



House of Commons  
Education and Skills Committee

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# Public Expenditure

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Fifth Report of Session 2005–06





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**Fifth Report of Session 2005–06**

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## The Education and Skills Committee

The Education and Skills Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Education and Skills and its associated public bodies.

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The current staff of the Committee are David Lloyd (Clerk), Jyoti Chandola, (Second Clerk), Libby Aston (Committee Specialist), Nerys Roberts (Committee Specialist), Lisa Wrobel (Committee Assistant), Susan Monaghan (Committee Assistant), Charlie Twyman (Committee Assistant), Susan Ramsay (Committee Secretary) and John Kittle (Senior Office Clerk).

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## Summary

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### *Departmental annual report*

We express concerns in this report about changes to the DfES Annual Report this year. Departmental Annual Reports (DARs) were introduced in the 1980s specifically to provide more and better information on expenditure to select committees than was previously available through the annual Public Expenditure White Paper. There are signs, however, that this prime function is no longer the main motivation for the production of the document. We looked back over the Department's reports from 2003 to 2005. The Department has altered the chapter headings, lay-out and contents of the report in each year. Some of the contents are kept from one year to the next, but others are dropped. The regularity of change makes it virtually impossible to follow the thread of policy and funding. Items come and go as new initiatives wax and wane. The reports made no effort to explain why changes had been made, and nor were we consulted about any of these changes.

We expect the DfES to take our concerns about the Departmental report on board for the future and to ensure that information is presented in the Departmental Annual Report in ways which are consistent with previous years and which provide clarity about what is happening with expenditure, for example by having all tables reflecting the full period of a Government (in this case, running from 1997). Consistency and rigour will benefit us in our scrutiny work, but will also benefit the DfES. Debate should be about what information on expenditure tells us about what is happening in the education sector, not whether the information itself is reliable. Moreover, we expect to be informed, prior to preparation of the report, about significant changes to the DAR or within any other key annual sources of information on education expenditure and outcomes.

### *Schools' funding*

We have continued the work of our predecessors in following closely the development of a new schools' funding mechanism arising from the reported difficulties in spring 2003. In July 2005, following a consultation exercise, the Government announced its plans for new funding arrangements, with a ring-fenced Dedicated Schools Grant. The aim is to move to three year budgets for schools from 2008–09, with 2006–07 and 2007–08 being a further transitional period. The detailed plans are to be the subject of consultation later this autumn. One of the main aims for the new funding system ought to be that it is as comprehensible as possible, so that head teachers, governors and parents are able to understand how funding decisions for their schools are arrived at.

### *Per pupil funding*

In his Budget Statement on 22 March, the Chancellor said that it was his aim to close the gap in per pupil funding between the private sector and the maintained sector. This would mean raising funding from £5,000 at present to £8,000 at current prices. The Institute for Fiscal Studies (IFS) estimate that it would cost £17 billion in real terms to close the gap, and would be achieved between 2014 and 2022 depending on growth on spending in the sector. It appears from the careful answers that both the Secretary of State and the Permanent

Secretary gave to our questions on the Chancellor's announcement that the policy is an aspiration rather than having been developed with a timetable in conjunction with the DfES. Without a timescale to achieve the target or any definite commitment to increase expenditure, it is hard to be certain when the target would be met. The debate on what is the appropriate level of per-pupil funding is an important one. Future policy announcements should have a more substantial basis.

#### *Efficiency savings*

We looked once again at the Department's £4.3 billion of savings under the Gershon efficiency programme. From the evidence we took it appears that the DfES expects to make no cash savings through these efficiency gains, but does expect that about 75% of these non-cashable gains will be "recyclable", for example allowing the more effective use of teachers' time. We welcome these recyclable gains, but we do have doubts about whether quantifying them in cash terms is in any way helpful. Money is not being redeployed elsewhere, and it is a moot point the extent to which the gain which accrues from a teaching assistant or other non-teaching staff member taking on tasks previously undertaken by teachers, and thereby freeing teachers' time for preparation or teaching, can be given a monetary value. This does not seem to be money as it is normally understood, and once again draws the DfES, and Government more widely, into arguments about what the numbers mean, rather than putting the focus on the matter in hand, namely the quality of educational provision.

#### *Education productivity*

The Committee asked the Office for National Statistics about the best existing measures of education productivity. The response indicated that a definitive way of calculating that productivity is some way off. Given the increased level of investment that this Government has made in education, it is unfortunate that it has not yet proved possible to measure the effectiveness of that spending in providing better education and more highly qualified students. This is not to say that the investment was ineffective; but in productivity terms, we simply do not have the data to tell us one way or the other. There is a risk, in the longer term, that the inability to demonstrate a measurable link between inputs and outputs will mean that taxpayers have no way of judging whether or not public resources are being well used. Such an outcome would be bad for taxpayers and, potentially, could undermine the electorate's willingness to fund public services.

