

Do the Maths 2014

London's school places challenge



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01

introduction

London has been facing an increase in demand for school places for the last seven years, and this demand continues to grow. A combination of rising pupil populations, spiralling building costs and lack of available land is putting increasing pressure on London boroughs to provide places for pupils. These challenges have been compounded in the capital by an ongoing lack of sufficient funding from government to provide adequate pupil places.

Local authorities are statutorily responsible for providing sufficient school places for all children that require one. The London boroughs have been working hard to ensure that they have built enough additional places in their area to be able to meet this growing demand, often at their own expense, but this is becoming increasingly difficult to achieve.

For a number of years, London Councils has been at the forefront of the debate about how to fund the need for providing school places through a series of Do the Maths publications¹. This report sets out London Councils' latest analysis of the shortfall in school places for London and looks at the impact of recent changes in the allocation formula. It aims to inform decision making for the next round of funding allocations for school places.

Our analysis shows:

- London needs to create 133,000 more primary and secondary school places by 2018. Overall nationally 497,000 places are needed.
- London boroughs have had to fund 48 per cent of new school places between 2010-2016 from their own resources due to underfunding from government.
- Two thirds of London boroughs will need to increase primary school capacity by over 10 per cent in the next six years
- One third of London boroughs will need to increase secondary school capacity by over 5 per cent in the next six years.

analysis of london's shortfall

Growth in pupils

London boroughs have seen very large increases in pupil populations. The recent baby boom has meant that school-age populations (5-19) within the capital grew by 107,000 from 2001-2011 – a growth rate of 8.2 per cent compared to an overall reduction nationally of 0.2 per cent.

This pressure continues to grow, with forecasts showing that the pupil growth rate in London over the six years from 2012/13 is twice that of any other region and by 2017/18 pupil numbers in London are expected to have increased by 18 per cent, or 194,000. Within this, some boroughs are forecasting growth of up to 36 per cent.

Figure 1 below shows the forecast pupil growth for both primary and secondary schools in London boroughs (blue) compared to the rest of England average (red) from 2012/13 to 2017/18. Figures 2 and 3 then show this growth split by primary and secondary schools on a map of London's boroughs

Figure 1: Forecast Pupil Growth in London boroughs and England 2012/13 to 2017/18

