



Lord Agnew Kt DL

Parliamentary Under-Secretary of State for the School System
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Dear Directors of Childrens Services,

30 May 2018

On 29 May, the department announced basic need allocations for school places to be delivered for September 2021. This funding has been provided in order to support you to meet your statutory duty to deliver sufficient schools places, as set out in section 14 of the Education Act 1996. We expect that, in doing so, you will make every effort to spend this capital funding *efficiently*; safeguard the *quality* of places in the system; and manage down *spare capacity* in the estate where it exists. We know there is some excellent practice across local authorities on all of these fronts, and want to support you to learn from one another and improve where needed.

If you would like any additional support or wish to discuss any of the areas outlined in this letter, please do raise with your lead contact in the ESFA Pupil Place Planning team at Advisers.PPP@education.gov.uk.

Efficient use of capital funding

As part of fulfilling your duty to provide sufficient places, it is right that we look to you to deliver capital projects efficiently and effectively. There are many examples of effective delivery, but the latest SCAP Capital Spend data for 2016/17 shows considerable variation, based on the cost per place metrics in the School Places Scorecards. Even after excluding the least and most expensive groups, the cost of delivering a primary school place varies from £4,900 to £19,600.¹ The 2017 NAO Report on Capital Funding for Schools commented that variation in cost might indicate that some local authorities are not choosing to create new school places in the most cost-effective ways or are not implementing their chosen approaches efficiently. The latest School Places Scorecards are available on GOV.UK and the Education Building Development Officers latest National Schools Delivery Cost Benchmarking Report is [here](#).

The government has begun a programme of work to support local authorities, academy trusts and other responsible bodies to secure sufficient capability and capacity to manage their estates effectively. Mike Green, then Director of Capital at ESFA, issued advice to Directors of Children's Services in September 2016 on benchmarking, specification, delivery strategy and procurement routes. [Good Estate Management for Schools](#) was published in April 2018 to provide a one-stop-shop for everything that responsible bodies need to know about managing their estates.

¹ Based on looking at the 80th and 20th centiles, having controlled for inflation and regional price differences and excluding refurbishments.

We are also collecting and analysing data from local authorities and academy trusts to improve how we monitor whether capital grants are being used efficiently, to benchmark performance, and to help share best practice. We visited a number of local authorities in 2017 and engaged in discussions to identify drivers of efficiency and inefficiency in the delivery of school places. We are now working closely with the sector to support high cost local authorities to increase value for money. In 2018/19, we will extend our work to look at efficiency in the management of the existing estate by both academy trusts and local authorities.

We are working closely with the Education Building Officers Development Group to find new ways to share good practice and support local authorities to deliver school places more efficiently and effectively. The programme will help local authorities make the most of their Basic Need allocations, making sufficiency spend as efficient as possible and potentially freeing up local authority capital funds to benefit the community more widely, for example improving the condition of existing schools.

In order to support this drive for capital efficiency, we will in future be applying three conditions of grant to basic need funding. These conditions will apply from the 2019-20 allocations onwards and will be set out in an annual grant letter alongside the first instalment next spring. We wanted to provide you with advance notice of these conditions.

Under the first, the department or the ESFA may require local authorities to provide such information as we reasonably request relating to expenditure related to providing school places, so that we can understand cost drivers and measure efficiency. Under the second, the department or the ESFA may require local authorities to produce an action plan to improve the efficiency of capital spend on new school places, where they have been identified for engagement based on their spend data and are not able to demonstrate that higher costs are justified (e.g. due to constraints or external factors beyond their control). The third condition will provide a backstop sanction, which the department or ESFA would only consider using in circumstances where we are unable to agree an action plan with a local authority; or where we consider that authority to not be carrying out its action plan effectively. In such instances, the department may withhold basic need funding for a specified number of places and instead directly deliver construction of those places centrally.

For clarity, we will never claw back any allocations already distributed; and the basic need grant remains un-ringfenced, providing you with the flexibility to manage your capital programmes in the way you deem fit. These conditions will only ever be enforced in the rare cases that the department cannot constructively agree a course of action with a particular local authority that is designed to drive efficient spending.

Quality of places

One of the department's key ambitions – which I know you will share – is to ensure that every pupil has access to a high quality school place. We therefore expect you to create new places in schools or academies that have an overall Ofsted rating of 'good' or 'outstanding,' and to consider a range of performance

indicators and financial data before deciding which school to expand. We do not expect you to expand a school or academy that is underperforming, unless there is a very strong rationale to do so – and if the school or academy is eligible for intervention, you should discuss this with the relevant Regional Schools Commissioner first. If you believe there is no other feasible way to create new places in your area – other than by expanding an underperforming school – you should contact your local ESFA Pupil Place Planning Adviser as soon as possible, who can support you to consider the available options. If you have challenges in persuading good or outstanding academies to expand, please do also discuss these with your Pupil Place Planning Adviser.

Spare capacity

The School Capacity Survey (SCAP) 2017 data shows that, whilst there are areas of the country with demand for new places, there are also a significant number of unfilled places in the system. We know that local authorities expect to fill many of these places over the coming years – particularly in the secondary phase, where you have been preparing for the primary population bulge to move up through the system. Where places are not needed to meet forecast demand, however, we would expect you to take action. Whilst it is prudent to retain some spare capacity, in order to manage shifting demand and provide for parental choice, we do not expect local areas to be carrying excessive levels of spare capacity.

As part of fulfilling your sufficiency duty, you will want to manage the local school estate efficiently and reduce or find alternative uses for high levels of spare capacity, in order to avoid detriment to the educational offer or financial position of schools in the area. As part of this, we would expect you to consider a spectrum of options for the reutilisation of space, including for example increasing the provision of early education and childcare, and options for reconfiguration, including via remodelling, amalgamations, mergers and closures where this is the best course of action. Of course, the costs and benefits of keeping and removing spare capacity are very sensitive to local factors. All of these factors should be carefully weighed up, along with considerations of the quality and diversity of provision, to determine the most appropriate approach for your area.

In 2018, we will be working with a small number of local authorities that have both low levels of performance across their schools and high expected rates of spare capacity over the medium-term horizon. Our work with these particular local authorities will be focused on supporting them to make the most efficient use of their estate. Any planned changes will be locally-led and developed through constructive dialogue with relevant bodies in the area.

A handwritten signature in black ink, appearing to read "Mark Agnew". The signature is written in a cursive style and is positioned above a horizontal line that extends across the width of the signature area.