



House of Commons
Committee of Public Accounts

**Department for
Education: Capital
funding for new school
places**

Twelfth Report of Session 2013–14

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

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Committee of Public Accounts

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The current staff of the Committee is Adrian Jenner (Clerk), Rhiannon Hollis (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

One of the Department for Education's (the Department) aims is "to use available capital funding to best effect to provide sufficient places in schools parents want to send their children to." Local authorities are legally responsible for ensuring that there are sufficient schools, and therefore school places. However, the location and development of new free schools is subject to decisions made by the Department. The Department is responsible for the overall policy and statutory framework and makes a substantial financial contribution to the cost of delivering these places—around £5 billion in capital funding to local authorities over the spending period to March 2015.

In the 2011/12 school year, there were 6.8 million 4 to 16 year olds in state-funded schools in England, of which around 600,000 were in reception classes in primary schools. The number of children entering reception classes has been rising for some years, putting pressure on school places with greater stress falling on particular local authority areas where population growth has accelerated. Neither the Department nor local authorities anticipated how much and where pupil numbers were rising early enough and therefore failed to adequately plan for the increased demand. As a result the number of children in infant classes of more than 30 has more than doubled in the last 5 years and 20% of primary schools were full or over capacity in May 2012.

The Department's funding for additional places is coming out of a significantly reduced capital funding pot. This reduced capital allocation also has to maintain the fabric and condition of school buildings across the country and fund the Government's new priorities like the establishment of free schools.

The Department has slowly improved its approach to allocating funding but could still do more to target its funding to the areas that need it most, particularly with the new information it plans to collect from local authorities about costs and methods of delivering school places. Costs will vary according to local circumstances including, for example, the cost of land. We are concerned that the scale of financial contributions expected from some local authorities for new school places introduces wider risks to the on-going maintenance of the school estate and may exacerbate pressures on local authorities' finances.

The Department does not have a good enough understanding of what value for money would look like in the delivery of school places, and whether it is being achieved. In response to fluctuations in local demand local authorities can direct maintained schools to expand or close but do not have this power over academies or free schools. Local authorities need to have mature discussions with all parties, including the academies and free schools, to resolve any mismatch between demand and supply for their communities as a whole. We hope that discussions at local level always prove successful, but the Department needs to be clear about how it will achieve the best value for money solutions in the event that local discussions fail to achieve a resolution. This has to be in the context that Free Schools and Academies are directly accountable to central Government, but the Government has no mechanism to force them to expand to meet the demand for school places. In addition, the Department does not sufficiently understand the risks to children's learning and development that may arise as authorities strain the sinews of the school

estate to deliver enough places. The imperative to increase the quantity of school places should not be achieved at the expense of quality.

On the basis of a Report by the Comptroller and Auditor General,¹ we took evidence from the Department for Education on its distribution of capital funding for new school places. We also visited Gascoigne Primary School and Barking Abbey Secondary School.

¹ C&AG's Report, *Capital funding for new school places*, Session 2012-13, HC 1042

Conclusions and recommendations

- 1. The Department does not know whether it is achieving value for money with the funding it provides to deliver new school places.** The Department believes that local authorities will be able to deliver the 256,000 places required by September 2014 with the £5 billion of public money it is now providing. However, it does not yet understand how authorities are delivering these places, the costs to local authorities, the legitimate variation of costs between authorities or the relative value for money of authorities' different approaches. The Department intends to collect new information from authorities on where places are being delivered and the costs of delivery in June 2013, but has not yet determined how this information will be used. The Department must set out how it plans to use its new information on school places to ensure that capital funding is given to those local authorities that have the greatest need for extra school places. The department must also clarify how it will support and challenge local authorities and show that value for money is being achieved.
- 2. The Department was slow to respond to the rising demand for school places.** The Department relied on national demographic statistics and local authorities' projections of need. We accept that forecasting involves inherent uncertainties, but both national and local projections were slow to identify the trend of rising demand. Despite the birth rate beginning to increase in 2001, it was not until 2008 that the ONS reflected the rising birth rate in its population projections.² In addition, the Department has taken too long to develop its funding approach to better target available funding to the areas that need it most. Delays in recognising and then responding to the scale of the challenge have limited the Department's and authorities' ability to effectively prepare for future levels of demand when making decisions about the size and shape of the school estate. To avoid being caught out in future, the Department should, working with the Office for National Statistics (ONS), the Department of Health and local authorities, model different scenarios in order to manage emerging demand better in both primary and secondary schools.
- 3. The Department has improved the way it targets money to areas of need but there are still gaps in its understanding of the full costs of delivering new places.** The Department's latest funding allocations (announced in March 2013) have given relatively more funding to areas projecting the greatest pressure on places. However, its funding mechanism does not sufficiently take into account the availability and cost of suitable sites in different areas. In addition, the Department has not yet factored in the expected reduction in costs from the more modern designs developed as part of the Priority Schools Building Programme. In ensuring that its funding allocations are as sensitive to need as possible, the Department must understand and reflect all appropriate costs incurred by local authorities in providing new school places.

² Qq 26, 58, 92-94, C&AG's report, figure 3

- 4. The Department's assumption about local authorities' contribution to the cost of delivering school places was made without robust evidence and without proper regard being given to the reduction in local authority spending.** Local authorities have been using funding from other programmes to meet demand for school places, despite the Department's view that its funding is now sufficient to cover the costs of delivery. The Department's assumed contribution was a broad, national estimate and did not take account of local factors that might lead to individual authorities contributing more or less than the national estimate. In 2012-13, 64% of authorities were drawing on maintenance funding to pay for extra school places, storing up unknown maintenance costs for the future. In addition, the Department has not considered wider pressures on local authorities resulting from reduced budgets in its assumptions. The Department should develop more realistic assumptions about the level of financial contribution authorities can be expected to make to delivering school places, which take account of the wider financial challenges authorities face.
- 5. In order to fulfil their statutory obligations and in the new context where local authorities do not control Academies and Free Schools, local authorities need to have mature discussions with all parties, including these schools.** Local authorities can direct maintained schools to expand or close, depending on fluctuations in demand, but do not have this power over academies or free schools. Local authorities cannot create new schools that are not academies or free schools although authorities may encourage bids for creating free schools in their areas. We asked the Department how it would resolve matters if, for example, it would be better for an academy or free school to expand or to close in accordance with changing demand in an area, but the particular school(s) did not wish to do so. The Department told us that such situations are best settled by sensible discussions between professionals in the area concerned, and assured us that matters had been resolved in this way in all cases so far. We hope that discussions at local level always prove successful; however, we would like to receive greater reassurance about the actions it will take in order to help resolve matters to achieve the best value for money solutions in the event that local discussions break down.
- 6. There is little oversight of the impact decisions about how to provide new places may have on pupils' learning.** In the rush to deliver sufficient places, authorities may have to make decisions that affect the quality of education on offer. For example, in areas where there is pressure on school places and a shortage of suitable land, authorities may have to convert communal spaces and specialist areas (such as libraries or music rooms) into classrooms. Some authorities may have no choice but to expand poorly performing schools, if places are required in that area. In its response to us, the Department should set out how it intends to monitor the impact that current pressures to increase the number of school places are having on educational opportunities, quality and standards.

1 Funding and delivering new school places

1. The Department is accountable for overall value for money delivered from its funding of new school places, and is responsible for the policy and statutory framework underpinning the funding and delivery of school places. The Department has a strategic aim “to use available capital funding to best effect to provide sufficient places in schools parents want to send their children to” and makes a substantial financial contribution to the cost of delivering places—around £5 billion in capital funding to local authorities in the spending period up to March 2015.³ The legal responsibility for providing sufficient schools, and therefore school places, rests with local authorities.⁴ Local Authorities can meet their obligations by inviting bids for new schools but will be curtailed by their inability to instruct free schools and Academies to provide additional places.

2. Demand for school places has been rising for a number of years, due to, over the years 2001 to 2011, the largest ten year increase in the birth rate since the 1950s.⁵ The growth in population and pupil numbers has been particularly concentrated in a number of local authority areas. At the same time some Local Authorities have faced additional demand for school places as a result of migration. In 2011/12, 6.8 million 4 to 16 year olds attended state-funded schools in England. There were around 600,000 children in reception classes in primary schools in 2011/12 and the size of the reception cohort has been rising due to the increased birth rate. New school places are now needed, initially in reception classes and later in other primary and secondary classes.⁶ The Department estimated, using May 2012 data, that an additional 256,000 primary and secondary places would be required by September 2014.⁷

3. The Department relies on ONS population projections to monitor changing demographic patterns.⁸ Despite the birth rate beginning to increase in 2001, it was not until 2008 that the ONS reflected the rising birth rate in its population projections.⁹ In the meantime, local authorities were still removing surplus places in the schools system, with a 5% reduction in places between 2004 and 2010.¹⁰

4. Rising demand for places is already causing pressure on schools some areas. For example, the number of children in infant classes of more than 30 has more than doubled in the last five years, and 20% of primary schools were full or over capacity in May 2012.¹¹ The Department told us that it believes that local authorities are on track to deliver the

³ Q 10; C&AG’s report, para 3

⁴ C&AG’s report, para 4

⁵ C&AG’s report, para 8

⁶ C&AG’s report, para 1-2

⁷ Q 103, C&AG’s report, para 10

⁸ Qq 93-94

⁹ Qq 26, 58, 92-94, C&AG’s report, figure 3

¹⁰ Q 26

¹¹ C&AG’s report, para 11

additional places required by the end of the spending period and that no local authority is currently failing to deliver sufficient school places.¹²

5. The Department acknowledged that there is still work to do to establish the level of surplus places required in the system to meet its stated aim of providing not just sufficiency, but a level of parental choice. The Department planned funding to support an overall surplus of school places of 5%, but admits that this is at the lower end of a range required to provide flexibility and parental choice within the school system.¹³ 13% of local authorities did not have this minimum 5% surplus for primary places in May 2012.¹⁴

6. Once the Department and others recognised the rise in demand, it still took too long for the Department to adapt its funding approach to target the areas that were most in need of additional funding. The Department told us that it wanted to introduce the new approach slowly, and to consult with local authorities about the changes. However, this and delays in funding announcements have meant that authorities have had to try and plan without knowing what funding they will have from the Department.¹⁵ 94% of authorities reported that uncertainty over future funding levels is a major constraint to the way they can deliver new primary places and we are concerned that this uncertainty has resulted in a piecemeal approach to planning¹⁶

7. The Department has only recently introduced a requirement for local authorities to report on how they have financed or delivered the places needed to meet demand in their area, so it does not yet hold information on the numbers of new places created or the costs.¹⁷ The Department has not, therefore, been able to challenge local authorities on the decisions they make at a local level or understand the relative value for money of different solutions.¹⁸

8. For the most recent capital funding allocations to local authorities (in March 2013), the Department used “planning area forecasts” for the first time, giving greater sight of hotspots of demand within local authority areas. For the first time, the Department also allocated core funding based on the gap between the number of places required for a particular age group and the number available for that age group.¹⁹ The Department told us that this has improved the way that it targets money to the areas that need it most and has increased the Department’s understanding of hotspots of demand within local authorities.²⁰

9. The Department’s funding allocation did not take into account the challenges that some of the authorities with most pressure will face in obtaining suitable land on which to build

¹² Qq 21, 103

¹³ Q 62

¹⁴ C&AG’s report, para 9

¹⁵ Qq 20, 29, 68-72

¹⁶ Qq 68-72, C&AG’s report, para 3.9

¹⁷ Q 89, C&AG’s Report, para 19, 3.17, 3.19

¹⁸ Q 88

¹⁹ Qq 60-61, C&AG’s report, para 3.5

²⁰ Qq 20, 64, 88

or expand schools.²¹ For example, the funding mechanism reflects the costs of building schools, but not the costs of buying and clearing land, which can be particularly significant in urban areas such as London.²² In addition, the Department has not taken into account the standardised designs that have recently been developed by the Education Funding Agency for the Priority Schools Building Programme, which could speed up the delivery of new school places as well as reduce the costs.²³

²¹ Qq 41, 74-76

²² Q 20

²³ Q 42

2 Challenges to delivering school places

10. In 2010, the Department estimated that local authorities would need to contribute 20% of the costs of delivering school places over the spending period to March 2015.²⁴ During the hearing, the Department told us that it now estimates it will provide 100% of the funding required over the spending period, so its expectation of local authority contributions has reduced.²⁵ The Department told us that this was a national estimate, and that the actual contribution made by an individual local authority will depend on local circumstances.²⁶ But the Department's national estimate appeared to be based on what it can afford, rather than what it would realistically cost and what it could realistically expect local authorities to contribute.²⁷

11. The Department told us that, because the statutory responsibility for delivering sufficient schools rests with local authorities, any shortfalls in funding from the Department will have to be met by the local authority.²⁸ The C&AG's report found that the average financial contribution authorities made to the cost of school places in 2012-13 was 34%. This is higher than the average of 20% estimated by the Department, and far removed from the department's assertion that it will meet all of the costs itself, and puts further pressure on local authority budgets that are already under strain.²⁹ To fill the funding gap, local authorities were drawing on other funding sources, including the funding that the Department provides for maintenance of the school estate.³⁰ The Department emphasised to us the importance of on-going investment to maintain the condition of the school estate, but the use of this funding to provide additional school places risks storing up maintenance costs for future years.³¹

12. The rapid rate of expansion which some local authorities are responding to means they have to consider a wide range of options to provide places. Some solutions may have a negative impact on school standards.³² For example, 76% of authorities have converted non-classroom space into classrooms and 64% have reduced playground space.³³ We saw examples where authorities have lost music rooms and library rooms to provide additional classrooms. This can affect schools' ability to deliver aspects of the curriculum, for example, the Early Years curriculum requires access to outdoor space.³⁴ It also affects schools' ability to provide a rich curriculum offer to students.