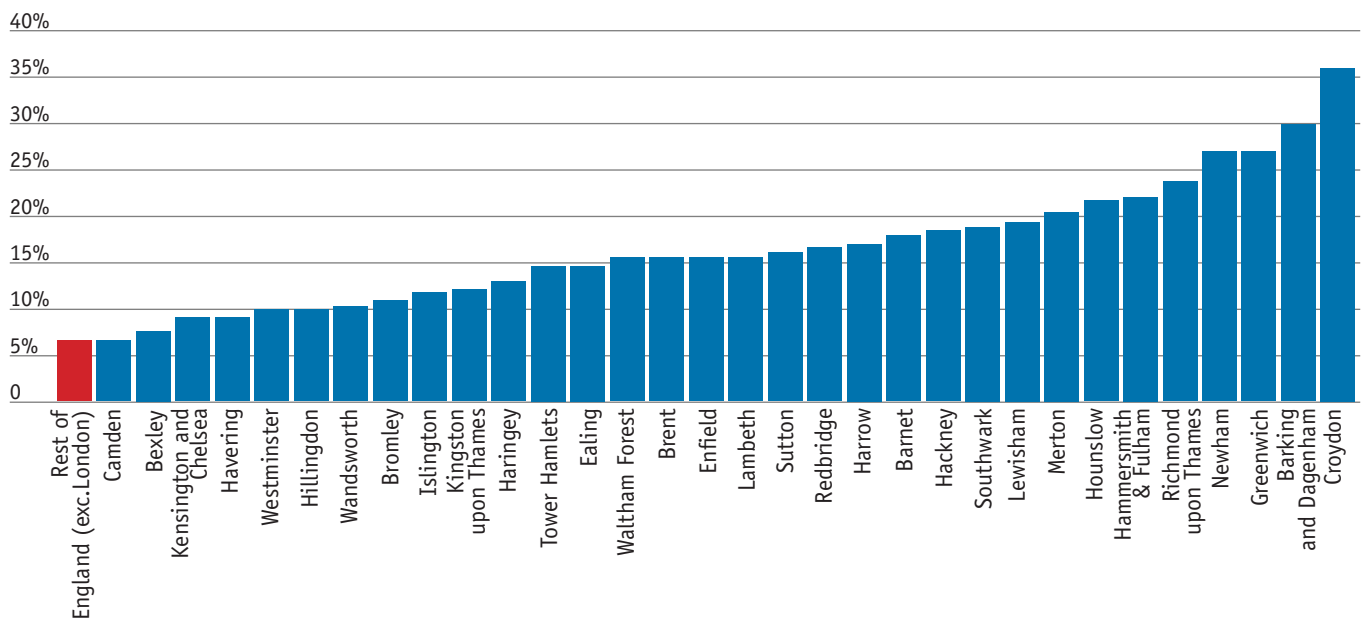


Figure 2: Forecast Primary Pupil Growth Map 2012/13 to 2017/18

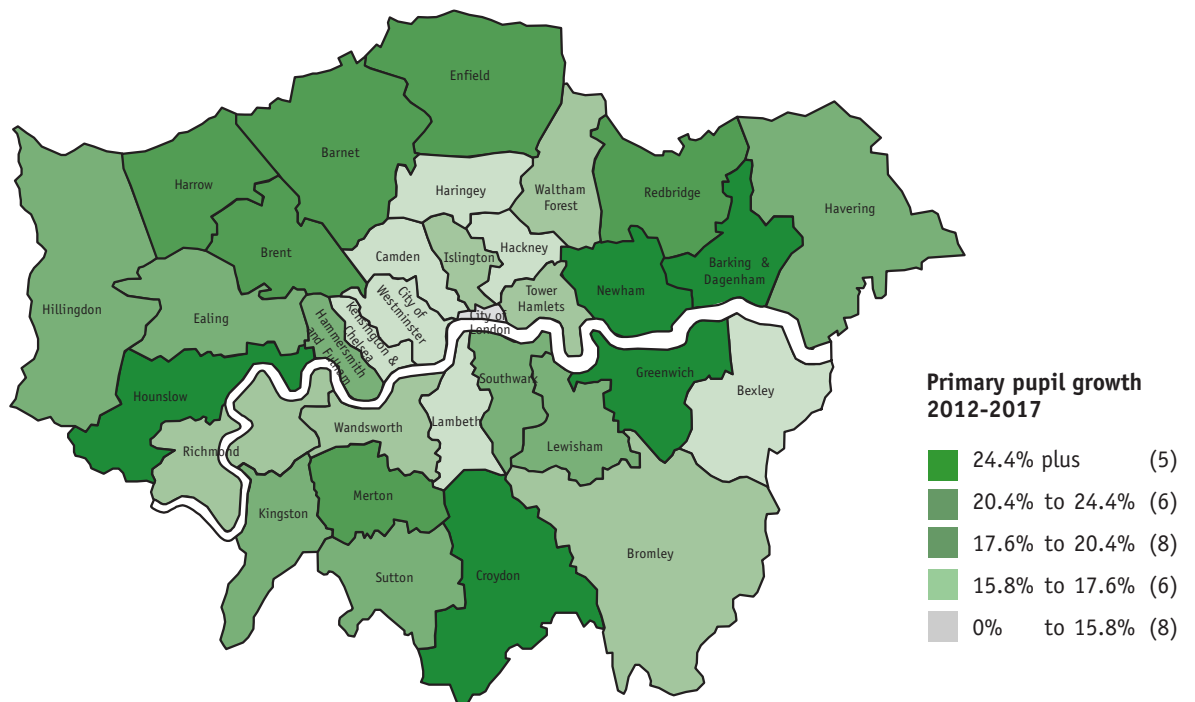
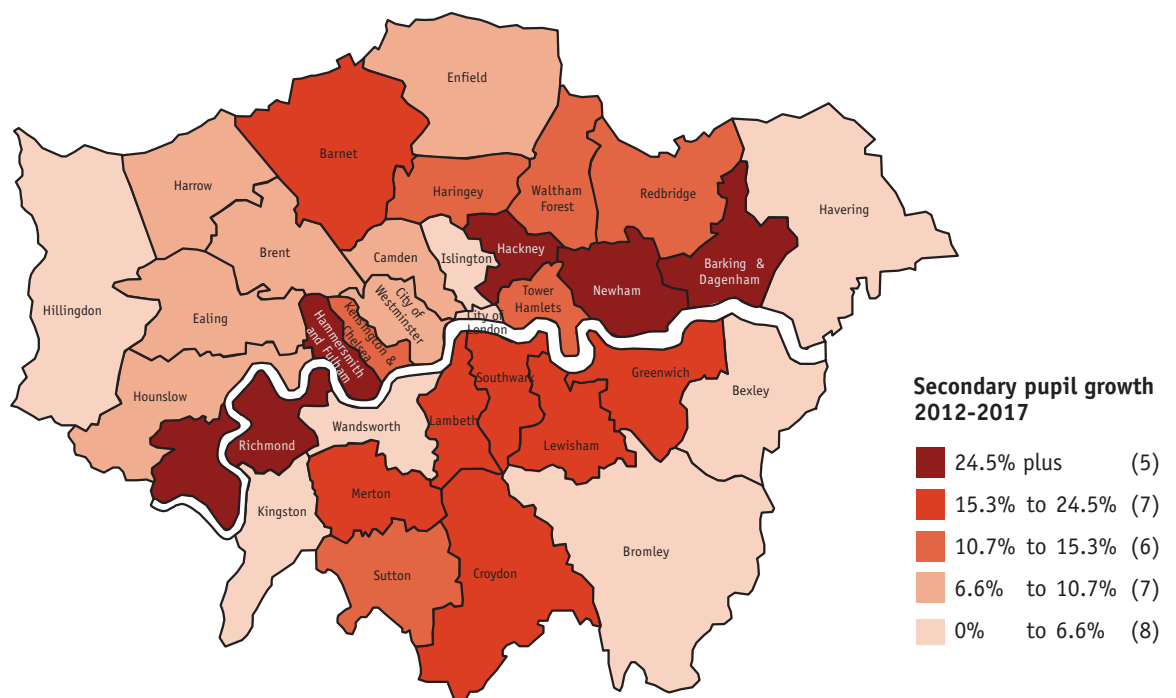


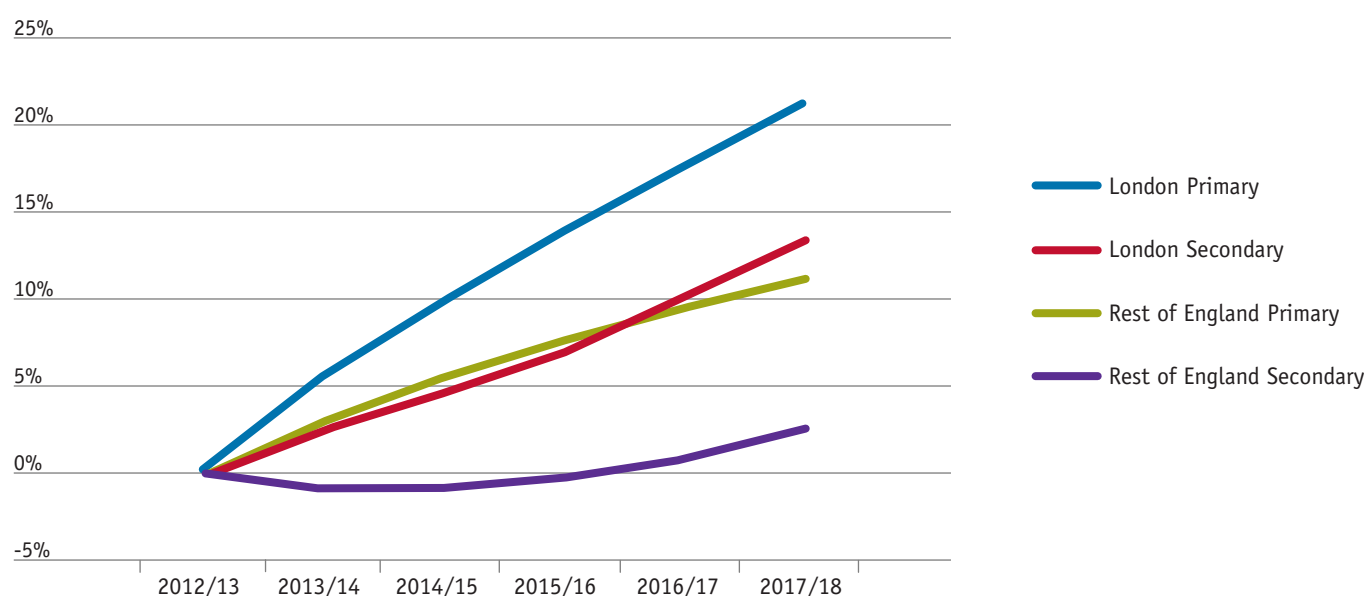
Figure 3: Forecast Secondary Pupil Growth Map 2012/13 to 2017/18



London has been showing higher than average pupil growth for a number of years and, as a result, the pressure is moving into secondary schools as well as primary. Figure 4 shows that London has a higher increase in pupil numbers at all school ages and has almost 50 per cent of the total growth in secondary pupils.

