



## **Written evidence from London Councils to the Public Accounts Committee – Capital funding for schools Inquiry**

**March 2017**

London Councils represents London's 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all of its member authorities regardless of political persuasion.

We welcome the focus of the PAC's inquiry on school capital funding as meeting the rising demand for school places has been a significant challenge for London local government in recent years. We support much of the findings of the National Audit Office's report *Capital Funding for Schools*<sup>1</sup> particularly the concerns raised around value for money in the Free School programme, the amount and sustainability of local government funding used to subsidise places and the lack of levers and capacity in the system.

### **London's rising demand for places**

The demand for additional school places in the capital, which has reached record levels over the past decade, is showing little sign of abating. London will need a further 110,364 new school places between 2016/17 and 2021/22 to meet forecast demand. At primary school level, the need for more places has started to plateau, rather than continuing to rise as we have seen year on year since 2008. However, demand at secondary level is forecast to increase considerably as the wave of additional pupils at primary is predicted to reach secondary schools in the majority of London boroughs from 2017/18.

London's local authorities have made considerable efforts to expand existing schools and work with new school providers to ensure that every child has a school place. This has been a huge undertaking, but has been achievable largely at primary level because of the multiplicity of small sites with available capacity to expand. These options are now running out, as the NAO report recognises, and local authorities are looking increasingly at more creative ways of expanding existing schools or brokering relationships to open new schools in areas of high demand.

### **Funding shortfall in London**

This challenge is compounded by historic and current funding shortfalls. Basic Need funding allocations from government have decreased considerably in London, despite the capital continuing to experience the largest shortfall in places in the country. London received a 42% share of national funding in 2012/13 but will receive only 14% of the overall pot in 2018/19 despite consistently experiencing similar levels of demand. It is important that the DfE is transparent in its calculations and shares provisional allocations with local authorities to address any discrepancies and enable them to plan more effectively.

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<sup>1</sup> *Capital funding for Schools*, National Audit Office, 2017

In addition, despite an uplift in funding for unit costs to create new school places, the government continues to fail to match the actual London costs per place. Currently the government provides £16,752 at primary and £22,036 at secondary, yet in 2016/17 the actual cost of creating a school place in London was £21,147 at primary and £27,299 at secondary.

London Councils has calculated that London needs at least £1.8 billion to provide sufficient school places in London between 2016/17 and 2021/22. It is extremely unlikely to receive this full allocation given that the Department for Education (DfE) currently has £2.2bn remaining from the fixed Basic Need funding pot it negotiated from the Treasury to allocate up until 2020/21.

Lack of government funding means that councils have to use their own resources, as evidenced in the NAO report, often through borrowing or diverting other funds, to ensure there are sufficient school places to meet growing demand. We are also concerned that the EFA makes unrealistic assumptions about the value of section 106 contributions, leaving local authorities forced to cover the funding gap from their own funds. However, as core local government funding will be reduced by 37% in real terms between 2015/16 to 2019/20, it is becoming increasingly difficult for local authorities to access additional funding of their own.

### **Expanding academies**

Expanding provision at secondary level is becoming increasingly difficult as many local authorities have used up available options in maintained schools and academies. Some academies however are resistant to expand, even when there is a clear need for additional places and they have sufficient capacity to meet this need. It is incredibly difficult for local authorities, who have a statutory duty to deliver sufficient school places locally, to secure academy expansion in these circumstances without formal levers in place. This could be a significant issue as secondary demand rises, as 63% of London's secondary schools are academies. Furthermore, school leaders might argue that a particular expansion should only be permitted as part of a wider programme of capital investment - such as refurbishment of existing facilities - which can further drive up the true cost of delivering new places across all school types. Therefore, London Councils believes that the government should provide local authorities with the levers to ensure that academies expand, where they have capacity and there is a clear need for places locally.

### **Value for money of the Free Schools programme**

As options for expanding existing schools become exhausted local authorities will rely increasingly on Free Schools to provide additional school places. The funding for these places is supplied by the Education Funding Agency which helps over-stretched local authorities to be able to fulfil their statutory duty without having to subsidise more places. However, we have concerns about the high level of risk inherent in relying on the Free School programme to deliver sufficient school places in an area. The major risk to local authorities is uncertainty over delivery timescales. Only half the approved Free Schools in London currently have a site secured, which remains the biggest single factor delaying or preventing Free School delivery. When a planned Free School is not delivered at all or its final capacity is lower than expected, local school places plans are disrupted. This can be

particularly challenging where a local authority is informed at short notice and is left with the responsibility to find alternative school places.