²⁴ Qq 11, 18-19

²⁵ Q 10

²⁶ Q 19

²⁷ Q 87, C&AG's report figure 9

²⁸ Q 87

²⁹ Qq 11-12, 87, C&AG's report, para 14

³⁰ C&AG's report, para 2.18, figure 12

³¹ Qq 28, 83

³² Q 77

³³ C&AG's report, figure 11

³⁴ Q 78

13. In addition to the Department's objective to provide sufficient school places, it has other policy priorities such as the expansion of academies and free schools, which affect local authorities' ability to plan the provision of school places. Local authorities can direct maintained schools to expand or close depending on fluctuations in demand in their local area. They do not have this power over academies or free schools, nor can they create new schools that are not academies or free schools,³⁵ although authorities may encourage bids for creating free schools in their areas.

14. We asked the Department how it would resolve matters if, for example, it would be better for an academy or free school to expand or to close in accordance with changing demand in an area, but the particular school(s) did not wish to do so. The Department told us that such situations are best settled by sensible discussions between professionals in the area concerned. It said that such situations are intensely local and that, as opposed to a central direction from government, it would rather see local authorities and schools working collectively to meet such challenges. The Department assured us that it monitored these matters closely and that all cases so far had been resolved properly by discussion. The Department stated that, were it not to find a solution through discussion, it would look at the individual circumstances and make decisions accordingly. The parties involved need to be confident that a process to resolve these matters exists.

15. Ofsted has expressed concerns about the impact that overcrowding and poorly maintained buildings are having on educational standards. However, the Department does not monitor any such impact itself, nor does it accept that this should be its role.³⁶ With its new Targeted Basic Need Programme, the Department intends to expand only those schools which are rated good or outstanding by Ofsted, but it does not know how many authorities have already had to expand poor quality schools in order to provide sufficient places.³⁷ The Department also intends that the Priority Schools Building Programme will assess some of the more pressing maintenance issues within the school estate.³⁸

³⁵ Qq 21, 30-32

³⁶ Qq 83-84

³⁷ Qq 80, 84

³⁸ Q 84

Formal Minutes

Wednesday 19 June 2013

Members present:

Mrs Margaret Hodge, in the Chair

Stephen Barclay
Guto Bebb
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hillier

Mr Stewart Jackson
Fiona Mactaggart
Ian Swales
Justin Tomlinson

Draft Report (*Department of Education: Capital funding for new school places*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 15 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Twelfth Report of the Committee to the House.

Ordered, That the Chair 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.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Monday 24 June at 3.00 pm]

Witnesses

Monday 25 March 2013

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Chris Wormald, Permanent Secretary, Department for Education

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List of printed written evidence

1 Department for Education and the Education Funding Agency

Ev 18

List of Reports from the Committee during the current Parliament

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

Session 2013–14

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| First Report | Ministry of Defence: Equipment Plan 2012-2022 and Major Projects Report 2012 | HC 53 |
|--------------|--|-------|

Oral evidence

Taken before the Public Accounts Committee

on Monday 25 March 2013

Members present:

Mrs Margaret Hodge (Chair)

| | |
|---------------------|--------------------|
| Guto Bebb | Mr Stewart Jackson |
| Jackie Doyle-Price | Austin Mitchell |
| Chris Heaton-Harris | Ian Swales |
| Meg Hillier | Justin Tomlinson |

Amyas Morse, Comptroller and Auditor General, **Julian Wood**, Director, NAO, **Gabrielle Cohen**, Assistant Auditor General, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Capital Funding for New School Places (HC 1042)

Examination of Witness

Witness: **Chris Wormald**, Permanent Secretary, Department for Education, gave evidence.

Q1 Chair: Thanks very much indeed. Welcome, everybody here. Can I just start by saying a big thank you to Helen Jenner for organising a really good trip for us, so we get a feel for the issues that Barking and Dagenham have to face? Can I also thank all my members for coming out to Barking and Dagenham? What we are looking at is the nationwide picture, so Barking and Dagenham is simply an example of some of the issues that face authorities up and down the country. Thank you also to Chris Wormald for coming all the way to Barking and Dagenham as well. Our questioning is to Chris. I am going to start by asking, who, perhaps you would tell us, is responsible for ensuring enough school places?

Chris Wormald: The first thing I should say is it is very nice to be here in Barking and Dagenham and it is very nice to get out of Westminster for these hearings. Basically, it is a shared responsibility between national and local government, and I thought the National Audit Office Report set that out extremely clearly and extremely well. It is the national Government's job to assess both the overall level of need for school places across the whole of England and the resources that national Government should invest into that, and the distribution between individual places, and then the statutory responsibility for the provision of school places in any individual area is statutorily for the local authority under the 1996 Act. Individual schools themselves have responsibility for working with their local authority and providing those places. It is one of those situations where you cannot say it is a named individual, because it is a shared national and local responsibility and has been certainly for as long as I remember.

Q2 Chair: The reason I ask the question—I am going to pursue it a little bit—is if you are a parent and you find yourself at the beginning of term without a school

place, who is accountable for that? Who would you hold to account for the failure to identify a school place for your child? Is it Government or is it the local authority?

Chris Wormald: The statutory responsibility, as I say, is with the individual local authority, and that is set out in the primary legislation under the 1996 Act.

Q3 Chair: Let me ask a similar question. We have legislation in place around class sizes in infant schools and class sizes are not supposed to exceed 30. If they do and you have a child in a class of more than 30 children, who is responsible for ensuring that that law is complied with?

Chris Wormald: Sorry, I have not checked that one quite so specifically, but I think that is also a mixture of the local authority and the individual school. However, I have to say that I could not quote the exact terms of that Act.

Q4 Chair: Again, if you were a parent and found your child in a class with more than 30 children and you were trying to implement your rights under the law, whom would you take action against?

Chris Wormald: In the first instance, you would discuss it with your individual school.

Q5 Chair: That is not really the answer to the question. Who is legally accountable for ensuring that that Act is complied with?

Chris Wormald: Sorry, as I say, I have not checked the specific legislation on that case. I think it is the individual school, but I need to go away and check the exact legal position on that before I give you a definitive answer.

Q6 Chair: Perhaps you will write us a note. The reason for those two questions is that most of the

money for providing more school places comes from the DfE.

Justin Tomlinson: Chair, can we just be clear? It is not the individual school that is responsible for providing the places; it is the local authority.

Chris Wormald: It is the statutory duty of the local authority to ensure that there are a sufficient number of school places for the parents who live in their area. I think the class size pledge legislation works slightly differently and, as I say, I do not want to go beyond what I actually know. Certainly in terms of the supply of the appropriate number of school places, it is statutorily the local authority. Are you asking about the money too?

Q7 Chair: The purpose of the questioning is to try to button down where the accountability lies, as we often do in our Committee. Most of the money to provide the additional school places in those areas of need—and we all accept it is not national but varies between local authorities, and even here in London it tends to be the outer boroughs more than the inner boroughs—comes from you, through the Department for Education’s funding.

Chris Wormald: Again, for as long as we have had records of this, the funding of school places has been a shared question between national and local government. The vast majority of it, at the moment, comes direct from national Government. That has not always been the case; the balance has shifted over time, as it has with quite a lot of local government funding, more towards national Government. Yes, at the moment the vast majority of resources come from national Government, but there is an expectation that, if there is a gap between what the national taxpayer provides and what it costs in an individual area, that is met locally.

The summary of the situation is that the statutory responsibility lies with the local authority and national Government has traditionally seen it as its responsibility to ensure that local government has the resources to fulfil that statutory responsibility. That is why I describe it as a shared responsibility between them and us.

Q8 Chair: In your current assessment of how the financing is shared, what proportion of the capital contribution required for expanding school places should the local authority provide?

Chris Wormald: We do not set an absolute level at which we expect local authorities to contribute. Of course, it is highly dependent on local issues. Overall, at the moment, on the basis of the number of places that need to be created and the amount of money that national Government is investing over the life of this Parliament, we think that we are putting in pretty much the level of resource that is needed from the national taxpayer to meet demand. What I am not going to say is that that necessarily works out exactly in each local authority area, because I am sure you will appreciate the cost of building, the cost of land and the level of local authority resource vary considerably. Furthermore, the cost of an individual place varies depending on the choices made by local authorities. Very bluntly, we distribute sums of money

based on national averages. If a local authority chose to build more permanent new provision than we expected, and less expansion, its costs would go up and it would need to meet the gap. If it did the opposite, it might be in credit a bit. We do not set an overall expectation.

Q9 Chair: Hang on a minute; let me come back on this, Chris. You do have a national average. In your calculations, there must be a figure that you have in your mind. I accept that there will be variations, but there must be a figure you have in your mind as to what proportion of contribution you would anticipate from local authorities.

Chris Wormald: As I say, at this precise moment in time—and this is a slightly unusual position—we think we have enough money in the system to meet all demand.

Q10 Chair: Not the total cost of all demand. We will come back to whether you have got enough. Out of every £100 spent on new places, you would expect what proportion to come directly from DfE’s Basic Need category?

Chris Wormald: Sorry, that is what I mean. At the moment, over the life of this Parliament, we expect to be funding quite near to 100%. We think that the total cost of providing all the school places that are required in the system at the moment will be somewhere around £5 billion by the end of Parliament. That is approximately what the Government will be putting in. Now, what I am very keen to emphasise, however, is that that is not to say that local authorities will not be making contributions, because those are average figures that mask really quite big differences at local level—for reasons I am sure that everyone will understand—and are dependent upon the choices that individual authorities and schools make about how to meet that level of demand. What I am saying is that, in national terms, we would assess the need as somewhere around about £5 billion, which is approximately what Government will be putting in over the lifetime of this Parliament.

Q11 Chair: That answer rather took me aback because, reading the report, I took the general assumption that about 20% of the costs would come out of the local budget rather than from the direct grant. In fact, what the report then goes on to say is that it is 34% or 37% on average. Is it 34%?

Julian Wood: Yes.

Chris Wormald: Yes. That was the amount that was estimated at the time of the spending review. At that point the Government had put somewhere around £3.1 billion, I think it was, towards this need.

Q12 Chair: I thought that was the amount actually spent in 2011–12.

Julian Wood: There were two figures in the Report. Figure 9, on page 25, sets out at the national level how the implied local authority share of the costs—which is the fifth column on that table—has varied as the amount of funding that the Department has been putting in has varied over time. I think, Chair, the figure you are referring to relates to the fact that we

25 March 2013 Department for Education

also asked local authorities for 2012–13, specifically, how much they were contributing as a proportion of their capital programme, which they said was 34%. The national picture, overall, has shown that as the funding went down, the implied local authority contribution increased, and as that funding has increased by local authority, contribution at the national level has decreased.