This is significant as secondary schools can cost twice as much per pupil place to build, according to our analysis. They require more space and more specialist and expensive equipment. They also take longer to build, which is why it is essential that the government provides front-loaded funding for a longer period to enable local authorities the time to plan and invest for the future.

Figure 4: Forecast increase in pupils in London and England by primary and secondary age



Cumulative pupil growth from 2012/13

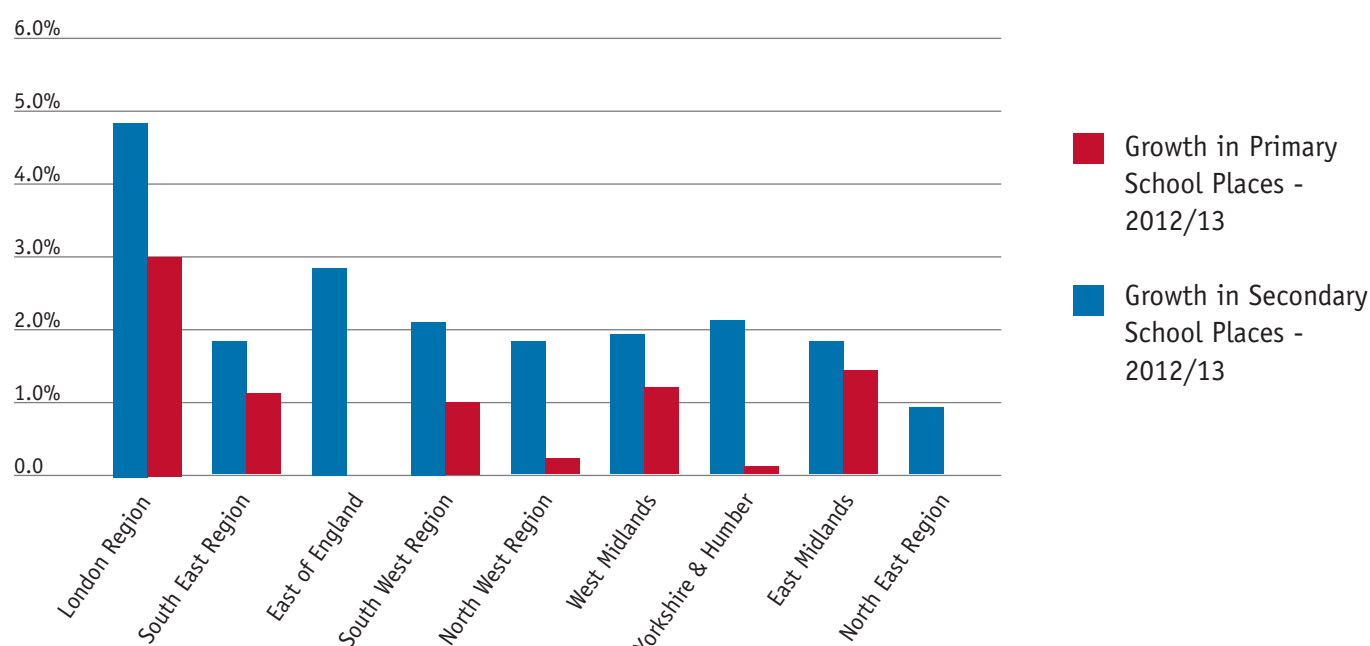
	2013/14	2014/15	2015/16	2016/17	2017/18
London Primary	34,000	62,000	87,000	111,000	134,000
Rest of England Primary	100,000	186,000	263,000	327,000	377,000
London Secondary	12,000	21,000	32,000	45,000	60,000
Rest of England Secondary	-22,000	-24,000	-12,000	17,000	62,000

While other regions are beginning to see signs of increasing growth, the pressure in London is still as high as it was a year ago. Borough forecasts for the six year period 2012-2018 compared to the 2011-17 period are the same for primary and around 10,000 higher for secondary. This suggests no alleviation in the pressure on schools and their capacity.

Capacity

To meet this rising growth in pupil numbers, London boroughs, with the support and hardwork of local headteachers and school governors, have managed to create additional places in areas of need. From 2012/13, the number of school places in London increased by nearly 46,000 places, which is 33 per cent of the overall capacity growth in England.

Figure 5: Growth in primary and secondary school capacity 2012/2013 by region



Growth in Primary and Secondary Capacity by Region from 2012-2013

	Growth in primary capacity	Growth in secondary capacity	Overall growth
London	30,556	15,297	45,823
East of England	12,011	6,189	18,200
South East	13,453	225	13,678
North West	8,803	3,580	12,383
Yorkshire and Humber	10,662	1,281	11,943
West Midlands	9,030	4,945	13,975
South West	9,805	486	10,291
East Midlands	6,238	4,819	11,057
North East	1,880	-314	1,566
England	102,438	36,508	138,946

The increase in capacity needs to continue to meet projected demand and this has become more difficult over time as significant growth over a sustained period has meant that spare capacity in London is scarce. As such it is becoming harder to respond to future growth without building new schools or expanding existing schools.

