where there are low expectations and low performance, and the culture is about excusing poor performance, need to change. It is not good enough. But that is not what is happening in most schools in my experience, including most of the National Challenge schools. I have spoken to a number of heads with high added value and strong leadership, and close to 30% are on track. I have also spoken to a number of heads who are at an earlier stage, who know what is needed, but know that they cannot do it on their own. They can only do it with extra support. For those heads, National Challenge is an opportunity. It is important to present it that way.

**Q207 Mrs Hodgson:** Wonderful. BSF now. I can be smug about this because Sunderland was one of the first to go through the BSF programme. I think Oxclose Community School in Washington was one of the first secondary schools, if not the first, that was fully renovated under BSF. Jim Knight came to open it. From that position of smugness, I know that in April the Government announced that authorities with four or five schools that are ready can join in a rolling programme instead of waves. Is that because you want the BSF process speeded up, or are you satisfied with the rate of progress? Have you set any targets for the number of additional authorities entering the programme over the next year?

**Ed Balls:** We announced a couple of weeks ago a group of authorities that will come in more quickly. We now have half the local authorities—72—in the process, about 1,000 schools in planning or in construction and 13 already opened. There will be considerably more BSF schools. Is it well over 30?

**Jon Thompson:** Thirty-five.

**Ed Balls:** Thirty-five in September, so the process is definitely accelerating. My judgment, from talking to advisers and to the Schools Minister, was that we were right, at the beginning, not to go more quickly than authorities could deliver the programme, because school-wide system reform is big, challenging and often locally difficult, so we decided

to go first to areas where there were some real challenges and more deprivation. It was right to take time, so the process has been slower than we would have liked, but it was right to go more slowly. We have a lot of experience now, and BSF is picking up the pace, things are accelerating and we do not feel as if we are off track. But if, within the programme, it is possible to create some space to bring some authorities or individual schools forward, of course we should, and that is what we have been doing.

**Q208 Mrs Hodgson:** In the Children's Plan, you talk about a vision for 21st century schools, and I know that you are doing a review of what they should look like, but what impact do the forthcoming views have on BSF schools that are already in the process or that have already gone through?

**Ed Balls:** In the Children's Plan, we said that we were in discussion with Building Schools for the Future to ensure that the idea of collocation of services was at the centre of our BSF planning. We have a process in Whitehall involving other Departments and BSF to look at how the procurement process, not just of schools but of other public services locally, can be brought together more effectively. If you like, I will send a note to the Committee in the next few days about how we are using BSF to drive that collocation of services in the 21st century school. That will encourage us to ensure that we can give you a good report.<sup>13</sup>

**Q209 Mrs Hodgson:** We must recognise that BSF was launched in March 2004 and you became Secretary of State only in July 2007, so it was well under way before you headed up the Department and were able to impact your vision on what was happening. It would be unfair to level any criticism at your door for what went before, and I am not trying to do that, but can you add catering facilities to the vision of what a 21st century school should look like? I am sure you are, as I was, thrilled when Kevin Brennan came out and supported the stay on site policies, but the reason I ask—you will know straight away—is that secondary schools often do not have the right facilities, the schools were not designed for 1,000-plus children on site at any one time, and the catering facilities are not designed to feed that number of children. So, if you are looking at 21st century schools and the BSF programme is still ongoing, should we not design those schools bearing in mind, perhaps, my vision for 21st century schools, where there are universal free school meals and all children are kept on site and given a healthy, hot meal?

**Ed Balls:** I know that you are a very good campaigner on these matters, and Alan Johnson and I had a meeting recently with researchers from Hull University to look at what has happened with the Hull experiment. Was it Hull University?

**Mrs Hodgson:** Yes, that's right.

**Ed Balls:** We looked at what has happened with the experiment on the free school meals project and at what the evidence shows. Two days ago I visited Sir

<sup>13</sup> See Ev 51

---

16 July 2008 Rt Hon. Ed Balls MP, David Bell and Jon Thompson

---

Alan Steer's school, Seven Kings, in east London, where he has chosen to use his devolved capital—about one third of a million pounds—to completely rebuild the dining room facilities, because that for him was necessary to deliver healthy eating and to have an on-site schools policy. It is possible for schools, if they choose, to do that, if they have devolved capital that they can use. He did that. Over the last year we have also allocated well over £100 million for the next couple of years, which is not just for kitchens, but dining facilities. That is crucial to the effective take-up of school meals. In our note to you, on BSF, the collocation of services and the 21st century school, we will include the way in which BSF will make dining provision central to its thinking.

**Mrs Hodgson:** That is just about it from me.<sup>14</sup>

**Q210 Chairman:** One last thing on BSF. We can see why you want to get on with it, and why you might want three, four or five schools to be allowed to be part of BSF innovation. One of the most interesting and stimulating bits of BSF has been that, for the first time in anyone's memory, local authorities have been told to look at their vision for education over the next 20 to 50 years. Are you going to lose that with a more pragmatic, bitty way of delivering BSF?