Chris Wormald: Why these numbers come out as quite confusing is because the Government has invested more in Basic Need in successive autumn statements.

Q13 Chair: This is 2011–12 you are talking about, so in 2011–12 one-third of the money was coming out of local budgets and not national budgets. We are not talking about 2009–10 or 2010–11.

Chris Wormald: Yes, and we have invested considerably more sums since then.

Q14 Chair: You would say that in 2012–13 we ought to be looking at—what?

Chris Wormald: Those are the numbers that the National Audit Office was quoting. As Julian said, the changes are set out on figure 9 and, as you will see, the implied local authority contribution falls over that period quite considerably. Furthermore, those figures—correct me if I am wrong, Julian—do not include the money we are still to invest via our Targeted Basic Need Programme, which takes the figure up to about £5 billion. The story here is that at the time of the spending review and in the early years of the spending review settlement, there was a quite a large implied local authority contribution. As the Government has invested more and more, as this period has gone on, that contribution falls. As I say, I am not trying to argue that there are not local authority contributions, and there have always been; what I am saying is that, as the Government has taken decisions to put more and more resource into Basic Need, that level has gone down and down. That is consistent with your findings, isn't it, Julian?

Julian Wood: Yes. Figure 9 is the figure over the spending review period and is the amount of money that the Government is putting in at a national level. In paragraph 14 on page 9, we report what local authorities tell us about 2012–13, specifically, as an illustration of the amount that local authorities are putting in. In that year they told us they were making a contribution of 34%.

Q15 Chair: That is a bit of a distance. 2012–13 is this year.

Julian Wood: Yes, for their current budget.

Q16 Chair: We are a good halfway through the spending review, Chris. You cannot say that we were expecting to put 100% in, but actually the reality—thank you for pointing that out—is that you are only putting two-thirds in, and then suddenly, magically, of course, in the future it is going to go up.

Chris Wormald: Sorry, I have been very clear to say that I did not expect the numbers I was reading out to imply no local authority contributions.

Q17 Chair: This is average. The National Audit Office says the average local authority contribution in 2012–13 is 34%. That is a long distance from saying the Department is funding the totality of the cost, even given variation.

Chris Wormald: Sorry, I was trying to be very clear that that was not what I was saying. I was saying that, over the Parliament as a whole, we assess the need as around £5 billion, which is the total of what the Government will be putting in. That is not the same as saying that in the early years that came out zero, or that at any point for any individual local authority it will come out zero. The situation in the year you quote is exactly as the National Audit Office stated.

Q18 Austin Mitchell: How did you manage to get it so wrong? Your planning assumption was that local authorities would be contributing 20% and, in fact, this year, they are contributing 34%, by their estimates. How did you get it wrong? That is parallel with wrong assumptions on what school population was going to be. You have been pushing, certainly in north-east Lincolnshire and other parts of the country, a reduction in school places and that has now overlapped with the programme to increase the number of school places. It looks like your statistics are pretty useless.

Chris Wormald: No. That situation is exactly what you would expect. There are areas of the country where the school population is falling.

Q19 Austin Mitchell: It is not falling. The birth rate went up. It might have been falling under the Conservative Government, but it went up under the Labour Government because people had more confidence in the future. That is causing the problems.

Chris Wormald: I am sure you would not expect me to comment on people's levels of confidence and the effect on the birth rate. I am not aware of any research or evidence on that.

I do not know the specific statistics for the area you quote, but there are certainly areas of the country where there are still too many school places. There are also areas—including where we are sitting right now—where the need for new places is considerably greater. There is therefore no contradiction between authorities, in some areas, acting to take out school places and, in others, local people acting to add them. That is just a question of the demographics of the place.

In terms of where our numbers roll, as I said, the eventual cost of a school place is dependent upon decisions taken locally. Now, we assumed, in the spending review, as the Chair pointed out, a 20% contribution from local authorities at that time. It is fair to say, and as the NAO Report quotes, that was an estimate based on professional judgment at the time; I could not claim there was a vast amount of science in that. The actual cost borne by local authorities is driven by the decisions that are taken locally. If a local authority chooses a number of cheaper solutions to how it eases school demand—for example, converting existing buildings—then they will come in low. If they choose to spend more, that is their choice.

Q20 Austin Mitchell: It is not their choice, because it depends on the circumstances. The assumption is average spending and average figures, but we have just been around this borough today. I wish you could have come with us, because you could have seen the schools that are grossly overcrowded, where the services are outdated, the roof is shored up by scaffolding and dripping is stopping the use of the projector, all in a very compact space with no room to expand. This borough finds it difficult to get land to build new schools, and if it does get land, the costs are going to be much higher here, and you do not allow for the cost of clearing whatever land they are able to get. You need to concentrate on the hotspots like this that are ignored in your overall figures.

Chris Wormald: They are not ignored in our figures at all. Barking and Dagenham, in fact, receives the third highest amount of capital from the DfE of any place in the country; over the spending review as a whole, it will receive £117 million of capital investment. Most of the other highest places are also in this part of London; Waltham Forest also receives a lot. We also pay more for school places in London than we pay elsewhere on normal building cost averages. Those numbers that I quote for Barking and Dagenham are considerably higher than would be received by a number of other places on my list.

The point here is that this is a time when we face—as the National Audit Office described—the highest birth rate increase since the 1950s at the same time as what we all know to be a tough environment of public spending. If you put those two things together, you have the level of challenge that the National Audit Office set out very well, so I am not saying that any of this is easy and does not involve a lot of difficult local decisions. What we have done is invested really quite considerable sums of money in a lot of the places that are facing the kinds of demands that you have seen. As I say, I am not going to sit here and claim that that means everything is perfect because, quite clearly, there are schools that are facing the kinds of pressures that you saw earlier today. I do think Government, within constrained resources, is taking the right action about that.

Turning to your point about hotspots, we could not agree with you more and, indeed, in the allocations we have just made for 2013 to 2015, we did two things: one, we made the allocations on a two-year basis to try to give local authorities greater certainty to be able to plan for these challenges; and two, we moved over to what we call “planning area forecast”, as opposed to focusing on local authority districts. The idea was to be able to spot better, and fund better, the kind of hotspots you are describing. Again, the National Audit Office has set this out very well. That was something that was less than perfect in the way we distributed money previously, in that we could not identify, quite so precisely, those hotspots. Your challenge is exactly the right one.

Q21 Austin Mitchell: How can you expect local authorities to fulfil a statutory requirement to provide an adequate number of school places, plus a margin—whatever it is—to allow for parental choice, when the funding from the centre has become so unpredictable?

You are now funding free schools; a lot of authorities do not have a say in whether you establish a free school here, there or everywhere, but you tend not to establish free schools in a place like Barking and Dagenham. The free schools, in any case, are mainly secondary and the need is for primaries. Similarly, you are establishing academies and the local authorities have no control over the expansion plans of the academies, and now, certainly in north-west Lincolnshire, a large number of primary schools have become academies. These cannot be expanded and they cannot be contractible; local authorities have got no control. How can you expect local authorities to fulfil a statutory requirement in that situation, when your funding is so unpredictable?

Chris Wormald: Well, it is only unpredictable in the sense that we put it up repeatedly and, as far as I know, most local authorities welcome the fact that Government has chosen to invest more and more in this area. Since the general election, the Government has, basically, tripled year-on-year the amount it has put into Basic Need—particularly in primary schools. Its big strategic decision, right at the beginning of this Parliament, was to move money out of a programme that was focused on rebuilding existing secondary schools and invest much more heavily in Basic Need in primary schools, which is why the Government would argue it took the right decisions to meet these problems and challenges.

In terms of how local authorities fulfil their statutory duty, as of now, there is no local authority in the country that we think is in breach of its statutory duty to provide school places. Our discussions with local authorities suggest that the position for September 2013 will be equally robust, and the information that we receive from local authorities about their place planning in the future says—again, as the National Audit Office’s Report sets out extremely clearly—that there is a big challenge for local authorities, but one that they believe and we believe they are on track to meet.

In terms of academies and free schools, we have not seen any actual evidence that the existence of academies has limited the ability of local authorities to meet their statutory duties. It is something we monitor extremely carefully, and if we did see any elements of problems either from that or from any other cause, then we would take the appropriate action. As I say, at this moment, we have not seen that translate into actual problems in schools. I know some local authorities have quoted it as being a concern of theirs but, as I say, we have not actually seen an area where that has caused the problems you describe.

Q22 Austin Mitchell: This is an intrusion of an ideological factor that has no attachment to need at all. You provide money by the bucketful for free schools, but you will not provide money for the pressing needs of a place like Barking and Dagenham.

Chris Wormald: Obviously, I am not going to debate the ideological questions with you and you would not expect me to. I believe the National Audit Office is going to do a study of free schools, so there will be opportunities to debate that with the Committee at length.

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There is only one other thing I would want to say. At the moment, if you look at the spending review as a whole, we put about 28% of all our capital resources into Basic Need; we have another 27% in maintenance; we have 23% in our legacy commitments inherited from previous programmes; and the amount for free schools is 9%. Now, I know you and others would take, as you say, an ideological view on whether that is a programme the Government should pursue or not, and I will leave that to the politicians to argue about. In terms of where we put our resources, as I say, we have moved them very heavily, over the last few years, towards the Basic Need questions that we are addressing today.

Q23 Chair: I have two comments before I hand over to Justin: one is that it is 28% of a much smaller pot, yes?

Chris Wormald: The actual numbers for Basic Need over time are: we spent £400 million in 2000–08; £423 million in 2008–09—

Q24 Chair: No, you said 28% of your capital. Your capital was cut in the spending review by 60%.

Chris Wormald: That is why I am giving you the actual numbers. In 2009–10 it was £419 million; in 2010–11—which was the first year of this Government—it was £666 million; in 2011–12 it was £1.3 billion; in 2012–13 it was £1.4 billion. Even within those significantly reduced capital amounts, we have tripled the amount we are putting into Basic Need, and that was a conscious decision to deal with the challenge we are meeting.

Q25 Chair: You said that every local authority would pay for its place, but you have got to come back to us, because there is a doubling of the number of local authorities that have got more than 30 children.

Chris Wormald: As I have said all the way through, there is no question—as the NAO point out—but that that conjunction of a rapidly rising birth rate and a difficult local public expenditure position does make for challenging circumstances. I am not shying away from that in the slightest. I do, however, think Government has taken the right decisions in terms of investing in this area, but that, as you all saw this morning, does not make the problem go away; that money still has to be spent well and wisely, and along the lines that the National Audit Office set out in its Report.

Q26 Justin Tomlinson: I have about 10 points, if that is okay. First of all, we saw between 2001 and 2011 the largest growth in the number of children over a 10-year period since 1954 to 1964. Between 2003 and 2010, we saw a 5% reduction in places. Why on earth did that happen?

Chris Wormald: There are various questions that relate to the previous Government that I cannot answer, for reasons I am sure you understand. There is, of course, a five-year lag between the changes in birth rate and the number of school places you need and it, of course, takes 18 years before that works throughout the entire system. Within that, there are some areas where numbers continue to fall, so it is

not completely impossible for those things to be simultaneously true. Now, secondly—and I discussed this in quite some detail with the Office for National Statistics—looking backwards, we can now identify that the birth rate turned up in 2001. The Office for National Statistics does not re-project population numbers based on one year; it waits to see a trend. That could be a blip. So, we now know that is the point when it turned. It was actually much later than that that it worked into the national figures and then into the numbers that are distributed to local authorities for them to make their place planning assumptions, which is why you get what looks like a very long gap between a turn in the trend and it showing up in the projection numbers.

Q27 Justin Tomlinson: First of all, there was a slight delay in responding to the change in trend. Secondly, it is not just straightforward birth rate, is it? It is the change in demographics. For example, while in my constituency it is changing because of new build housing, in the constituency we are in today and in the schools we visited, it is demographic changes. It seems the left hand and the right were not necessarily communicating to get ahead of the curve here.