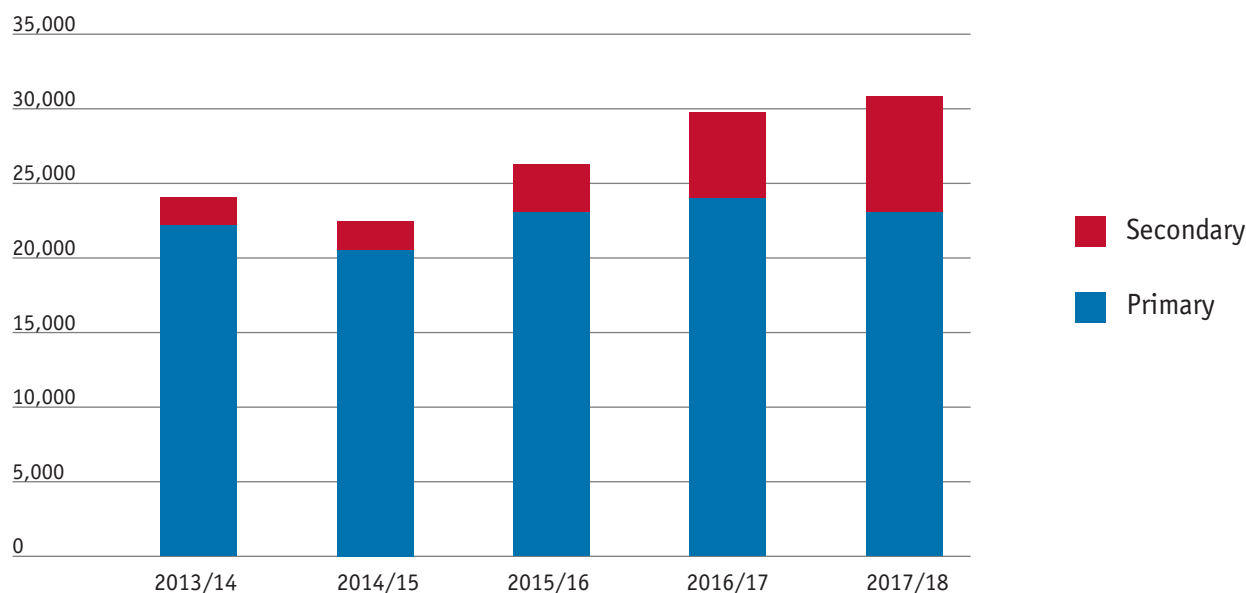


Shortfall

London Councils has calculated the shortfall of school places year-by-year by comparing the capacity in existing schools with the forecast number of pupils. The shortfall shows how many places will be needed over time in the capital, before funding is taken into account. Our methodology differs from the DfE as it enables us to take into account fluctuations within a funding period and potential need each year. Further detail that underpins our methodology can be found at Appendix 1.

Nationally, all local authorities will need to build 497,000 places by 2018. Based upon our analysis of the data, we predict that London will need 133,000 primary and secondary school places by 2018. This equates to 27 per cent of the national shortfall. The shortfall in London is also increasingly shifting through to secondary schools, as shown in figure 6 below:

Figure 6: Shortfall of pupil places in London Schools 2013-2018



In order to meet this need for additional places, based on current levels of capacity, two thirds of London boroughs will have to increase their primary capacity by over 10 per cent in the next six years and one third of London boroughs will need to increase their secondary school capacity by over 5 per cent.

At primary in particular, given that much existing spare capacity has already been used due to historic pressures, it will become increasingly difficult to create these new places without sufficient funding from DfE to build new schools. At secondary level, there is an increasing need for DfE to front load funding to ensure that new schools can be built in sufficient time to meet this rising demand.

Shortfall of pupil places in London

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Primary	22,247	20,424	22,779	23,729	22,979	112,158
Secondary	1,682	2,025	3,481	6,033	7,773	20,994
Total	23,929	22,449	26,260	29,761	30,753	133,152



