

The James Review of Education Capital Spending

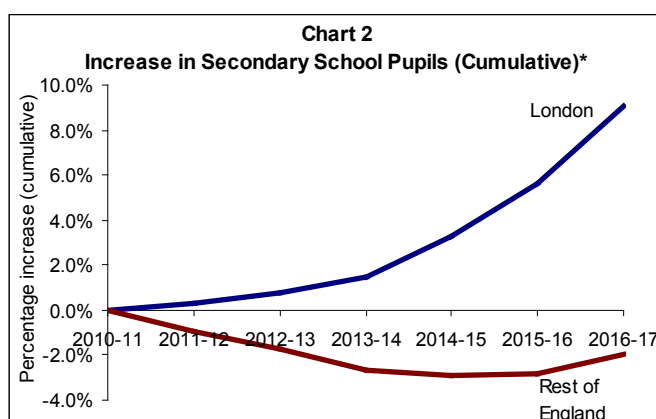
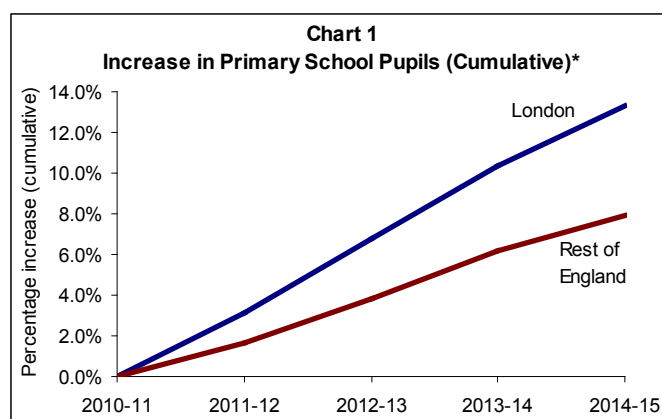
Facing a predicted shortfall of around 70,000 school places over the next four years, London boroughs urgently need capital investment in their schools. Against this backdrop, the government-commissioned *Review of Education Capital* by Sebastian James, published on 8 April, considers the future delivery of capital investment in education. This briefing sets out why London has a unique need for further capital investment in schools and what this new report could mean for London.

Overview

The pressure on school places in London

London boroughs are predicting a shortfall in permanent school places of around 70,000 over the next four years. The shortfall is expected to increase sharply from around 10,000 in the current school year, to around 18,500 in the 2014/15 school year. This will be felt across virtually every London borough and, while it is currently largely concentrated in primary schools, it will begin to impact on secondary schools in the later years.

The pressure for school places is much greater in London than the rest of the country. Pupil numbers in London will increase by 9.2 per cent between 2010/11 and 2014/15 compared to an estimated 4.0 per cent in the rest of England (as set out in Charts 1 and 2).



Up until now the unexpected increase in demand in recent years combined with insufficient funding has forced many local authorities to use temporary accommodation to meet demand rather than fund permanent expansions. In the current school year 11,000 pupils across 28 boroughs are being taught in temporary classrooms.¹ As the James Review acknowledges, this is not sustainable.²

London's need for capital investment

In London, the cost of meeting this pressure is expected to be around £1.7 billion³ over the next four years with more than £520 million required to ensure that every London pupil has a permanent school place in 2011/12 – of this only £210 million has been provided to date, leaving a funding shortfall of around £310 million.

London Councils recognises the government's fiscal consolidation policy and the current budgetary constraints at the Department for Education, and has therefore developed a cost neutral solution to help deal with the forecast shortfall in school places over the next few years.

We believe that the current methodology to allocate funding should be improved so that school place funding reflects need more closely. For example, in 2011/12, London has only been allocated 26 per cent of the available funding for school places despite having 64 per cent of the shortfall in school places.⁴ This results in London losing out on more than £320 million, which would go a long way to meeting the costs of building sufficient school places in London.

The issue with the current allocation methodology is that it does not take into account the differences in the existing capacity of schools in an area. This disadvantages London local authorities as they have been struggling to deal with rising rolls for a number of years. This has left them with very little capacity from which to meet the anticipated increases in demand.

Therefore, London Councils would like to see a rebalancing of the funding system to reflect both relativities in the likely shortage of school places and fairness in previous funding allocations. This would ensure that funding would be directed to those most in need.

Analysis

On 5 July 2010 the Secretary of State for Education, Rt Hon Michael Gove MP commissioned Sebastian James to undertake a review of all Department for Education (DfE) capital spending. Sebastian James' report was released on 8 April 2011. The overall aim of the review was to ensure that future capital investment represented good value for money and strongly supported the government's stated objectives to reduce the deficit, raise standards and tackle disadvantage.

The main issues identified by the review were:

- The capital allocation process is too complex, time consuming, expensive and opaque.
- It does not succeed in targeting money efficiently to where it is needed. The design and procurement process for strategic programmes did not adequately deal with value-for-money consideration.
- Project managers had a lack of expertise, which meant that there was little opportunity to improve building methods in order to lower costs over time.
- Multiple devolved funding processes rewarded those most adept at winning bids rather than necessarily those in most need.
- The quality of building maintenance varies across the country and there is a lack of good quality data on stock condition.
- The regulatory and planning environment is far too complex.