Chris Wormald: As I say, it is very easy, in retrospect, to look at the numbers and say, “Action should have been taken earlier.” I am not in a position to advise you on what decisions were and were not taken in the late 2000s, and it would be unfair for me to do so. The only thing that I would say is that, as you rightly point out, a lot of the changes that we see in particular places are intensely local and driven by different things, so the point where the Department is able to react to that is the point that data collections from local authorities and what they are projecting show up. Now, as the National Audit Office, again, sets out extremely well, after two or three years into the future, it is extremely difficult to predict, at a local level, how many places will be needed, which is why some of these time scales look, in retrospect, quite long. I cannot answer your question directly, but I can say it is not easy to project how many places you will need in four or five years’ time, if you are a local authority. Your ability to predict diminishes each year you go into the future.

Q28 Justin Tomlinson: Clearly, what I think you are trying to say is there is a lag from when the data confirms what other people are seeing. Therefore, that excuses the first few years in the noughties, but by the end of the noughties, Building Schools for the Future was brought forward and considerable amounts of money were brought forward to help improve our school estate. However, it was not primarily to expand school places, so that is a fair assumption. Is that the case now with the latest tranche of money? Where is it in the priority? Is it to improve school roofs, improve school playing fields, or is it to provide additional school places? How much of a priority is it?

Chris Wormald: The biggest single element of our capital budget is now Basic Need, with 28% of our total resources put towards that commitment. In sheer cash terms, yes, that is top of our priority list. Second is maintenance at 27%, which is the upkeep of the

existing estate; for some of the reasons you will have seen earlier, we do have to go on investing in the existing school estate, even while we are adding places. Third, at 23%, is legacy commitments, which are those programmes—particularly for Building Schools for the Future—that we are already contracted for. Then there is free schools at 9%; devolved formula capital at 4%; and then there is “other” capital, at around 8%. In terms of where the Government has put its money, it has invested more in meeting Basic Need than any other issue.

Q29 Justin Tomlinson: The report is very clear that, until 2012–13, the data was insufficiently detailed to identify hotspots—and I know my colleague touched on this earlier—within individual local authorities. Why is that such a modern phenomenon to be able to actually now look at?

Chris Wormald: It is not a modern phenomenon. What has happened here is we have sought to improve the data that we collect and use to fund local authorities every time we do it. Now, you could argue that we should have gone for a hotspots approach earlier. We, in fact, decided to introduce it quite slowly and held quite a lot of discussion and consultation with individual local authorities to try to make sure that where we did do it, it was actually right, given that this was a new approach. I was reflecting earlier today that if we had introduced a hotspots approach that turned out to be wrong, this Committee would be holding me to account for that right now. We did it on a timetable that seemed sensible to us, which is why we did it in the latest set and not previously.

Q30 Justin Tomlinson: Let us turn to page 14 of the Report to look at 1.5 and 1.6, which set out how the local authority must meet demand. I am concerned because, obviously, now with voluntary-aided schools, free schools and academies—I spent 10 years as a councillor in a new build area, so I had a lot of time, when I was on the Cabinet, dealing with school openings and school closures—I wonder how on earth you are going to direct those schools to meet demand. I suspect, often, they will want to meet demand because, in effect, they are mini-businesses, and if they can meet demand, they can bring more money in. Crucially, in terms of actually closing where there are surplus places, because that is already a challenge—I remember we had a school that had just six people on the roll, and trying to convince that community that that school was not needed was a big enough challenge—how are you going to do that where you have a school that is not under direct control of the local authority?

Chris Wormald: As we have debated before and as goes on in the political debate, the Government does not believe that direction is normally the right way to settle these questions. What we would much rather see is local authorities and their schools sitting down collectively and working out between them how they are going to meet these challenges.

Q31 Justin Tomlinson: On that specific point then, under what circumstances would a free school or an

academy or a voluntary-aided school voluntarily wish to lose surplus places?

Chris Wormald: School funding now works on a per-place basis, and schools have an enormous incentive not to carry surplus places; they just lose cash per pupil. If a school is failing to attract pupils, its level of resource goes down and those schools that are more successful at attracting pupils see their resource level go up. There is a question about the capital element, where there is a huge incentive on those schools to minimise their cost, just driven by money.

Q32 Justin Tomlinson: If I am a one-form-entry primary school and I have got half a class and I am the head teacher, then from the local authority’s perspective it would make sense to then move that money to the area where there is greater demand. They can then sell off the school land and use that money to then extend another school. Why, as a head, or the chair of governors at a Free School, would I voluntarily wish to close myself down?

Chris Wormald: That is a question about what you think the right model for running schools is. We are not aiming for a system where those sorts of decisions are always taken by local authorities. Now, in that particular case, the pupils who are attending that school still deserve an education, and the counter question would be, why should somebody else close their school for them and move those pupils? What I am trying to get at is that those are not easy and straightforward questions and they are much better settled by sensible discussions between professionals in local areas than they are either by me taking action from Whitehall, or giving people the powers to direct each other. What we are trying to aim for is a school system where, as I say, those sorts of questions are settled by sensible professionals having discussions locally.

Q33 Justin Tomlinson: It will be very difficult to deliver value for money though, won’t it, in that area?

Chris Wormald: I do not particularly see why.

Q34 Chair: That is a key point. There is a tension between two things. Especially with limited resources, there is a tension between localism and central direction. You have also got a tension between the freedoms you give academies and free schools and the Government and taxpayers’ desire to see best value. Justin’s point was that you can do it equally. We have an infant school here in this borough that we did not visit today that chose to become a free school because it did not wish to be amalgamated into a primary school, which was the authority’s proposal. The Department gave it the authority to become a free school and it has done so. It does not wish to expand, although it probably could on its site. There is that tension there, and we need to know here from a value-for-money perspective how you—because you are ultimately accountable, Chris—would resolve this tension. Of course you want to have decent, sensible, grown-up discussions between all parties, but where those fail to deliver, how do you then intervene or not intervene? How do you resolve that from a value-for-money perspective?

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Chris Wormald: You would have discussions with all concerned. Your basic point is as we discussed two times ago when I was here about value for money for the academies programme. The ultimate test of value for money and the education system is the educational output per pound input—

Q35 Chair: No. Who takes precedence? Just on the value for money on school places, if there is an argument that we need better value for money to close the school, or better value for money to expand an existing academy and free school, but the school does not wish to close, or the academy or free school does not wish to expand, who takes precedence at the end of a grown-up conversation that does not resolve it?

Chris Wormald: That, at the moment, is a hypothetical question.

Q36 Chair: It is not that hypothetical. Justin can talk about the examples in his constituency and I can talk about examples here. All we want is a straight answer. Who takes precedence?

Chris Wormald: I know you do not like this answer when you want a situation in which somebody has the ultimate power to order somebody else to do something, but that is not the system we are aiming for. As I say, in all cases so far—and we monitor these things very closely—all those issues have been resolved properly by discussion, and that is what we would aim for. Were we not to find a solution that way, we would deal with that individual circumstance.

Q37 Chair: We are just asking, Chris, for an honest answer. I understand the sitting down; I understand the grown-up conversation—we all do. We have also got to understand that there are situations where the individual school will want to go in one direction that is not the best value for money.

Chris Wormald: Yes, you cut me off halfway through my answer. Those situations are intensely local and we are not going to make a national rule about how we would deal with them. We would deal with the circumstance that is in front of us at the time. I know you do not like that answer and what you want me to do is say, “There is going to be a national rule,” but there is not.

Q38 Chair: It is not enough saying, “A national rule.” I am asking you to set out, for the Committee, where there are these obvious tensions, which Justin Tomlinson has highlighted, who takes precedence, in the end. Would it be your view, would it be the local authority view or would it be the school view?

Chris Wormald: I am afraid you can ask me this question many times, but we would look at the situation in the individual circumstances. Say it did occur in your constituency, then we would look at that situation as it stood and make decisions accordingly. I am sorry—I cannot give you a national answer to that question. I can take it away and think about it further if it is a matter of concern to you.

Chair: It is.

Chris Wormald: But that is the situation as it is now.

Q39 Justin Tomlinson: Thank you. It is a matter of concern, because, from a value-for-money perspective, there were safety checks in the system brought in by the local authority despite facing opposition. There has never been a head teacher or a chair of governors of a small school, struggling for numbers, who has voluntarily said, “You know what? We’ll vote ourselves out of a job.” It just does not happen. In terms of being able to secure that funding to expand new schools and popular schools, that was the safety check; the local authority would sometimes have to make those tough decisions to make sure that the surplus places were managed and the money was diverted to the new schools as communities moved on, aged and the population changed. Let us move on from that, because clearly value for money is not a consideration then.

Chris Wormald: Hang on. That is not what I said at all. As I have discussed with this Committee before, the Government believes that, given that we have good evidence that autonomous schools raised standards and the ultimate test of value for money is educational output for a certain amount of input, we believe we will get better value for money out of the system we are creating than the previous system. I know that you might not share that view, but that is the Government’s overall case.

Justin Tomlinson: You are answering a completely different question.

Chair: Quite.

Chris Wormald: No.

Chair: Yes, you are.

Q40 Justin Tomlinson: That is not the question I am asking.

Chris Wormald: Then we might have to agree to differ then.

Q41 Justin Tomlinson: Very much so. The second element is, in 2.15 on page 28, your assumptions on how these extra school places will be funded are working on the fact that approximately 75% of additional school places will be provided through expanding existing schools. In fact, your aspiration is that if you get that up to 85%, you would save a further £4.7 billion. Now, that is excellent value for money—we like that; that is where you and I would agree. The problem is, the last Government was obsessed with building PFI schools, where the school itself does not necessarily control the ability to expand where it wishes to. They do not control the school after 4 o’clock, typically, in an afternoon. They are landlocked. We saw today that to expand the schools you were building on school fields and compromising, therefore, the educational opportunity, in particular for communities where a lot of those parents simply did not have back gardens of their own. There are all those sorts of compromises. Furthermore, in terms of PFI schools, there are not sufficient auxiliary services. For example, we are looking at a school expansion at the moment. The school can just about take it at the cost of a playground, but then there is not the car parking, so there is chaos at the beginning of the day. Have you now understood the lessons of the noughties—that PFI schools are a complete and

unmitigated disaster, and that we need to build more flexible school sites to allow for these changes in demographics, population and childbirth?

Chris Wormald: I will take that in two parts. In terms of the space constraints that individual schools face, that is, of course, an issue in different parts of the country and can only be settled locally. That is why we take the approach to funding that we do, which is to work on national averages and then adjust it for area cost and hotspots, because for the kinds of issues you were just describing, you clearly cannot sit at a desk in Whitehall and decide what the right answer is. That has got to be a local dialogue that trades off all those various issues that you described. To state the obvious, in any big city there are going to be challenges about where you find the space to build new facilities, and that can only be addressed locally, but I completely take the point.

On PFI, I think, as you know, the Government is re-launching its approaches to PFI and believes that the new approaches it is setting out and that the Treasury has set out have learned the lessons of previous PFI schemes, which I know this Committee has reported on a number of occasions, and no one would say all those schemes were perfect. We are not saying, as you know, that private finance has no role to play in the provision of public services and, indeed, it is always a question, if private finance is the only finance that is available, whether it is better for citizens to get the new facility, even with some of the restrictions you have described, as opposed to not getting it. That is one of the public policy dilemmas that we always face, so I am not going to agree with you that private finance has no part to play. I do agree with you that the lessons—including the lessons that this Committee has at times pointed out—need to be learned from how private finance deals were done previously.

Q42 Justin Tomlinson: One of the main drives behind changing the Building Schools for the Future programme was that it was proving very expensive to reinvent the wheel every time a school was being built. What progress have we made on fast-tracking modular school builds and standardised school building. If we contrast the way a retail operator would work, they roll things out very quickly and put them up, from what I understand. We have just tried one in our local authority, and I believe we are not alone in that. Building a primary school is typically £7 million and a secondary school is £25 million. Lots of experts are saying that if we had a handful of designs, we could be saving the taxpayer a huge amount of money and be able to do a lot more, a lot more quickly.