Figure 7: Map of Primary Shortfall as a Percentage of Primary Capacity

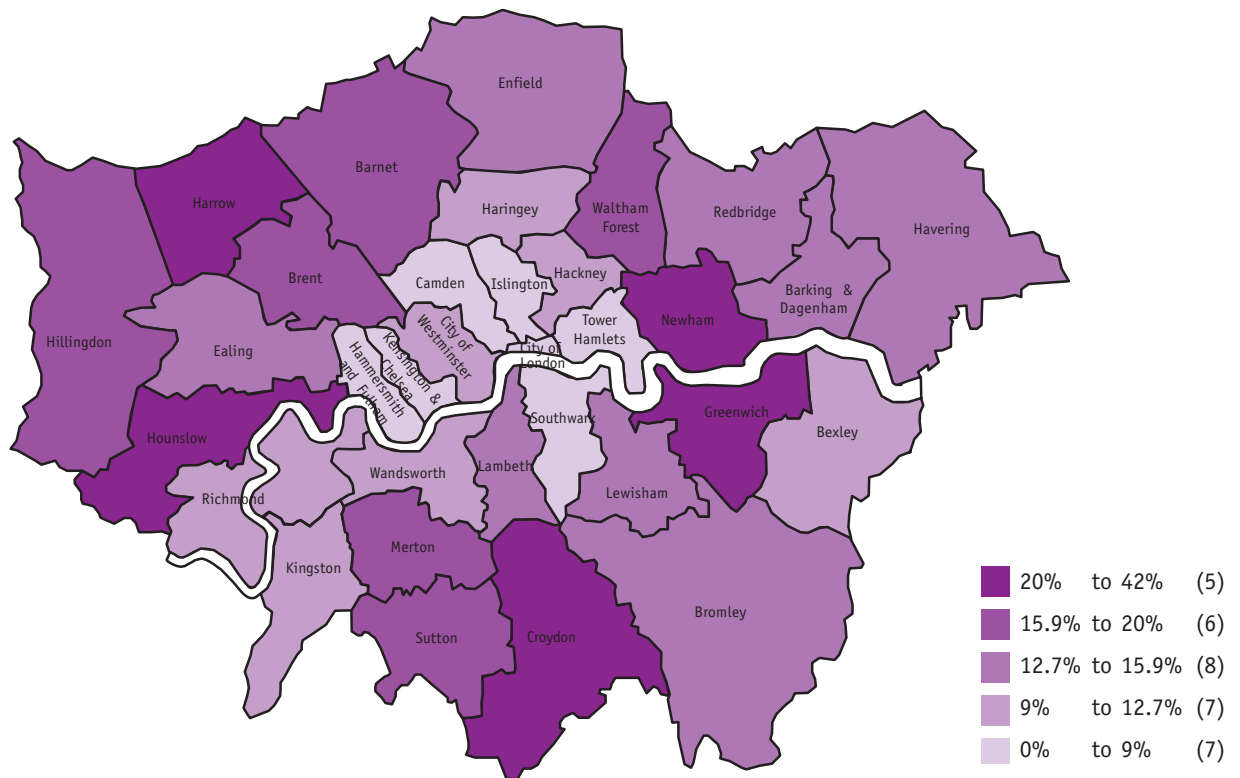


Figure 8: Map of Secondary Shortfall as a Percentage of Secondary Capacity

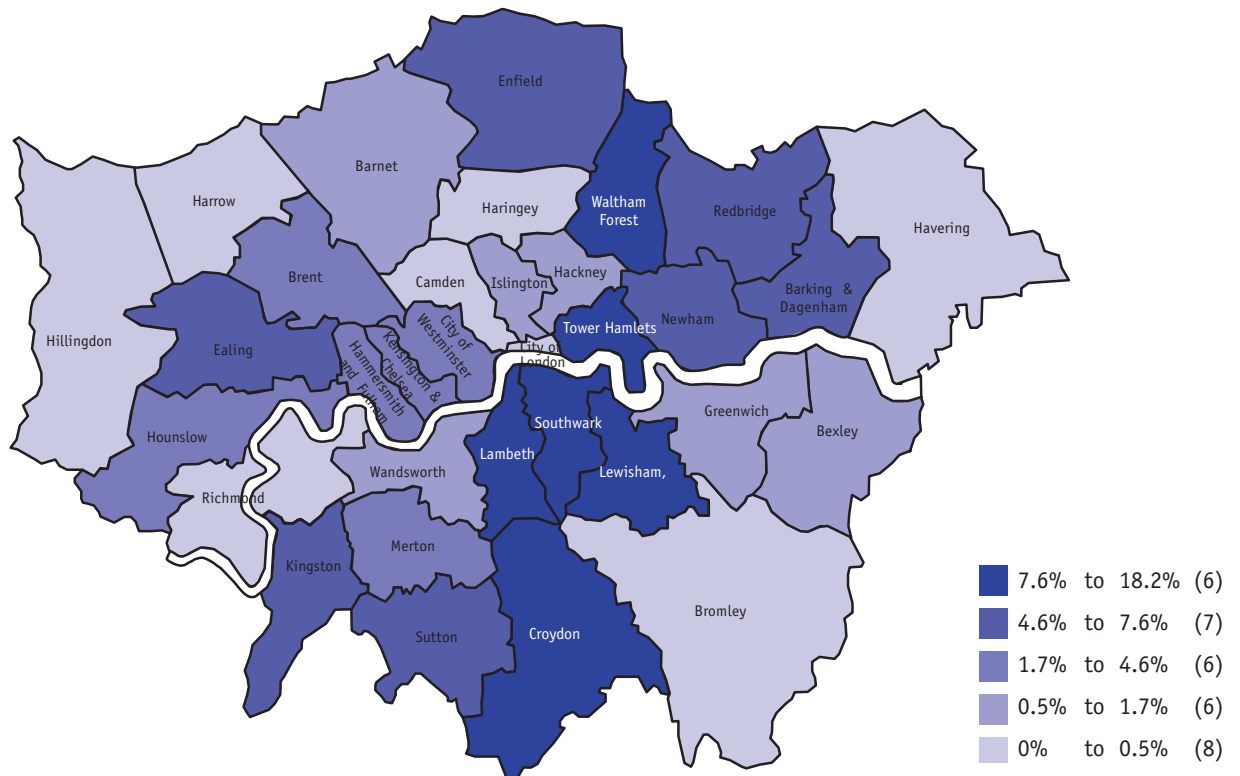
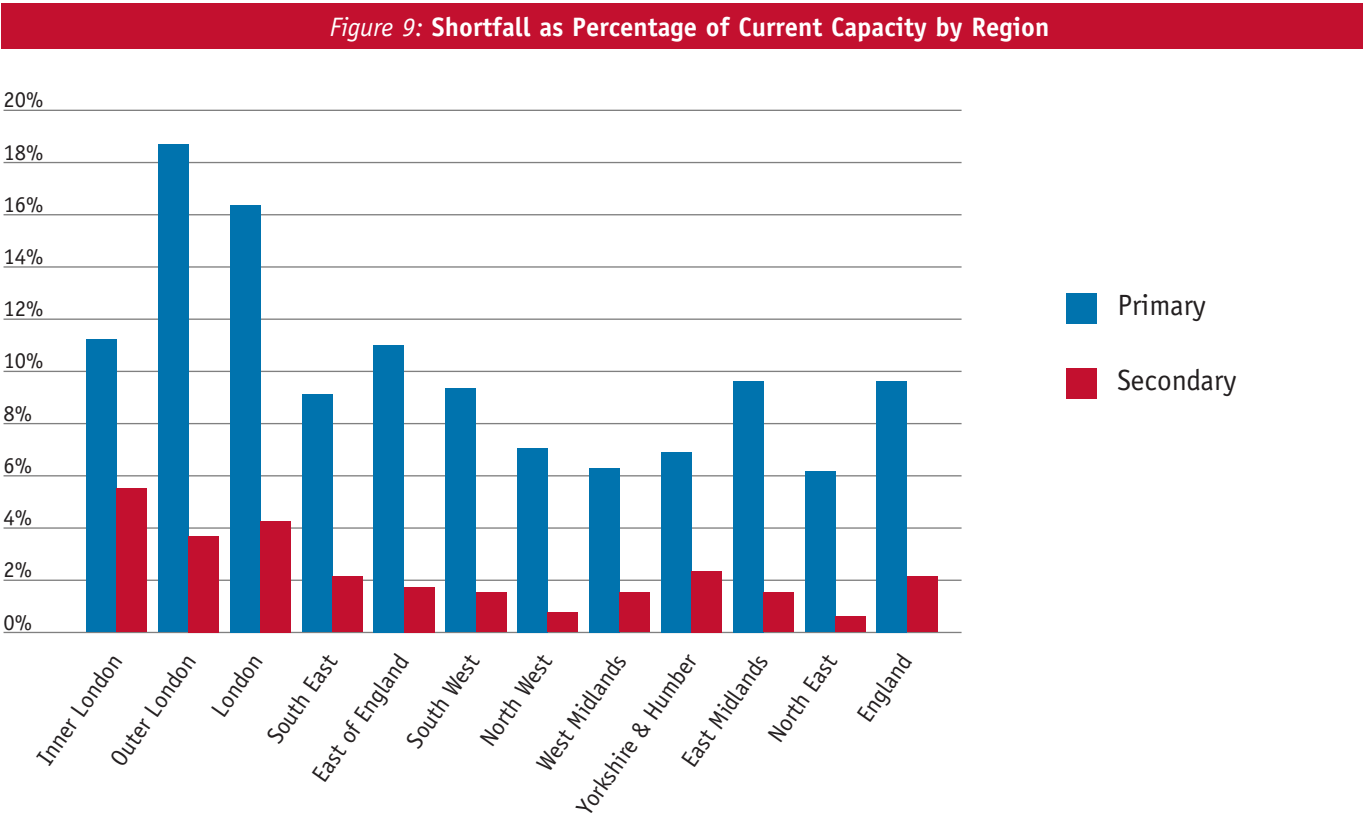


Figure 9 shows that, as a proportion of current capacity, the pressure on both primary and secondary school places is much greater in London than in other regions:



03 funding

Funding

The government provides basic need funding to provide new pupil places by expanding existing maintained schools, free schools or academies, and by establishing new schools².