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¹ Almost all these pupils are in Reception to Year 2 classes, with 5 per cent of all Reception to Year 1 pupils being in temporary classrooms; ² The report says that temporary solutions are 'neither cost effective nor usually fit for purpose for anything other than a stop-gap' (par 3.10); ³ Costs do not include the cost of acquiring land; ⁴ Analysis based on school capacity and roll projections data published by DfE, November 2010.

The James Review has made a number of recommendations, including:

Compulsory centralised procurement: The report recommends that central government retain funding for major projects so that it can procure and contract manage the projects on behalf of local areas. We feel that this process could undermine the strategic leadership role of local authorities and risks disconnecting local communities from their school provision. The report seems to ignore the fact that many local authorities invest significant amounts of their own capital resources in school buildings – it is not clear what incentive there will be for local authorities to include their own funding in a capital pot outside their control. Centralised procurement also raises questions about accountability; for example, who would be accountable to the local community if a centrally procured major project overran its budget or timetable, and who would cover the costs of temporary provision if a major project was delayed?

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Creating a separate funding process for free schools from maintained schools and academies: In a time of tight budgets, it is more important than ever that all schools are funded on a consistent basis and that funding is targeted towards the areas of most need. The James Review would see funding for free schools outside of the local decision-making process. This would make it very difficult for local authorities to fulfil their role as strategic commissioners of school places. Funding free schools centrally would also cut across the mechanism for allocating all other capital funding and risks leading to a fragmented approach to capital investment, which could limit the delivery of value for money school places.

Requirement to agree a local investment plan with a central body: This new burden could reduce the ability of local areas to respond swiftly to changing local needs, particularly around increases in demand for school places. Local authorities are best placed to understand their local areas so it is not clear what form a challenge process would take. The report also does not make clear what circumstances would trigger the central body to make changes to the investment plan, and who would be accountable for the changes imposed by the central body if they were not supported by the local area.

Specific ministerial priorities should be included when determining allocations: Any mandate to include ministerial priorities in funding allocations cuts across local decision-making processes. If specific ministerial priorities are to be included when determining allocations, they need to be done in a way that does not compromise the funding of local pressures and priorities.

The introduction of ‘absolute requirements’ on the body with responsibility for strategic investment decisions to maintain school buildings to an agreed standard: In line with the principles of localism, investment priorities need to be decided locally, rather than mandated by central government. If any such duty is imposed on local authorities, they would need sufficient funding from central government and adequate levers to enable the duty to be fulfilled.

Capital investment should be based on objective facts and use clear, consistently applied criteria: In principle, the process for allocating capital investment should be objective and transparent. However, the report does not set out in detail what any funding methodology would look like. It is important that any funding criteria reflects need, is supported by robust data and does not create unnecessary burdens or duplication in work for local authorities.

Allocations should focus on the need for high quality school places: Given the acute pressure on school places in London, it is vital that funding should be directed towards need.

Multiple investment funding streams should be avoided and local areas should have a single, flexible budget: The introduction of a single flexible budget for each local area would be helpful, particularly in London where levels of need have exceeded predictions considerably. We also support the need for the DfE to provide certainty about capital funding allocations in the future. These would support more effective strategic planning of priorities and building works and so deliver maximum value for money.

Commentary

London boroughs need capital investment to address the acute shortage of school places. The current allocation methodology is in need of review to ensure that London receives its fair share of funding and London Councils has come forward with a solution that allocates funding in the most equitable way - that is, to directly address those most in need.

Both the James Review and the government's response to it provide a welcome opportunity to address the flaws of the current funding system and to ensure that London's capital investment needs are sufficiently met. Within the report, there is much that London local authorities can support, such as a commitment to a fairer, more transparent funding system and a single flexible funding stream.

London Councils would also agree that a local authority is "always best placed to identify and prioritise need at a local level" and that it should be given the leadership role in bringing together all schools, including academies, to agree local priorities and plan how capital funding in a particular area should be spent. Local authorities continue to have a statutory duty to ensure sufficient places for every child in their local area who requires one, and it is therefore vital that they have sufficient powers to be able to achieve this.

However, some of the proposals have the potential to undermine this duty and the local decision-making process. This could also compromise the delivery of value for money school places. In particular, the presence of a centralised procurement process, a central 'sign off' for local investment plans, the unique position of free schools outside of the authority's main process and a number of centrally determined standards threaten the local decision-making process.

In addition, there is still a lack of clarity about the strategic role of local authorities in education, which needs to be unpicked in order to fully understand the implications of these recommendations and for local authorities to be able to fulfil their ongoing statutory duties around education.

Local authorities are best placed to know how best to deliver school capital investment in their local area. Therefore, local government should have the freedom and power to work with their own local communities to secure the best possible outcomes. National government should recognise this and allow local democratic institutions to operate with the fullest possible discretion.

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