Chris Wormald: Yes. I agree with all of that, and that is exactly what the Education Funding Agency has been working on. Mr Lauener, who has appeared before this Committee before, you will notice got on to the front page of *The Guardian* by describing his objections to curved walls in schools as adding cost. The EFA is producing new standardised designs that are considerably cheaper—indeed, their costs per place estimate since the spending review has come down on average from somewhere around £15,000 to

somewhere around £11,000. That has been done by using the kind of standardised design approach that you are describing. Inevitably, different geographies in different places mean that you cannot go all the way with standardised designs, and you will still need quite a lot of local discretion—particularly when you are extending buildings, as opposed to building from scratch. However, the thrust of your question I agree with completely.

Q43 Justin Tomlinson: Touching back on free schools, but specifically on faith schools, another concern I have is that I had a community and we were desperately in need of a two-form-entry primary school, so we had that shortage of 60 places. It went through the bidding process and we had a challenge from a local authority school, who provided the 60 places, and a faith school that would have catered for 0.5 children within the catchment. It was a close-run thing. How on earth is that going to help when addressing surplus places, because if we had lost that competition to the faith school, 59.5 children would have still been left without a place in the local community, while buses from as far as Bristol would have come in? How does that help managing surplus places?

Chris Wormald: I think I might have to look into the details of that case and write to you. I do not really understand why that is a faith school issue.

Q44 Justin Tomlinson: In terms of managing school places and delivering value for money, what you would have is where you have your hotspots—where you have your shortages—the local authority would then plan accordingly. However, because we then opened up bidding to anybody and everybody to come along, those schools may not wish to offer places predominantly to those in that local community.

Chris Wormald: I see what you mean. I will look into the case.

Q45 Justin Tomlinson: I am not interested in the specific case. While that was a few years ago, it is the principle that, in the past, local authorities would look at where there was demand, look at where the hotspots were, then apply for funding, get it all set up and ultimately, at the last hurdle, a faith school or a free school will come and take that, and they will not necessarily gear up their offering to that specific local community.

Chris Wormald: That should not be happening. The money has been distributed to meet the Basic Need and ought to be used to fulfil that Basic Need. If that did occur, that would be something we would want to look into. I will come back to you on that.

Q46 Justin Tomlinson: Any new school goes out to competition now.

Chris Wormald: Yes it does, but with the intention to meet the needs that the competition was started to meet. I will look into the specific issues.

Q47 Justin Tomlinson: If you are implying then that, had the faith school been successful—

Chris Wormald: Sorry, I am not implying anything.

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Q48 Justin Tomlinson: The whole process would have been a waste of time and a waste of taxpayers' money.

Chris Wormald: Sorry, we are discussing a case I do not really understand, so I will look at the case.

Q49 Chair: There is a general point arising out of that, Chris, which is that over 40% of the money that went to new free schools and new academies has gone to areas where there is not a hotspot. So, you talk about prioritising hotspots, but the evidence appears to suggest not. The second thing is that the overwhelming majority of new places created through the academy and free schools programmes has been for secondary school places whereas, in fact, all the pressure here and no doubt elsewhere, at present, is for primary school places. It is all very well to say it should not happen, but money is going there that could otherwise help elsewhere.

Chris Wormald: We are talking about different sums of money. As I set out in my numbers, we have allocated 28% of the resource to Basic Need and there is 9% put towards free schools. Now, free schools are not a policy that is primarily designed to meet Basic Need. I am sure you have all heard my Secretary of State describe the free schools programme and what it is for. I know that is controversial, but that was to meet local demand, as in pressure for a new school, not specifically in Basic Need. It clearly makes a contribution over and above the 28% of our resources we put in directly for Basic Need. Free schools clearly make a contribution to meeting Basic Need, but that is over and above the money that we allocated to meet the majority of the problem. All you have done is describe the policy. It is not a policy that is aimed specifically to address Basic Need.

Q50 Justin Tomlinson: Turning to the use of school builds, it is obviously where you have the advantage of starting again with the new build, with primary and secondary schools being on the same campus, separate entities, but allowing for these population booms. So, in the early days, the primary school could take up a larger chunk of the campus than the secondary school, and then as those children grow up and the estate settles down in age, you can do that. Are we looking to encourage a lot more of these same-site campuses to allow that change in use?

Chris Wormald: I am not specifically. I can exactly see why a local authority that was in the lucky position of having large amounts of land and was building from scratch might want to do that. As with a number of these things, what you describe would be perfectly possible in some areas of the country and completely impossible in others. It would be particularly difficult in the areas where we are seeing the most demand, which is going to be actually in this part of London where, unfortunately, those sorts of sites are rarely available. Those are issues where sensible local decision-making rather than national rules is the answer. I can see exactly why you would argue for that, but it is not something that I would take a view on nationally.

Q51 Justin Tomlinson: No. On federated schools, it strikes me this is an opportunity, because going back to my scenario that I am a head teacher that has 15 children, it is not in my vested interest to close it. Yet, if I was the head teacher of the popular school and also the federated, ageing school, with the ageing population in that community meaning I have only got 15 children, it then would make sense for me to close down that ageing wing of my school—the second campus. Are we encouraging more schools to be federated to allow that?

Chris Wormald: Yes, we are. You will have seen discussed in this Committee before the growth of academy trends that work like that and other forms of federation. That is something that has been developing in the school system for some time.

Q52 Justin Tomlinson: On to the next one then. It strikes me that this sudden sort of jump in population, this change in demographics, has cost the Education Department a huge amount of money and particularly challenges your ability to deliver value for money. Yet, a lot of this could have been intercepted at the planning stage in areas when there were changes of use or when new housing estates were built. Would it not help in terms of your ability to deliver value for money if you could have some sort of veto within the planning system whereby you are able to say, "I am afraid this application just cannot be serviced through the educational needs."?

Chris Wormald: You are going to go well beyond my area of expertise. Planning, as we all know, is an extremely complicated area, so I will be hesitant as to what I say. I am pretty sure that most local authorities when they are determining planning applications do look at pressure on services.

Justin Tomlinson: They look, but they cannot veto.

Chris Wormald: We have been looking at whether the planning system needs to be more flexible in relation to new schools, as I expect you know. I have not looked at that issue in detail, so I am very hesitant to enter areas that go well beyond my expertise.

Q53 Justin Tomlinson: Finally, I will just turn to brand new housing developments and getting hold of Section 106 money towards it. Often, actually, to be fair, the Government is very generous in providing funding for the school. The local authority bid for the Section 106 money. The challenge often is having the infrastructure to provide the roads. I have got a situation now where we have got a shortage of places, we have just granted outline planning permission for a new estate to be built. There is pressure to build the primary school early to then help the neighbouring parts. But it is the £3 million to put the road in place. There is not a pot for that sort of thing that could be borrowed against for when the rest of the estate comes in. That is just a comment that would be helpful for Education to push. It is not always just the case of physically building the school. If it is in a completely new development, it is about getting all the other infrastructure into place.

The other thing I wanted to note is actually probably the most helpful thing I ever did as a councillor, which was to set up schools admissions advice within the

local community. Where we had hotspots, we would bring the schools admissions teams before you actually filled in your forms to make sure that, when parents were using their three choices, they did not use all three on three oversubscribed schools. They made sure that the third choice, while not necessarily their ultimate choice, was at least an appropriate choice, which would then help manage a lot of numbers as well. That is something that I think is best practice to go out.

My final point, I have to say, is that it strikes me that the Department is doing a huge amount by providing money and trying to respond. But I do think you are leaving everything to local authorities, and there do need to be some rules and greater flexibility in the system. You are allowing future problems to come on by not taking on the planning system, by not rushing through these modular designs, and allowing all these sorts of faith schools. We are storing up huge amounts of problems for which we, the taxpayer, will have to go and pick up the bill further down the line.

Chris Wormald: You can clearly debate what should be done nationally and what should be done locally. I think what I would say, and I think what a number of the examples you have drawn out from your constituency illustrate, is that the right answer will be very different in different parts of the country. A number of the solutions that you have suggested, which I am sure make perfect sense in your constituency, would be very difficult in an inner London constituency—probably in the constituency where we are in currently. That is why you have to have strong local decision making. Obviously, as in all these cases, it is very easy for somebody like me to sit at the centre and make some calls.

Q54 Justin Tomlinson: Just to pick up on that, you have just said “strong local decision making”. But we are doing the opposite, because we are removing local authorities’ ability to make strong decisions.

Chris Wormald: I do think these things do need to be discussed and agreed locally. The point I am making is that it is very easy to sit at the centre and make national rules about how school building should be done. Depending on where you set them, that either would not suit your constituency or would not suit Mrs Hodge’s constituency or something else. That is the danger with over-prescriptive rules.

Q55 Chair: You are being pretty prescriptive. There is another tension in what you are saying, Chris. Prescriptively, you are telling local authorities—fine, it is Government policy, but do not pretend it is a local decision—the only school they can build is an academy or free school. That is fine, but then do not dress it up. It is a completely central decision.

Chris Wormald: Yes. As I say, the right role of central and local government is a matter of debate, exactly as you say. What I am saying is, in terms of things like the design solution, which is the question I was being asked about—that is right for one place rather than another—I really do not think that should be a decision that is taken by people like me.

Q56 Meg Hillier: The Chair mentioned this issue about the new free school places. I want to focus on numbers first of all: 42% will be in areas where they will create a surplus. Could you tell us, of the 8,800 free school primary places, what number or proportion are in areas of need?

Chris Wormald: I do not know off the top of my head for primary.

Meg Hillier: Could you write to us? That is one of the key priorities—that would be great.

Chris Wormald: Julian thinks he does know.

Julian Wood: From the data that we have seen underpinning this, we think it is about 90% in areas of some need moving up to severe need for primary places, as we refer to here.

Q57 Meg Hillier: Okay, so the primary record is basically better than secondary overall. The Report is quite positive in indicating that the forecasting methods for numbers have improved. But you have to admit it is a bit of a shambles so far. It is not a surprise the birth rate has gone up; some of us were living through that. My borough has grown by 30,000 between censuses. Some of that is predictable. Why was the Department so much on the back foot?

Chris Wormald: As I have described before, we rely on the numbers that we are given by the Office for National Statistics and by local authorities themselves. This is not something where the Department has its own capacity, so we rely on those numbers and they came through in the way that I have described.

Q58 Meg Hillier: I appreciate that but you are part of Government. My point here is that there is a wider issue. I get that the Department for Education does not monitor birth rates; it does not monitor health visitors’ records. It is just those two things alone: if you are like me and you have contributed to this birth explosion, you can see from the maternity wards, the doctors’ surgeries and the end-of-life centres, and all the rest of it, that there are a lot more kids around. Some local authorities, and mine has not been too bad, are better than others at predicting this, probably because we got burnt in the past. But some are less good. Surely the Department has some role in trying to help co-ordinate across Government a better methodology. What would you say—how is progress going? You get some credit from the NAO for improving things, but is it really going to get better?

Chris Wormald: There are two issues there. There is the ability of us, nationally, to predict future numbers, and it is extremely difficult to do more than about three years in advance, for the reasons that the National Audit Office sets out. Then there is the Government response to the numbers coming through. What you have described is exactly why the Government took the decision it did in 2010 in the spending review to divert considerable amounts of resource into this challenge.

On the prediction question, as I say, I am not a demographer and I am not a statistician, but I am told by those that are that the trends were spotted at the point that you would have expected them to have been spotted. As I say, in retrospect, it is very easy to say when the turning point was. That was not the case in

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2001 when it actually happened, when you cannot tell whether that is a one-year blip or the beginning of a trend.

Q59 Meg Hillier: Finally on this point before we go on to the funding, you have got this change in methodology. How are you going to be changing it to adapt to the whole free schools and academies agenda? The Secretary of State set out grand plans for a huge explosion in those. You do not have control over where they are—up to a point you do—and certainly local authorities do not. What will you be doing differently in future to make sure that is factored in?

Chris Wormald: In terms of academies, they are, of course, all existing schools, so they are already in our numbers.

Q60 Meg Hillier: Not all. I have got another new one opening.

Chris Wormald: The new ones tend to be free schools. In terms of free schools, the numbers are currently quite small. Because what we do now is measure the gap between the number of places needed in any particular year and the number of current places in that particular planning area, it does not really matter what type of school those places are at. All we do is fund the authority for the gap between those two numbers. If a free school was set up against that number, it would go down slightly.