On 18 December 2013 the Department for Education published allocations for 2015-17 Basic Need funding³. These are shown in the following table alongside the 2013-15 allocations. The allocation was £450 million more than the 2013-15 allocation, however other regions gained much more from this increase than London. While the overall allocation increased by 28 per cent in 2015-17 from 2013-15, the London allocation only increased by 5 per cent - the increase for regions excluding London is 41 per cent.

The evidence already set out in this report clearly shows how London has a larger share of the shortfall in school places, therefore the capital would expect a greater increase in funding than other regions. This section will explore why this was not the case in the allocations announced for 2015-17 and will make the case for changing the funding methodology to ensure that London receives a fair share of this funding in future.

	Total 2013-15 Basic Need	% share of 2013-14 Basic Need Pot	Total 2015-17 Basic Need	% share of 2015-17 Basic Need Pot	Change in total BN allocation pot 2013-15 to 2015-17
London	£576,301,714	36.0%	£607,568,129	29.6%	5.4%
East Midlands	£93,348,562	5.8%	£148,974,656	7.3%	59.6%
East of England	£206,755,155	12.9%	£174,219,038	8.5%	-15.7%
North East	£14,402,463	0.9%	£27,363,616	1.3%	90.0%
North West	£145,688,504	9.1%	£215,916,254	10.5%	48.2%
South East	£255,242,589	16.0%	£346,048,602	16.9%	35.6%
South West	£115,643,711	7.2%	£142,628,224	7.0%	23.3%
West Midlands	£82,792,678	5.2%	£184,540,244	9.0%	122.9%
Yorkshire and the Humber	£109,824,623	6.9%	£202,741,238	9.9%	84.6%
Total	1,600,000,000		2,050,000,000		28.1%

The lack of funding from government has meant that many London boroughs have had to use their own funding in order to be able to provide enough places to meet the demand. From 2010-2016 London local authorities have used 48 per cent of their own funding to deliver school places. 23 London boroughs surveyed have had to fund over £950 million from other sources for these places.

Councils are having to borrow, use asset disposals, maintenance funding and general council funds to meet the needs of their pupils. At the same time, councils will have seen a 34 per cent cut in central government funding and this is placing extra pressure on their already stretched budgets.

The Department for Education has committed to paying 100 per cent of costs for additional school places. The House of Commons Committee of Public Accounts, Department for Education: Capital funding for new school places reported the following:

In 2010, the DfE estimated that local authorities would need to contribute 20 per cent of the costs of delivering school places over the spending period to March 2015. During the hearing, the DfE told us that it now estimates it will provide 100 per cent of the funding required over the spending period, so its expectation of local authority contributions has reduced.

However, clearly the Department for Education has not been able to deliver on this expectation for London. Therefore, London Councils urges the DfE to ensure that it funds the London boroughs sufficiently to be able to cover 100 per cent of the costs of building new school places in the next funding allocation.

Unit costs

Escalating land costs in the capital are having a significant impact on unit costs. Since 1983 property prices in the capital have increased in real terms by 389 per cent, with an increase of 18 per cent⁴ in the last year alone, this is compared to an average increase of 9.2 per cent in the UK.

According to London Councils' analysis the average unit cost of building a school place is approximately £15,000 in inner London and £9,000 in outer London, although there will be some variation in costs depending on where and how additional school places are created. We estimate that funding provided in the 2013-15 allocations was approximately £6,500 per pupil place for inner London and £6,303 per pupil place for outer London. This means that in the 2013-15 allocations there was a shortfall of funding per pupil of £8,500 and £2,700 in inner and outer London respectively.

To build two forms of entry, we estimate the total cost would be £900,000 in inner London and £540,000 in outer London. Due to the inadequacy of current allocations, we estimate that this results in a funding gap of £510,000 in inner London and £162,000 in outer London. This, within the context of a challenging financial climate, has meant authorities are having to find cheaper solutions to the need for places such as bulge classes and temporary classrooms, which are only short term solutions.

For the 2015-17 allocations, the funding per place (pre weighting) has increased to £11,805 for primary places and £14,756 for secondary places. The difference in the funding per place in 2013-15 and 2015-17 allocations shows the problem with having a fixed quantum of funding. It demonstrates that the funding has not been based on the actual cost of supplying new school places, but on a flawed government assessment of how much funding is available during Spending Review 2010 and Spending Round 2013. This needs to be addressed as local authorities are not receiving enough basic need funding to meet the needs in their area.

Special Educational Needs

The methodology for funding basic need does not account for special school places, and there is no separate funding stream for increasing special schools capacity. Research by London Councils suggests that the cost of providing special school places in London is on average £59,000 per pupil. While London Councils welcomes the flexibility to decide how to spend capital funding, there needs to be a recognition of the higher costs of Special schools and SEN facilities within this. The current formula allocates funding for primary and secondary places, recognising a higher cost of secondary places and still does not prescribe how local authorities should spend the funding. This approach could be extended to special schools and SEN places.

Funding methodology

In addition to the issues outlined above, London Councils has a number of concerns about the current methodology the DfE uses to allocate school places funding.

In 2013 the DfE introduced a new assumption in the funding methodology, without consultation, that disadvantaged many London boroughs further. The assumption is that local authorities will be able to create 75 per cent of the places they identified in their 2013-15 predictions. The funding for these places was taken out of the funding allocations for 2015-17.

This arbitrary assumption penalises many local authorities in London. As funding for 2013-15 was insufficient to meet need, due to the unit costs being so low, the assumption that 75 per cent of places have already been built is not the reality in most boroughs in London. Further explanation of this assumption can be found at Appendix 2.

London Councils has repeatedly called on the DfE to remove this assumption from existing and any future allocations. It would welcome a dialogue with government on how to fairly reflect previous build in future funding allocations.

free schools

Free schools and demand

At the same time as funding local authorities to create additional places, DfE has a separate budget to set up new schools, known as free schools.

Free schools are all-ability state-funded schools that are directly accountable to the Secretary of State.

Free schools do not have to be established in areas of high demand for school places and local authorities are not automatically consulted on free school developments, despite having responsibility for places planning locally.

Between 2010 and 2013, of the 142 free schools opened in England, 50 (35 per cent) were in London⁵. Figures 10 and 11 (opposite) outline where free schools have opened compared with the shortfall of places between 2010 and 2013 based on 2010 capacity and forecast data.