**Ed Balls:** That is not our intention, and I very much hope not. Where authorities are on the case on school improvement and thinking hard about 14-to-19 collaboration, and are ready to go, if we can make it possible for them to move more quickly, we should do so, but only if they pass that vision test. We will ensure that we do not lose the huge gains that we can get out of BSF by allowing it to become piecemeal and short-termist. That will not happen.

**Q211 Chairman:** What about incentivising? You spoke about productivity earlier. All of the research outside and inside education suggests that what people do in buildings is as important as their design. Sometimes when I visit a school, I feel that it is about the way that children learn how to behave. I am

thinking of the Blue school in Wells. It has halved its energy bill because it has taught children about the importance of minimising energy usage. It is about how teachers, staff, heads and students operate within a building. Is there a way of incentivising staff and children to be more productive, particularly in that BSF-related way?

**Ed Balls:** Having a great building helps, but as you say, it is what happens inside that that really matters. The advantage of new school building—there has not been the kind of school building programme that we now have for decades.

**Chairman:** I think that the word is a “magnificent” scale. Even I would say that.

**Ed Balls:** It is huge. The scale of new schools opening in September is unprecedented for decades. However, it only works if heads and leadership teams take the opportunity of the new schools to do what really matters, which, as you said, is to use technology, have great teachers and focus on what actually happens in the classroom. A great building with poor teaching is of no use to anyone.

**Chairman:** Secretary of State, because of the Committee's desire to ask questions about the testing system at the moment, we have overrun a little. Thank you for your patience. We have had a good session, and look forward to our next encounter.

**Ed Balls:** I do not know about your scheduling and timetabling, but if you are to carry out an inquiry into children's trusts, it would be very welcome indeed. It would provide an opportunity to look not only at schools policy, but at how it links to the child and adolescent mental health services, youth offending teams, social services and housing—many of the things in the Children's Plan, which are very important in raising standards and promoting children's well-being, would be addressed in such an inquiry. However, obviously, that is a matter for you.

**Chairman:** Secretary of State, that is unusual. We tend to design inquiries into areas where the Secretary of State does not want us to go, but we will keep that in mind. Thank you.

**Ed Balls:** Thank you.

---

<sup>14</sup> See Ev 51

---

**Supplementary memorandum submitted by the Department for Children, Schools and Families**

*Questions 181–185 (Paul Holmes) and Question 204 (Annette Brooke): Funding available for 16–18 education*

*16–18 funding in general*

The key principle behind the funding of 16–18 learning is that funding will follow learner choices. We have set ourselves ambitions for learner choices in terms of the proportion of learners we would like to see on apprenticeships. We also announce indicative allocations for learners and volumes on the main post-16 routes in the LSCs Annual Statement of Priorities. These allocations are however ambitions and indicative allocations, rather than set targets. Plans are adjusted so that although there is rigorous budgetary control, the allocations take account of the choices young people are actually making on the ground.

The indicative allocations in the LSC's annual statement of priorities are up-dated as part of the annual allocations exercise conducted by the LSC. This takes account of historic performance and the latest information from schools and colleges on what young people are likely to want to do at the start of the subsequent academic year. As a result of the 2008–09 allocations process, allocations were changed compared to the 2007 Annual Statement for both school sixth forms and FE colleges.

The school sixth form allocations have seen an increase from £1,784 million in 2007–08 to £1,866 million in 2008–09, an increase of 4.5%. As a result of this, 62% of schools have seen an increase in their funding.

The number of funded learners will also increase from 370,666 in 2007–08 to 383,792 in 2008–09, an overall increase of 2.7%. The funded learner numbers are 7,792 above the planning figure of 376,000 shown in the LSC's Statement of Priorities.

For 16–18 FE allocations have been increased from those announced in the 2007–08 Annual Statement from £3,300 million to £3,348 million for 2008–09—an increase of £48 million. For the 2008–09 academic year the increase in funding will be nearly £80 million.

This will see an increase in the volume of planned learners rising from 773,000 as shown in the 2007–08 Annual Statement to a revised planning assumption of nearly 787,000.

We cannot guarantee that this funding will be used to fund learners doing A levels, because the planning and allocation process is institution based rather than qualification based. However, given the likelihood of learners in schools sixth forms and to a lesser extent FE colleges to be undertaking A levels, it is likely in the short term that these increased volumes will include increased A level learners, although the roll-out of Diplomas might affect A level take-up in the medium term.

We have made these increased funding commitments to schools and FE colleges while maintaining our plans to increase apprenticeship volumes. We are committed to driving up post-16 participation as we move towards raising the participation age. We will only be able to achieve increased participation if young people are able to access the courses and opportunities of their choice.

*Brookfield Community School*

Paul Holmes raised the case of the funding for this school in the hearing and we have heard from the LSC that they received correspondence from Russ Barr, the head teacher, regarding the schools sixth form allocation for 2008–09.