Q61 Meg Hillier: Sorry, if a free school is set up, the rest of the money to the local authority overall would go down?

Chris Wormald: We measure the gap between the available school places for the right age group—so how many reception places you need—and how many are available in a particular planning area. The local authority decides what the size of that planning area is, so it decides what a reasonable ecosystem is. Then our resource—this is how we did it for the 2013 to 2015 set—is distributed on the basis of the gap between those two things, which is how we have a fair distribution. Then we have the brand new thing, which is the Targeting Basic Need Programme, for which local authorities can put in proposals—I think by the end of April—for any areas where they think our formulas have not done justice to the level of demand. What we have done is we have tried to adapt both how we distribute our money and, as it were, the sort of safety net to ensure that we do not miss any areas where there is unmet need.

Q62 Meg Hillier: The Report talks about the Department's work to understand better the levels of surplus that will enable parental choice. Is that the same work that you have been talking about?

Chris Wormald: Yes, we need to do that. There has been this number—I was trying to work out where it first came from. It appears to have existed for a considerable amount of time, certainly back to the Audit Commission's "Trading Places" report in 1996. But 5% to 10% was a reasonable amount to allow some flex in the system and parental choice. That number has been pretty commonly used for decades.

Now, it would not be the same in particular areas; what would be reasonable in a highly rural area and what would be reasonable in a highly urban area will clearly be different. We are doing some more work on trying to refine those numbers. It is a widely recognised number in the education system, that 5%, but I think we need to do a bit more work to put more science into it in individual places.

Q63 Meg Hillier: Have you got plans for that work?
Chris Wormald: I will come back to you on that.

Q64 Meg Hillier: Yes, if you could, as I think that is quite pertinent to our Report or, probably, where we might be heading with it. The Report talks as well about better clarity about allocating to need. Do you agree with that?

Chris Wormald: I think the approach we have just adopted, of much more focusing on planning areas, hotspots and that gap between, is a much better system than the previous one.

Q65 Meg Hillier: And you will be evaluating that?

Chris Wormald: Amyas is nodding, so yes. The other thing we have done in this round—and there are swings and roundabouts, for reasons you will understand—is we have considerably upped the transparency requirements on both schools and local authorities so that they have to publish what they say to us, but more importantly publish much more clearly data about how they have used the money they were given, what they contributed to it, how many places, and where they have been created. So we have built into our allocations considerably more transparency. I think that makes sense given that we are now spending quite significant sums on this. It obviously probably would not have been appropriate to have been doing all that at the point when the Government was not.

Q66 Meg Hillier: What is the sanction if a local authority is not very forthcoming?

Chris Wormald: We decide what resources to invest in particular places based on the information they tell us. It is a requirement of the money we are giving them that they are transparent.

Q67 Meg Hillier: So basically they will not get the money unless they provide you with—

Chris Wormald: We would have a conversation first before we took any dramatic action. I think it is fair enough when we are investing £5 billion that there is transparency about what you have done with it.

Q68 Meg Hillier: I think as a Committee that is one of our *raison d'être*. Just to go back to the funding allocations, the 2013 funding allocation arrived five months late. You have got the two-year funding now. It has been annual; it has been piecemeal, as we saw today. We have seen across our constituencies challenges for which you cannot plan properly. You have thrown good money after bad by adding in a portacabin here, an add-on to a building there. First of all, why was it five months late? Are you going to be

looking at more than two-year funding programmes in the longer term?

Chris Wormald: I do not think there is a traditional time of year when we do this, because we have only done it three times. What we wanted to do in this round was give a two-year amount for the reason that you set out. Now, there is a trade off here in that, for exactly the reasons the National Audit Office sets out, the further into the future you go, the more difficult it is to predict need in individual places.

Q69 Meg Hillier: Sorry, but Capital Challenge did that. I mean Hackney has had its schools rebuilt partly because there was a problem with planning.

Chris Wormald: I am talking very specifically about your ability to bid for the number of places you need in a particular place.

Q70 Meg Hillier: To be honest, it is a mixture of the two, isn't it? I know what you are saying about Basic Need, and that is what we are looking at mostly in the Report. But we also today, just in Barking and Dagenham, for instance, have seen schools that have needed investment over a long term because of the demand on those places, often through parental choice as much as the birth rate, actually, yet they have not had that investment; they fell to the bottom of the pile. They could do with a five-year plan. There is plenty of ability to spend that money wisely and better than propping up things with bits of scaffolding.

Chris Wormald: There are two separate issues there. There is the question about Basic Need and there is the question about long-term funding. At the moment, as you know, our planning horizon is to the end of whichever spending review we are in. One of the requirements on me is that I do not pledge people money that I do not have, for perfectly good reasons. It is very difficult for us, for reasons everyone will understand, to promise money across a general election. There is a limit in the way our programmes are currently constructed about how far into the future one can keep certainty. Also, as we have seen in the last few years, the financial situation in the country can change quite quickly as well. All I am saying is clearly you want to give people as much of a forward plan as you can, for exactly the reasons that you have described. There are just limits on our ability to do so that flow beyond our control.

Q71 Meg Hillier: On the other hand, you have standardised building plans. So if you have standardised building plans, some of the schools we visited this afternoon could probably grab standardised building with enthusiasm. Whether they are a good idea or not is another debate, but that would be better than what they have got now. It has been such piecemeal planning.

Chris Wormald: Yes. That is why we wanted to go over—and the Report we are discussing today—to two-year plans, to take us basically to the end of this Parliament. We do see that as being much better than individual year plans.

Q72 Meg Hillier: We still hear about pots of money that appear. All Governments do this. It is not a party

political point. “There is some money in the budget. Can you spend it by the end of the financial year? If you can, you can have it.” That actually does not lead to terribly good planning.

Chris Wormald: You have a sort of choice here. The Basic Need budget is one that the Government has invested in year-on-year at successive autumn statements. Clearly, it is easier, and easier for people like me to manage, if you get all the money at once and set a three-year plan. When you are in the situation of there being pressing need out there and the Government has identified some scarce extra resource, you do not not invest that extra resource because you wanted to do it all at once three years ago. The Government has taken a choice to invest, and that has been widely welcomed by the local authorities and others. It does lead to the problems that you describe, and clearly long-term planning is better. There is just a limit to the amount that we can do in our current financial framework.

Q73 Meg Hillier: My final question is on this contribution of local authorities, because I was quite staggered by the difference between what the Department has estimated and what has been highlighted by others. Can you give us a breakdown—you probably cannot do it right now—of regions and local authorities and their percentage contribution to Basic Needs?

Chris Wormald: Yes. I am not sure. I will see what we collect on it. Sorry, I may have confused the Committee, by the way. There is a big difference between what we projected at the time of the spending review, which was based on a much lower national Government investment, and the amount of money that we have now put in. That is why we get the big differences between the correct numbers that the National Audit Office was quoting and some of the numbers I was quoting.

Q74 Meg Hillier: One of the challenges, of course, is that most of these places—37% of primary places—are needed in London. That is where you look at the map in the Report. You talked about choice earlier. The price of land and availability of land is a huge cost in London, so that is partly why I am asking about this. I am sure other colleagues want it across the regions.

Chris Wormald: Exactly. When you look at the authorities that are at the top of the investment list—we have Redbridge getting £120 million, Waltham Forest £118 million, Barking and Dagenham £117 million, Newham £111 million—those are all the ones that are towards the top of our list. If you went halfway down, you would find Northamptonshire at £45 million.

Q75 Meg Hillier: But it is their contribution towards the total, isn't it? That is what I am driving at.

Chris Wormald: Yes. I will see what numbers we collect. The opposite to that, of course, is high land values in London mean that London local authorities frequently have additional resources to put on the table that somebody in, say, Cumbria might not have.

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Q76 Meg Hillier: Equally, it is costly to buy land in London from scratch.

Chris Wormald: It would depend whether you are an authority that is net positive to land or net negative as to whether it is an advantage in London or not.

Q77 Ian Swales: I will be brief. I would just like to pick up one area that I do not think we have touched on. We have touched on the area of where we do not have enough space; we have touched on the condition of buildings. There is a third thing that I think came across to me from our visit today and comes out of Figure 11 in the Report, which is the solutions that are being adopted by local authorities to deal with this issue. Quite a number of those—I have marked six on my list—you could argue are affecting standards for pupils: the actual ability to deliver the educational experience to pupils. What is the Department doing about that in terms of gathering information or seeing it as an issue?

Chris Wormald: As I say, we are trying to up quite considerably not specifically the information we gather but what we make transparent about what people are doing. So the thrust of your question I agree with. In terms of that list, local authorities and schools do not take these decisions lightly. Clearly, some of those solutions people would rather adopt than some others. If the choice you are faced with is that is the only way you can provide a place, then that might be a reasonable thing to do in the circumstances. I do not want to second-guess the decisions of local authorities.

Q78 Ian Swales: My question is to the Department. Are you monitoring things like oversized classes, loss of playing fields completely, the delivery of Early Years curriculums, which require access to outdoor spaces? Are you actually monitoring what schools have that sort of provision?

Chris Wormald: For playing fields we have, as you probably know, an entirely different system, where if any playing field is to be disposed of, that comes to the centre for approval or not. In terms of effect on educational standards, of course Ofsted is our key way of assessing what is affecting educational standards, and I am sure that if they felt that some of the issues you have raised were, they would report on it.

Q79 Ian Swales: That is what I am trying to flag up. I think there is a third area. Certainly from what I have seen today—it is very different from the area that I represent—it would seem to me that the wider aspects of educational attainment are going to be affected by solutions. You will be ticking the box saying, “We have got that many places,” but the solutions are affecting what happens in those schools.

Chris Wormald: Yes. As I say, these are tough choices and not taken lightly.

Q80 Ian Swales: Do you have another priority list? That is my question.

Chris Wormald: Not specifically. Sorry—clearly our primary responsibility is that as set out by Parliament, which is to provide school places, and that is the one we are statutorily required to do or local authorities

are statutorily required to do. So that is clearly top of the priority list. Within that, we want to do two things. We want to secure a level of parental choice, which successive Governments have wanted, which comes back to the debate I was having with Ms Hillier about the 5% and work on that. Also, we want to expand, where possible, places that are in the best places—outstanding schools and good schools. That is one of the criteria we are looking at in the Targeting Basic Need Programme fund.

In terms of the effect on individual education of the condition of the capital estate, the evidence is pretty mixed. The biggest thing that affects educational performance is the quality of the leadership of the school and the quality of teaching. We have all seen examples of tremendous teaching happening in not ideal capital circumstances and not-so-great teaching happening in excellent circumstances. That is not to say there is not a relationship, but the key thing we focus on is teaching quality.

Q81 Ian Swales: The last point on this: do you have any standards around access to outdoor areas and playing fields, or are you giving license to all local authorities to just build on and get rid of a lot of it?

Chris Wormald: No. As I say, we deal with playing fields via a separate system, and that goes to the independent panel.

Q82 Chair: Chris, there are just two things. One is this is not about playing fields being sold; it is about them being lost as a facility to the school, because they are built on to provide the places.

Chris Wormald: Yes, those have to be approved as well.

Q83 Chair: The other thing is the school we were at today is an excellent school, but had in its most recent Ofsted report the fact that the physical condition of the building and the overcrowding was having a detrimental effect.

Chris Wormald: I am sure, and I am not trying to diminish that at all. I am saying our method of monitoring that would be Ofsted; they look at standards. As I have tried to say all the way though, I am not trying to underestimate at all either the national challenge that the increase poses us or the challenge to individual schools that face the kinds of circumstances of what you saw earlier. They are difficult to manage, and that is why we are investing considerable sums of money.

Q84 Ian Swales: The Chair has just illustrated with a real example the third area I am trying to say. If Ofsted say the educational attainment at that school is being affected by overcrowding, and I am not surprised that they do, is that on your priority list? Do you have a priority list of schools where you have places but they are not ideal?

Chris Wormald: We can only do what we can with our money. We do have the Priority School Building programme, which is to focus on those schools that are in most need of rebuilding. As I said, our second largest sum of money at the spending review is £4.957 billion on maintenance. Ofsted reports on this,

and, of course, on the overcrowding point, that is exactly what our hotspot targeting is designed to do. What I do not have is a separate list, separate from those things, but I do recognise the issues that you raise.