Some local authorities have been working constructively with the EFA and new Free Schools to ensure that they align new schools to basic need, however this is not always the case. Many London boroughs have reported that their views on the size, timing and location of new schools have been overlooked by the EFA in approving a Free School. Some new schools have been approved despite local authorities implementing plans to meet basic need through expansion. This puts local authorities in a very difficult position – they have a duty to secure sufficient school places but do not want to waste scarce resources on expanding schools if new capacity is being created elsewhere. In addition, they often have to support temporary provision at short notice for free schools before a permanent site is secured. Therefore, London Councils has repeatedly called on the government to prioritise Free Schools in areas of demand for school places. In addition, Free School providers should have to engage with local authorities from the outset to ensure alignment of demand with new capacity.

Uncoordinated delivery of Free Schools has already led, or will soon lead to, the delivery of new secondary places in areas where they are not yet required to meet demand, which is not cost effective. Whilst both the DfE and Audit Commission recommend a small surplus to support parental choice, in some authorities the delivery of new places in areas of relatively lower demand means that some schools, including new Free Schools, operate well below capacity placing them under financial strain and threatening their long term viability. These financial challenges are likely to be exacerbated by the changes to the school funding formula which will remove the existing flexibility for Schools Forums to support good schools with falling rolls, where places are likely to be needed in the future.

Identifying suitable sites is also becoming one of the most difficult obstacles to overcome in order to deliver sufficient places in London. The high cost of land in London is compounded by the scarcity of appropriate sites in areas of high demand for places and competition for suitable land, which drives up costs further. It is unhelpful that Free Schools in London are not currently prioritised in areas of need, given the shortage of funding and available sites. In addition, the EFA needs to work with local authorities when acquiring land for new Free Schools to take into account demand for places and to ensure that sites are suitable.

The difficulty in securing large sites has led to many small secondary schools opening in London. 13 of the 38 Free Schools in London are operating at 4 Forms of Entry or less. There are nine below 4 Forms of Entry. Whilst small, new schools can sometimes be justified, particularly when they have a specific faith or community ethos, it is difficult to see how very small schools will be financially sustainable in the context of wider budgetary reductions. The long-term financial sustainability of very small schools should be considered carefully when new schools are approved by the EFA.

## **Capacity**

While the capital costs for the vast majority of Free Schools are borne by the EFA, there are still considerable additional costs to councils in establishing new Free Schools. Aside from the direct costs of land purchases and transfer, and the time required to put together contributions to the London Plan or land deals, boroughs report that there are very

significant calls on the time of officers from across the council from the Free School Delivery Team at the Department for Education. There is currently no direct funding to support these costs. Basic Need funding calculations do not include the costs of land purchase and the Education Services Grant, which may have supported some of this work, will be effectively cut back by 46% in London (£38.1m) in September 2017 once new transitional and school improvement grants are factored in. It is important that local authorities are funded appropriately to be able to fulfil the statutory duty to ensure sufficient school places locally.

### **Children with Special Educational Needs and Disabilities (SEND)**

Another emerging challenge for London is the growth in numbers of children with SEND. We are disappointed that the scope of the NAO's report into school capital did not include this area as it is becoming a significant challenge for London to ensure sufficient school places for SEND pupils. There has been a rapid growth in dedicated SEND places in London, exceeding mainstream growth and the rest of the country. This is putting considerable strain on the education system, as creating school places for children with SEND costs on average £69,701 per place, depending on the type of school a child attends and the type of access they require.

### **Conclusion**

We are concerned by the highly fragmented delivery of new schools, which does not engage effectively with those locally responsible for school place planning, together with the pace of expansion and likely difficulty in recruiting sufficient additional teachers is placing the high quality of London education at risk. To mitigate this risk London Councils calls on the government to:

- Ensure that London receives the remaining £1.8bn funding allocation it requires in order to fully fund all the predicted additional school places required by 2021/22.
- Be more transparent about how it allocates Basic Need funding to local authorities, including sharing provisional allocations with local authorities in advance of the final allocations.
- Provide local authorities with the levers to ensure that academies expand in areas where there is a clear need for places.
- Prioritise Free School approvals in areas of high demand for places and ensure that Free School providers engage with local authorities from the outset to ensure alignment of demand with new capacity.
- Ensure more strategic join up between local government and the EFA on land acquisition to ensure better value for money.
- Fund local authorities appropriately to be able to fulfil their school place duty.
- Identify additional resources to fully meet the cost of delivering additional SEND places across the country.