Brookfield School was funded for 316 learners in 2007–08 and achieved 309. For 2008–09 the school submitted a request for 320 learners for 2008–09. However, as first priority was for consolidated growth they were initially awarded funding for 309 students. The school has been in discussion with the LSC and as a result their allocation and funding was increased by a further 50 places in June 2008.

*Parkstone Grammar School*

Annette Brooke raised the funding of this school in the hearing and we have consulted the LSC. Both the Department and the LSC have received correspondence from Anne Shinwell, the head teacher, regarding the schools sixth form allocation for 2008–09.

The school has had its funding increase by 3.8% in 2008–09 with the number of places increased from 332 in 2007–08 to 345 in 2008–09. The school has been notified that should they deliver additional pupils in excess of the planned 345 in 2008–09, then these pupils will be funded as consolidated growth in 2009–10.

To date, neither the LSC nor the Department have received any further correspondence, but the LSC remain ready to work with the school on their plans for 16–18 learners.

*Question 208 (Mrs Hodgson): The impact of the emerging views on the vision for 21st century schools on those schools that are already in the BSF process or that have already gone through the process*

### *21st century schools*

The 21st century school will be expected to have:

- a focus on excellent teaching and learning and a commitment to personalisation;
- a commitment to promoting children’s health and well being;
- effective and active engagement of parents and their local community; and
- space for extended services at the heart of a preventative system locally—with more services being collocated on school sites.

Existing BSF projects are already helping to realise our ambition for 21st century schools to be at the heart of communities, providing space for the collocation of services on school sites. Across the country, there are a number of excellent examples of services being brought together on school sites, developing the schools into real hubs for the whole community including Hadley Learning Community in Telford and Platt Bridge Community School in Wigan. There is increasing interest from local authorities and other public sector bodies of the benefits of the creation of such community facilities to help improve outcomes for children, young people and families.

Through the planning process, Partnerships for Schools are encouraging local authorities to work with Primary Care Trusts and other partner organisations to identify how school sites could be used to provide better access to those health or other services. In many cases, the ways to overcome the barriers to collocation may lie in clever and innovative design, and in disseminating examples of successful good practice; we will be working with Partnerships for Schools and other partners to develop further case studies over the next few months.

We are also looking at how we could reconfigure wider DCSF capital programmes to further promote the co-location of services. Working closely with 15 local authorities to develop both an evidence base relating to the key barriers to collocation at local level, and options for improving the way we deliver our capital programmes and getting better value out of the system.

We are working with other Government departments to better understand how we might be able to join up funding, bring together procurement processes and incentivise joint planning. We will provide the Committee with an update on progress in due course. We are confident that our current work programme will make it easier for local authorities and their partners to pool funding and create the sorts of facilities that communities want and need; that transform those communities in the round, as well as the education for children and young people.

### *Existing BSF schools*

Clearly, where BSF designs have been finalised and contracts have already been signed, it will not be possible to reflect every aspect of our current vision for the 21st century school in the design of every school. Our vision, as well as the design of schools, will not stay still—encouraging innovation in design is a key part of the BSF programme.

However, the BSF design guidance emphasises the importance of flexibility in the use of space inside and outside school. BSF schools will be able to adapt their facilities to create space for other collocated services, where this is the right way of delivering those services in the community. We do, of course, provide schools and authorities with ongoing devolved capital funding to allow them to adapt school premises in line with their priorities.

*Question 209 (Mrs Hodgson): The vision for 21st century schools should include appropriate catering facilities, where there are universal free school meals and all children are kept on site and given a healthy, hot meal?*

As outlined above, the 21st century school is concerned with ensuring that children eat healthily, as part of its commitment to promoting all aspects of children’s well-being. Where a school provides school lunches, we have ensured through the introduction of tough nutritional standards that those lunches will be healthy and nutritious. Appropriate catering, and dining, facilities are also essential which is why, in addition to the significant amounts of capital we are investing in our schools, we have recently allocated an additional £50 million to 15 local authorities to support the building of new kitchens in schools that currently do not have them, and are offering a further £100 million to authorities that submit plans to increase school lunch take-up by building or refurbishing school kitchens and improving dining areas and facilities.

But it is also essential that the 21st century school does all it can to encourage children to eat school lunch and keeping children on the school site at lunchtime is a good way of achieving this. While it is for each school to decide in consultation with parents, we would ask all schools to consider this, as I made clear in my letter to schools last October.

The cost of a school lunch can be a significant influence on whether a child takes a school lunch and offering universal free school meals does result in a significant increase in school lunch take-up as the pilot in Hull clearly demonstrated. That pilot also showed that children who take a school lunch are more likely to be better behaved, better able to learn and more likely to see their general health improve. But we need more evidence about these benefits which is why we intend to set up further pilots between 2009–10 and 2010–11. We will invite two deprived areas to trial free school lunches to all primary school children and a third area to trial the extension of the current eligibility rules for Free School Meals. These pilots will be supported by £20 million from my Department and the Department of Health and participating Local Authorities and Primary Care Trusts will be asked to match that funding, resulting in a total budget of £40 million per year for the two years.

*October 2008*

---