Q85 Chair: We are moving on to Amyas.

Amyas Morse: I just want to ask a couple of clarifying questions, if I may. One of them comes from the trip we had today. We were pointed out a school where they had carried out a building development, first, to accommodate primary pupils, but then with the intention that the primary pupils would require more space as they moved into later classes. What we heard was that the school was being penalised for doing the building in one go and, therefore, having vacant space in the building. Can I suggest that instead of answering it now, because it is probably a bit technical, it might be quite valuable for you to give an answer to that specific question, since it was raised on the tour?

Chris Wormald: Yes, I am happy to.

Amyas Morse: It just sounded like a disincentive to doing something sensible in terms of development.

Chris Wormald: In what way were they being punished?

Amyas Morse: They were being penalised for having vacant spaces. The classroom space was not in use.

Chris Wormald: It is not an unusual thing to do. They are described in the report as “bulge classes”, which move up the school with the pupils. I am quite happy to look at the individual case.

Q86 Chair: What exactly happened is their funding was reduced because they had opened a new primary school, but it clearly was not full in all years going up the system. Therefore, they were deemed to have empty spaces and they had a reduction in funding on the basis of surplus places, although it was planning a brand new school.

Chris Wormald: I will need to look into that. We fund per pupil. You would not expect people to fund for pupils who are not there.

Q87 Chair: No, their capital funding. This was the capital funding that was reduced.

Chris Wormald: Oh I see, right. I had better look at the specifics of this case.

Amyas Morse: If I may, I then have a wider question. The reason I was nodding my head earlier is because I accept that the Department is trying to come up the timeline and be more specifically responsive to difficulties in local authorities. I can see that happening and it would be unfair not to recognise it, but can I just be clear that the risk still remains for the local authorities? In other words, if during the review period a local authority has to contribute more than your planned amount and you do not catch it through your interventions, that is just bad luck on the local authority, is it? In other words, the money once gone is gone, and they are just out of pocket.

Chris Wormald: There is only so much money, and you can only fund one authority more by funding another one less within a specific pot. The statutory responsibility, as decided by Parliament, is on the

local authority, so, yes, in the last resort the cost falls to them. One of the reasons why we did not put all our current money into a formula allocation and we allowed local authorities effectively to bid for the remainder was to ensure that we were not missing some difficult cases where our formulas were not taking account, so they could make a case to us. But you are right; the ultimate responsibility, as set by Parliament, is with the local authority.

Amyas Morse: Then just a final plea: from looking at the work we are doing on local government sustainability, can you be mindful, please, of all the other pressures that are now on local government funding, so we do not find ourselves with unintended consequences? This is not the only substantial pressure on local government funding and there needs to be a slightly more holistic view of the impacts on their funding as a whole. To say that they have resources that they can meet the shortfall from, well, they are meeting quite a lot of other additional burdens at the moment and it is just worth looking at all of that.

Chris Wormald: Yes. That is undoubtedly true and, of course, as your Report sets out and we were discussing earlier, we have been reducing not increasing the expectations on local government in this area as central Government has invested more and more in Basic Need. But your basic point—“Do we need to look holistically at pressures on local government?”—is, of course, correct.

Q88 Jackie Doyle-Price: Obviously, we are looking at supplying sufficient school places with parental choice. I just want to push back on you about the degree to which you challenge local authorities as to whether they really are delivering that. I will use the example that, like Margaret, the western part of my constituency has gone through quite a significant demographic change, which has led to an increase in demand. The eastern end of the borough is going through the opposite, and the local authority seems to be managing it as a whole rather than where the demand is. The result is that my son is going to a school that is farther than the school that we visited today; it is a 10-mile trip. What challenge do you give local authorities to make sure that they are delivering schools in the right places?

Chris Wormald: This is why we wanted to go over to looking at planning area data as opposed to whole local authority data, because you could do exactly what you describe. We look at and scrutinise what local authorities propose to us and discuss it with them in a reasonable amount of detail. It is not possible for us to second-guess what local authorities individually do. So we have set up a system that is designed to make local authorities act, and, indeed, then to invest our money, to address the kind of issues you are concerned with. What I and my staff cannot do is sit with a national map and make those kinds of local trade-offs nationally, so there does have to be a big local authority role in settling those questions, but I do think we have set up a system now in a way that targets the kind of issue you describe much better.

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Q89 Jackie Doyle-Price: If you have a local authority that is choosing not to make difficult decisions about closing schools and reopening new ones, then it is tough for the parents, because the reality is parental choice just does not exist in some areas.

Chris Wormald: Obviously, local councillors have to be accountable to their own communities and their own electors, and there is a limit to what national Government either could or should do in some of those circumstances. As I say, the reason we set up the system as we have is to give the focus to what we think are sensible planning areas from a parent's perspective as opposed to just funding at local authority level where, as you say, the distances can be quite great. What I am not trying to say is that there is a magic answer I can give to those sorts of problems; they do have to be settled locally, though I do think we are making progress.

As well as providing the kind of information about how this money is used that this Committee will want, local transparency on what decisions have been made, what was done with the money we have invested in places, which schools are expanding and what the justification was does just inform a better public debate about local decision making. I think that way is better into the question than intervention from Whitehall.

Q90 Jackie Doyle-Price: In terms of the dialogue that you have with local authorities to make sure that they are meeting their obligation to future planning, what has certainly been brought home to me today, and also looking at my local situation, is the degree to which both local authorities and central Government are slow at reacting to the demographic change and the increased demand that has. Perhaps I can illustrate this with an example. There is a large new housing estate that was constructed from the early 1990s in my constituency known as Chafford Hundred. At the time it was built, there were three primary schools built to serve the population, all of one-form entry each. Of those three schools now, two of them have three forms of entry and one has two, so we are talking about a massive increase in provision despite the fact that the number of housing units has not changed at all. It is because people are living different lifestyles. It is an area that has been characterised by huge immigration and, frankly, the cultural practices are to live at higher densities than we would normally expect. Even with that expansion in places, there were 57 children on that estate without a place last September. So what more can we do to make sure that we are going to be a lot more fleet of foot in responding to that extra demand?

Chris Wormald: Clearly, there are better predictions and not so good predictions, and we and local government seek constantly to improve how we do predictions and, again, the kind of monitoring and transparency we are building in the system should help. It is nevertheless—and here I will defend local government—very difficult to do. I was looking at some numbers in preparation for this hearing. If you take the number of people who are born in a particular local authority, sometimes up to 2,500 or 3,000 of

those people can have moved before they reach the age of five. In quite a lot of London local authorities, it is only about 90% of resident four-year-olds who attend schools in that borough. The elisions of individual choices do make it genuinely difficult for any public authority to predict accurately several years in the future how many places are going to be required. The NAO Report illustrated extremely well that, as you go further and further out, our predictions become more and more difficult. So we seek to improve them all the time, but we will never get to perfect data.

If I may, this is the flipside of a discussion I was having with Ms Hillier about taking one-off decisions. Sometimes that is necessary because the predictions can never quite be perfect. In an ideal world, you would predict it accurately and build provision in advance, but I am not going to say any of these things are easy and, as I say, local authorities, particularly in areas where there are big inflows and big outflows—different types of community of the sort you describe—do just face a tough challenge.

Q91 Jackie Doyle-Price: I would agree with that, because one of the beauties of free schools is that the local communities can be a lot more fleet of foot than local authorities in dealing with this, and that is exactly what we are doing in Chafford.

Chris Wormald: Yes.

Q92 Chris Heaton-Harris: My questions are roughly on the same line, but firstly, before I start, I just wanted to pay compliments to the two schools that we visited today. In very challenging circumstances, with lots of kids in a very small area, the behaviour of the pupils should be a great compliment to the staff, pupils, parents and the whole lot, because there were certainly some challenging circumstances. If you could relay that, Margaret, it would be appreciated.

I just want to bang on about your predictions and data, because they are shocking, aren't they? I would like you to illustrate for me the sort of conversations that you would have between the chief executive or head of the LEA in Barking and you at the Department. Also, because we have talked about demographic change, we have seen an example of a school that has been affected quite massively by net migration and, in fact, rapid change in its school community on a weekly basis, because I am told it is a very cheap part of London to move into. So it is probably the first part of London that you might come to, and then you look at accommodation of a more permanent nature nearby because of the work that is associated with London. I just wondered also if you ever have a conversation with the Home Office about the number of people coming into the country and the predicted flows on that.

Chris Wormald: I do not accept that our data is as you describe it, for the reasons I was describing before. It is an extremely tough challenge to predict exactly where people will go to school three, four or five years in advance, so our data will never be perfect.

Q93 Chris Heaton-Harris: I understand why the data would lag, but I am trying to work out where you could have more fluid conversations to understand it.

Chris Wormald: It does not just lag. It is also intrinsically unpredictable because it depends on a variety of human choices that we do not control, so there is not only a lag in our data but the further away you go, the more uncertain it is. Unfortunately, that is just a fact. In terms of how we predict, as I say, the DfE does not itself attempt to predict population. That is done by the Office for National Statistics, who have the competency and expertise in that. We rely on their data and, to a large extent, local authorities also rely on their data, although they then have local sources of data as well that they match it with. I am not an expert on exactly how the Office for National Statistics projects demographic change, but I do know that they are in constant dialogue with the kind of people that you describe about how they do it.

Q94 Chair: I have to say, Chris, on this, it is a nonsense. The Report says it took the ONS from 2001 to 2008 to twig that there was a trend growth in birth rates. I know it is not you and you are not responsible. In fact, we ought to probably be looking at the ONS from this Committee, because that is a nonsense that it takes them six or seven years—just a nonsense—eight years or whatever to catch up with what everybody else, whether it is midwives, children's centres or, indeed, local authorities, knew was happening on the ground. It is a nonsense.

Chris Wormald: As I say, this is not an area in which I claim any expertise at all, though I do of course discuss these issues with the ONS and others. As I said earlier, as a matter of statistical validity, we do not act on one year's data; they look at the trend, normally of three years or more, and then they update their population. It is beyond my competence to explain why they do things in the orders that they do.

Q95 Ian Swales: Without naming names, we also heard this morning that your Department tries to second-guess some of the local authorities—that your Department says, “We do not believe your numbers,” or “We have better numbers.” Can you comment on that? It was something we heard this morning.

Chris Wormald: We have a dialogue with local authorities about the numbers they put to us. We do not attempt to second-guess, but we do attempt to ensure that there is national consistency in how we are distributing our money. What we are doing is we are taking a fixed sum of money and distributing it amongst local authorities. It is therefore extremely important that we are fair between individual authorities, so we do scrutinise. We do not replace their numbers with ours.

Q96 Ian Swales: If somebody tells you, “We are a hotspot over the next two or three years,” is your tendency to argue them out of that?

Chris Wormald: It is not an argument; we look at the data. So the question is what data is it that they have, and the question that we would ask is, have they treated the data in the same way as the local authority next door? You would rightly criticise me if I simply

believed everything that I was given and that led to some authorities losing out to authorities that calculated it in a different way, so we scrutinise at that level. We are all basically relying on the same information. We nationally look at the birth rate and the ONS data and all those sorts of things, which is exactly what a local authority does, so we ought to be able to reach a common position, given that we are all starting from the same dataset. The variables in the system, as I say, are related to trying to predict where people will be in five years' time. That is intrinsically difficult to do, particularly in big, fast-moving cities, which, as all of you who represent urban seats will know, can change much faster than that, and any prediction made today about what the situation will be in 2018 might or might not be right. That is our big challenge.

Q97 Chris Heaton-Harris: I want to disagree with you to a certain extent. On page 20, Figure 5, the heat map of where the issues are potentially going to be for primary school places in 2014–15, you have signed this Report, so you kind of agree with that.

Chris Wormald: Yes.

Q98 Chris Heaton-Harris: I am just slightly concerned about your armoury when you go into a spending review, because if you have unbelievably unreliable statistics that change by the moment, I would like to think you also have something else or that you go into a spending review saying, “We know population growth has been going like this and we know the areas of the country where we are more challenged. Therefore, we might need a tiny bit of extra cash to compensate those particular areas in that way.”