The maps reveal that:

- In 2010, five London local authorities had over 44 per cent of the total predicted primary need for school places for the next three years. In the three years that followed, only three of the 37 primary free schools (or 8.1 per cent) that opened were in these boroughs of highest need.
- In 2010, six London local authorities had over 86 per cent of the total predicted secondary need for school places for the next three years. In the three years that followed, only three of the 18 secondary free schools (or 15.7 per cent) that opened were in these boroughs of highest need.

Free schools could help alleviate the pressure of increased demand for school places, and indeed have done so in some parts of London. However, as these maps show, most are not aligned with areas of high demand.

Given the immense pressure in many areas of London to increase the number of school places available, London Councils is calling on DfE to prioritise free schools in areas of need in the future.

Figure 10: Primary shortfall 2010-2013 mapped with free schools opened in 2010-2013

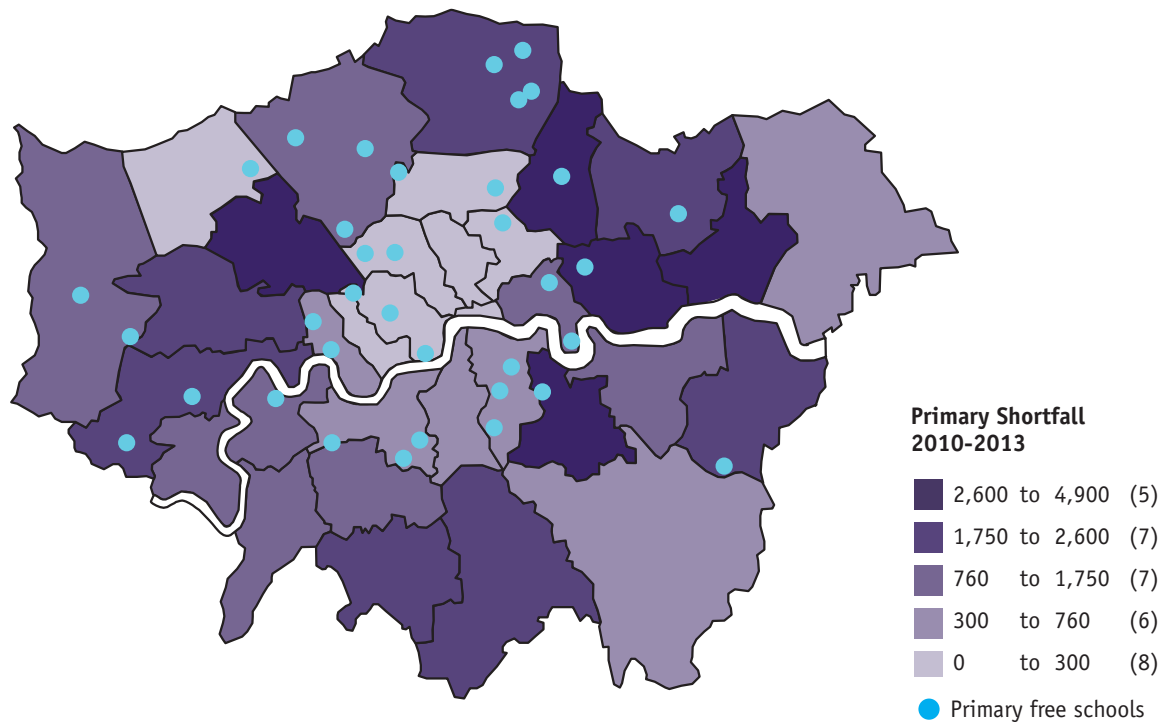
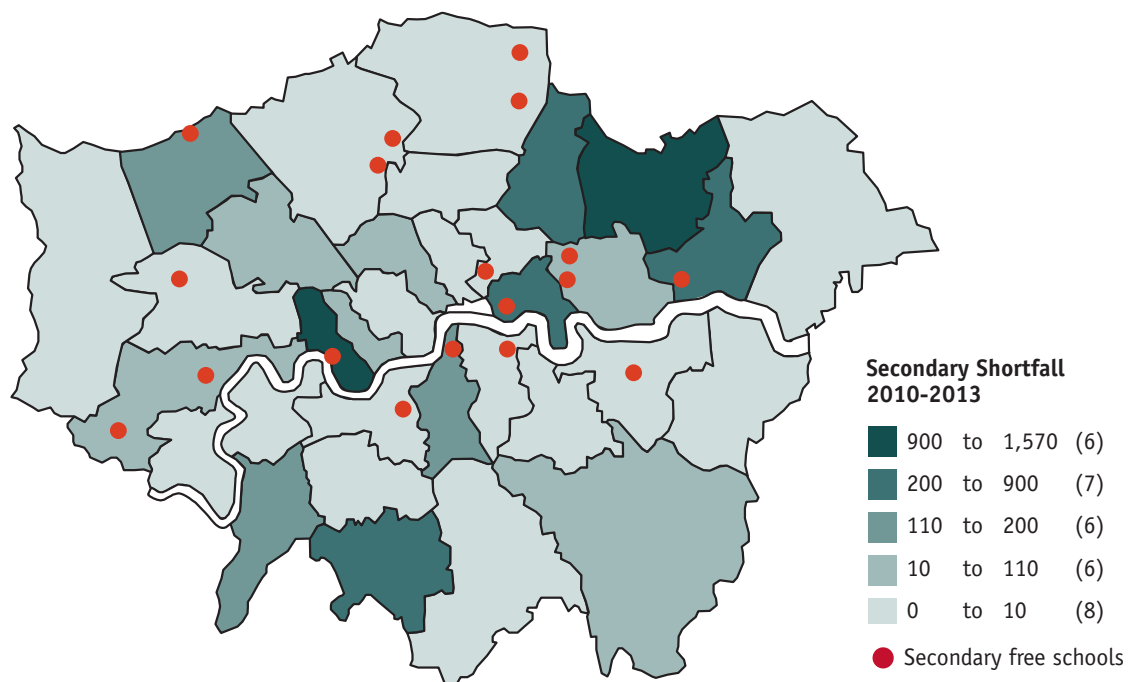


Figure 11: Secondary shortfall 2010-2013 mapped with free schools opened in 2010-2013



These maps have been compiled using data published by the Department for Education's list of open Free Schools⁶ and school capacity: academic year 2010/11 – which includes pupil forecast figures up to 2015/16⁷. All-through schools have been included on both the primary and secondary maps.

conclusion

The shortage of school places is a long term and growing issue. London still has the highest predicted pupil growth and subsequent shortfall in primary places and this is now feeding through to secondary and special schools. London also has higher unit costs than any other region in the country and these are growing exponentially. The Department for Education recognised this in its 2015-17 allocations with a 3 per cent uplift for the capital, but this does not go far enough.