Chris Wormald: Yes, and simply looking at the sums that the Government has been prepared to invest in this area, even within a falling envelope, shows that we have been very successful at making that case. We are investing close to £5 billion over the life of this Parliament in this issue.

Just to be absolutely crystal clear about predictions and demographics, it is inevitably much easier to talk with more certainty about what the national picture is, and therefore the overall amount the Government needs to invest, than it is at an individual local area. If you take those two examples that I gave of why it is difficult to predict—the fact that quite a lot of people are educated not in the borough in which they live, and the fact that quite a lot of people move between the ages of nought and four and, therefore, are not educated where they were born—neither of those affect the national numbers at all. What they make very difficult, and a lot of what you have described, is our ability to predict where in the country particular hotspots will be. The national picture, as the Report sets out, continues to be quite good: there are 10% more places than there are people. That does not help if you are in one of those areas where it is not 10%; it is at that level. Obviously, the Government will have to make its choices about where it puts its money. It has invested heavily in this area, and I am less concerned about our ability to calculate, as it were, the total national pressure. The

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area where we have been seeking to make really quite substantial improvements is our ability to predict locally where that money is most needed.

Q99 Austin Mitchell: I discovered two facts today that north-east Lincolnshire, that is to say Grimsby, and Dagenham have in common. The first is that Dagenham used to supply the fish for London, a role that we have now taken up. Not a lot of people know that, so it is a useful fact for you. The second fact in common is that we both lost out in getting nothing from the Building Schools for the Future programme. Now, that programme was criticised—and I think rightly—because it was cumbersome and bureaucratic, and because it was conducted on PFIs, which are not value for money. But now, surely, when you are talking about building new schools to cope with this Labour-produced surge in the birth rate—and it is “labour” produced, whichever way you look at it—most of the schools you are building will be built on PFIs, whether it is the new zig-and-zoom PFI revised by the new Government, but they will still be built on PFIs, which are still not value for money.

Chris Wormald: That is not the case. Our money for Basic Need that we have been talking about today, the £5 billion, is in cash. That is not PFI schemes.

Q100 Austin Mitchell: But the new schools will be built mainly by PFI.

Chris Wormald: The Priority School Building programme, which is a different programme, is about maintenance, not about new places. It has a private finance element to it, yes.

Q101 Austin Mitchell: It says in the Report, at paragraph 1.6, new schools must be either free schools or PFIs; they cannot be community schools. So a borough like Dagenham, which has rightly kept down the numbers of academies, will not be able to build one unless it builds academies as a kind of viper in the nest, which make their own plans and are not amenable to the plans of the local authority.

Chris Wormald: This is a set of issues I cannot really respond to.

Q102 Chair: We are not proud. We are prepared to have academies as long as we get the money. Right, Chris, can I just wind up on a couple of issues we have not covered? Then we will thank you very much, because you have had a two-hour session. One is you have delivered 80,000 net additional places in the first half of this Parliament.

Chris Wormald: No, that is the September 2011 number.

Q103 Chair: The September 2011 number. So what are you up to now?

Chris Wormald: We have not collected the data on September 2012. That is collected in our next data return for local authorities, so I cannot estimate that number at the moment. We do have completely unaudited returns, so I am not going to claim any more than that, but local authorities tell us that they have approximately 110,000 primary school places in the pipeline. So if you look at the 81,500 places and

those 110,000, then you probably have, for September 2014, which will be our toughest year, somewhere around 130,000 further places to create. Then, by September 2015, to take us to the end of the Parliament, there are probably a further somewhere around 80,000 places. Now, I am not going to put too much science on those numbers because, as I say, some of the numbers I have just used are unaudited.

Q104 Chair: Do you feel confident you can stick to that programme and therefore deliver?

Chris Wormald: Yes. As I have tried to emphasise all the way through, this is a huge challenge for the system as we have the unique circumstances of a rapidly rising birth rate, local effects and a tough public spending environment. With all those things taken together and looking at the situation, we think it is under control and that local authorities are delivering the numbers of places that are required. Given the level of the challenge that the National Audit Office has identified, I do not really want to use words like “confidence”, because I think this is an area that requires constant vigilance both from the Department and from local authorities. But I will say I have not seen anything that has caused me to worry yet. That is not going to stop me worrying.

Q105 Chair: At page 10, paragraph 18, it says that you took £56 million away from authorities with the most need in 2012–13. Why did you do that, given the nature of the challenge?

Chris Wormald: We did not take it away from this programme. Because at that point our data was not identifying hotspots, we guaranteed all authorities a certain level of funding to ensure that there were no places that had a challenge in one particular part of their authority but no resource. Effectively, we put in a floor.

Q106 Chair: Is that for both years or just for year one?

Julian Wood: It was for 2012–13 only.

Q107 Chair: But you have not replicated that further.

Chris Wormald: We did that because we did not have the kind of hotspot data we needed. So we did it perfectly deliberately, not to go with a very pure formula but to ensure that there was some stability of funding at local authority level. It is not ideal, but I do think it was the right thing to do rather than risk there being places that did not have any resource.

Q108 Chair: Then, in January 2012, Sutton Council urged you to increase maximum class sizes for infants from 30 to 32 to ease the pressure, I understand. Did you have representations from other authorities?

Chris Wormald: I will check whether we did. It is in legislation via the previous Government.

Q109 Chair: And you are not considering changing it.

Chris Wormald: I have not seen anyone argue that we should change it.

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Chair: Perhaps you will let us know if there were, because you are coming back on a couple of things on the 13th.

Chris Wormald: I will check if there were other representations but, in a way, even if local authorities did think that, I would not expect them to make representations to me, because it is not in my discretion to change that law. That would be for Parliament, obviously.

Q110 Chair: My final question pertains to the evidence that you gave us at a previous hearing when we were looking at your cuts. We talked about the staff at the Education Funding Agency, if you remember, and whether it was adequate. In fact, I think we will shortly publish our Report on that. I asked, “Are you going to expand Mr Lauener’s staff and his Agency or not?” and you said in answer, “If it is necessary for the EFA to have more people, then that is what we will do, but”—and this is the important thing—“we have not seen any evidence at the moment that it does need more staff.” After that hearing, I saw an article in *The Independent* that referred to a memo within your Department where it is said that you stated, “It is difficult to see how we

can manage expansion of the academies and free schools programme much beyond 5,000 without increasing central resources.” Which of those two statements is true?

Chris Wormald: They are both true. In the DfE review, we looked at the resources that were necessary for the Department up until the time of the next election, in May 2015. This is not a target or an expectation or whatever; it is simply a straight projection of the current rates of conversion for academies. Somewhere in mid-2015 about a quarter of all schools will be academies or free schools, which is the limit of what our current model, based on our current resourcing, would allow the Department to do. At that point in mid-2015, the Government will face some choices about what it does, and there are various things a Government might do at that point. So what I am saying is we have a robust staffing model that allows us to deal with the number of academies that projection would suggest up until 2015, and then the Government has some choices to make, so both of those statements are true.

Chair: Okay. Thank you very much, and thank you very much again to Barking and Dagenham for hosting us this afternoon.

Written Evidence from the Department for Education and the Education Funding Agency

Questions 3–5 (Chair): *Who is responsible for ensuring class sizes in infant schools do not exceed 30 pupils?*

The School Standards and Framework Act 1998 places the duty to limit the size of infant classes to 30 pupils per teacher on schools and local authorities. There are a number of permitted exemptions to this rule which ensure that there is sufficient flexibility to address operational problems in schools.

Where a class exceeds the limit and no permitted exceptions apply, the local authority and the school, where it is its own admission authority, will be in breach of the duty imposed by the Act. It is the duty of the local authority to ensure that the annual school census includes all relevant information, and that any breaches of the class size limit are followed-up to ensure compliance.

We expect that most instances of unlawfully large classes can be resolved informally, as has always been the case to date. However, ultimately, where a school or local authority fails to carry out a duty imposed on them by the Education Acts, or acts unreasonably in the performance of such a duty, the Secretary of State has the power under Section 496/497 of the Education Act 1996 to issue a direction where he considers it expedient to do so. Such a direction is enforceable by the courts.

Questions 43–48 (Justin Tomlinson): *Is the local competition system for new schools adequate in providing places?*

Mr Tomlinson raised the specific example of a competition in his local area, but officials have been unable to identify the case. We have provided some general information about the way competitions work in the text below, and would be happy to consider the specific case if Mr Tomlinson would be happy to share the details with us.

Local authorities are responsible for planning and securing sufficient schools for their area. Additional places can be provided by expanding existing schools or establishing a new school. Where a local authority thinks there is a need for a new school, the Academy Presumption arrangements (introduced on 1 February 2012, by the Education Act 2011) require it to seek proposals to establish an Academy or Free School. Local authorities set the specification for the school and proposers must demonstrate how they can meet the required need. Local authorities assess and score proposals before sending them to the Secretary of State. The Secretary of State then decides, taking into consideration any preference expressed by the local authority, whether or not to enter into a funding agreement with any of the proposers.

Proposals for new voluntary aided faith schools can be published outside the competitive Academy Presumption arrangements, but a statutory process must be followed. Local authorities decide on proposals from voluntary aided and faith schools.

The Secretary of State is required by Section 9 of the Academies Act 2010 to take into account the likely impact of establishing a new Free School on other schools and colleges in the area when he decides whether to agree to funding.

Question 56 (Meg Hillier): *How many, or what proportion, of the 8,800 Free School primary places have been created in areas of need?*

59% of open primary and all-through Free Schools are located in areas of severe basic need, and 86% are located in areas with some basic need. In addition, our analysis indicates that around half of the open Free Schools are located in the 30% most deprived communities.

Questions 62–63 (Meg Hillier): *Work in hand to determine the level of surplus places needed to ensure reasonable parental choice.*

The project to better understand local surpluses builds on the collection and analysis of planning area data. This has helped us to better understand how many places are needed to ensure access to a school place.

The next steps are to gather more information on how local authorities plan provision, how they decide on the optimal number of places needed and what constraints pupil place pressures create. Within this we will be looking at how local authorities manage and plan for choice and diversity. We intend to work with a representative group of local authorities to understand how they determine the optimal number of places to provide and how this relates to spare places.

Our intention is to complete engagement with local authorities by early summer and to report findings in early autumn.

Questions 73–75 (Meg Hillier): *A breakdown of local authority contributions to Basic Need.*

The Department does not currently collect information on the contributions that local authorities make to basic need on top of centrally allocated funding.

In the 2012 School Capacity Collection we asked local authorities to tell us about additional places in the delivery pipeline for 2013–14 and to indicate how many of these were funded through Section 106 monies. The data, which has not been quality assured or audited, suggests that around 6% of additional places being provided are funded through Section 106 contributions.

We are currently changing the School Capacity Collection regulations for the 2013 Survey to collect information on places provided, the cost of providing them and the funding source. This will show where local authorities have used other capital sources, including Section 106 monies, maintenance funding, capital receipts etc to provide additional school places.

Our intention is to publish this information in the autumn.

Questions 85–87 (Chair and Amyas Morse): *Can a school be penalised for enlarging the school in advance and carrying vacant spaces for a period?*

Basic need funding allocations are based on forecast shortfalls in places (the difference between pupil forecasts and available capacity by year group in each planning area). To ensure that Government is not double funding places, we ask local authorities to provide us with school capacities that reflect all built accommodation even if it is not yet being utilised. In some cases, this may impact on the funding allocated to local authorities. We are aware of this potential issue and, as part of our work to continually refine and improve the system, we will be looking at this in the context of the data we collect to inform future allocations.

Questions 108–109 (Chair): *Has the Department had representations to increase the maximum class size for infants from 30 to 32 pupils?*

We do not have any record of any representations being made direct to the Department to increase the maximum class size.

However, we are aware that Nigel Bolger, Chief Executive of Sutton Council, wrote to other London councils in January 2012 to ask that they lobby the Department to raise the class size limit to 32 pupils. The argument for doing so was that this was unlikely to jeopardise educational standards but would save capital expenditure that would otherwise be spent on creating extra classes.

At the time this attracted some media attention but nothing came of the proposition, since there was no appetite for raising the limit from other local authorities. Local authorities who discussed this preferred to address future demand for primary school places through the creation of additional classes or establishment of new schools.

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