The inadequacy of funding in the past has been compounded by the introduction of the arbitrary '75 per cent' funding assumption in 2013, which means that authorities with consistently high growth in pupil numbers have received proportionately less funding than those who have only recently had an increase in places.

Despite the clear and growing demand for school places in particular areas, new free schools have been set up in many parts of the country that are not experiencing this growth. This programme is diverting essential funding for new school places away from areas that need it the most.

The lack of sufficient funding to fully address the growing need for school places could have serious consequences on local government's ability to deliver on its statutory duty to provide school places if this shortfall is not addressed.

London needs a settlement which takes account of the needs, costs and wider financial context of addressing the school places shortfall.

London Councils asks the government to allocate sufficient funding to local authorities to fully meet identified need in future basic need allocations. In order to do this the Department for Education would need to:

- Provide funding based on the real unit costs of providing school places, recognising the unique challenges and higher costs faced in the capital
- Take the newly imposed 75 per cent adjustment out of any future funding methodology. If any adjustment is to be made based on school places provided so far, this needs to be based on real data rather than an assumption which we believe is unrealistic.
- Provide front loaded funding to enable London to build the new secondary schools it needs in time to meet the emerging demand
- Address the higher costs of special schools and SEN provision by providing appropriate funding levels within basic need
- Ensure that any new free school developments are prioritised in areas of growing need for school places.

appendix 1

Calculating the shortfall in London

The Department for Education calculates shortfall in school places by comparing the capacity in existing schools with the forecast number of pupils for a particular year. Local authorities submit forecasts to the Department for Education. These forecasts project the future pupil populations using the local knowledge within local authority school planning teams. For example, as well as looking at the birth rate, local authorities take into account:

- transfer rates (i.e. moving schools)
- cross borough in/out migration- particularly for faith schools
- patterns of intake
- popularity and parental preferences
- early capture of improving schools and therefore increasing popularity
- accuracy of past projections
- housing developments.

Some local authorities in London also use demographics analysis by the Greater London Authority (GLA) as a basis or comparator to their modelling.

In the past two years forecasts by London boroughs have been 98 per cent accurate.

Ideally, shortfall analysis would be done at school level, as this is where the pressures are, and by comparing it at a higher level it is likely the need will be understated as one school with spare capacity would net off another school which needs additional places.

Historically, the Department for Education has released the capacity and forecast data at a local authority level. Due to the reasoning above, this has meant that the shortfall has been understated.

In the statistics released on 18 December 2013, the capacity and forecast data are available at planning area level, which enables a much more detailed analysis of need. The Department for Education has now also sent the allocation methodology and workings to each local authority, and we have been able to analyse the methodology in more detail.

Unlike the Department for Education, our methodology calculates the shortfall year by year and totals these for the relevant period. This enables us to take account of fluctuations within a funding period and potential need each year. It is also arguably the case that our methodology is on the optimistic side as it assumes an uplift in capacity each year to meet that year's demand for school places.

appendix 2

The DfE has introduced a new assumption in the 2015-2017 basic needs allocations that local authorities will be able to create 75 per cent of the places they identified in the 2013-2015 predictions.

The sharp increase in pupil numbers started in London before other regions, therefore London had a need for more places earlier than other regions, this means in 2013-2015 allocations they received a higher proportion of funding. However, because this funding was not sufficient to meet the cost of school places due to the unit cost of allocations being so low, the assumption that 75 per cent of the places have already been built is not the reality in most boroughs in London. As such, this new assumption unfairly penalises authorities who had a higher need in 2013-2015 compared to 2015-2017.

The following example demonstrates how the allocations are calculated and how this can distort allocations:

Example 1⁸

		London Authority	Other Authority
(a)	2015/16 Pupil forecast +2% ⁹	6000	5000
(b)	Capacity	4000	3500
(c=a-b)	13-15 Need	2,000	1,500
(c*£6,400)	13-15 Allocation ¹⁰	£12,800,000	£9,600,000
(d)	2017/18 Pupil forecast +2%	6500	6000
(e)	Capacity	4500	4000
(f=d-e)	15-17 Need	2,000	2,000
(g=c*75%)	Adjustment for 75% rule	- 1,500	- 1,125
(h=f-g)	Adjusted need	500	875
(h*£13,280) ¹¹	15-17 Allocation ¹²	£6,640,000	£11,620,000

As this example shows, when comparing two authorities with the same assessed need for places in 2015-17, the one which has higher need in the past gets around half of the funding compared to the authority with a recent increase in need for places. This is even more of an issue because, as this report shows, the 2013-15 funding was not sufficient in the first place to address the costs in London, so the 75 per cent rule has a much more disproportionate impact on London. Our research shows the funding from Basic Needs allocations has only been enough to fund around 52 per cent of places built since 2010.

Using the London authority in the example above, the following shows how the funding per place in 2013-15 and the 75 per cent rule has an impact on the 2015-17 funding.

Example 2

		London Authority
(a)	13-15 Need	2,000
(b=a*£6,400)	Allocation	£12,800,000
(c=a/£15,000)	Actual number of places funding sufficient for ¹³	853
(d)	15-17 need	2,000
(-c)	Adjustment for places built with 13-15 funding	- 853
(e=c-d)	Adjusted need	1,147
(f=d-(a*75%))	Need in 15-17 allocation	500
(e-f)	Places unfunded in 15-17 allocation	647

The department has also collected additional information from local authorities this year about how many places have been built and the cost of building these places, as well as the sources of funding. This information does not appear to have been used in allocating resources and instead the assumption that 75 per cent of places would have been built has been applied. While the adjustments to reflect costs in different areas and the difficulty of finding sites are welcome, they are not sufficient to help meet the high costs in London.

endnotes

- 1 See also: Do the Maths 2010 and 2013
- 2 Basic Need Allocation Technical Note
- 3 Basic Need Allocations 2014-17
- 4 House Price index
- 5 Free school application guide
- 6 DfE list of open free schools
- 7 School capacity: academic year 2010 to 2011
- 8 Figures are illustrative
- 9 To reflect new policy for funding a 2 per cent surplus
- 10 Assumed funding per place of £6,400
- 11 Average of basic allocation for primary and secondary places.
- 12 Assumed average of unweighted primary and secondary funding per place
- 13 Based on London Councils analysis



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