#### *Research funding*

The Chancellor's announcement of the ending of the Research Assessment Exercise and the publication of a consultation paper setting out possible data-based systems (metrics) which might replace it have given rise to a great deal of controversy. Our main concern is that no significant decision should be taken without a full debate on the substantive issues of what we want the research funding system to achieve and whether it is appropriate to replace the RAE with metrics (and if so, what type), or without a proper evaluation of the evidence from the dual running of the 2008 RAE alongside a system of metrics.

Any replacement system will only be relevant for funding decisions after the 2008 exercise has been completed. There is therefore sufficient time to weigh the evidence before a new system is put in place. We are planning a wide-ranging inquiry into a number of issues concerning higher education in the next parliamentary session, and research funding is one of the subjects that we shall be investigating. We expect the Government not to take any irrevocable decisions on the next steps until we have reported our findings.



## Preface

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1. This Report arises from the Committee's annual examination of DfES expenditure and management of resources. It is based principally on the Department's Annual Report, and meetings with the Rt Hon Alan Johnson MP, Secretary of State for Education and Skills, and with David Bell, Permanent Secretary, and Jonathan Thompson, Director General, Finance Department, of the Department for Education and Skills.<sup>1</sup>

2. In this Report on expenditure we pick up a number of the issues that we looked at in our report earlier this session, such as the further changes to the schools' funding system and the Department's plans for efficiency savings under the Gershon process. We also comment on the Department's provision of information in the Departmental Annual Report and its consultation with the Committee, or lack of it, on a number of key issues. A significant amount of extra information supplementary to that available in the Department's report is published here, including the responses to questions we raised in writing and during the two evidence sessions. We also look at proposed changes to the system of funding research in higher education.

3. We are grateful for assistance with this inquiry from Tony Travers, Director of the Greater London Group at the London School of Economics. We also wish to thank the Institute for Fiscal Studies for providing a very helpful memorandum at our request.

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1 Department for Education and Skills, *Departmental Report 2006*, Cm 6812, May 2006.

# 1 Departmental Report

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4. The Departmental Annual Report published by the DfES is an extremely important document. It provides in depth information about spending by the Department over time, and gives us the opportunity to investigate the extent to which spending and outcomes mirror Government policies and priorities.

5. Departmental Annual Reports (DARs) were introduced in the 1980s specifically to provide more and better information on expenditure to select committees than was previously available through the annual Public Expenditure White Paper. There are signs, however, that this prime function is no longer the main motivation for the production of the document.

6. When we first looked at the latest DAR a number of things struck us. Most importantly, a key table that featured in previous years was missing. This table, setting out Education Expenditure by Central and Local Government by sector in real terms, is vital; without it the report contains no comprehensive or comprehensible presentation of real terms expenditure on different parts of the education system, current and capital, for the full period since 1997–98.<sup>2</sup>

7. Another problem is in Annex A, a table setting out public spending. This shows £34 billion moving from local authorities' budgets to central government. This represents expenditure on schools including sixth forms, and the change came about because of the introduction of the Dedicated Schools Grant. No effort is made to provide a stepped, overlapping, series of numbers that would make it possible to read across the change in control. This makes it extremely difficult to monitor changes and trends in expenditure.

8. There are other problems. The possibility of comparing real expenditure per student from sector to sector has been made significantly more difficult because of presentational changes and inconsistencies. Table 8.4 (funding per school pupil) covers the period 1999–00 to 2007–08, while Tables 8.7 and 8.8 only run from 2001–02. To add to the complexity, Table 8.4 shows a money total for year-on-year change, whereas Tables 8.7 and 8.8 show a real terms index.

9. We looked back over the Department's reports from 2003 to 2005. The Department has altered the chapter headings, lay-out and contents of the report in each year. Some of the contents are kept from one year to the next, but others are dropped. The regularity of change makes it virtually impossible to follow the thread of policy and funding. Items come and go as new initiatives wax and wane. The reports made no effort to explain why changes had been made, and nor were we consulted about any of these changes. In contrast, the DAR for the Department of Health has remained remarkably consistent over the period from 2003; the same chapter headings in the same order and with the same information presented.

10. In evidence, both the Secretary of State and the Permanent Secretary apologised for the omissions and inconsistencies, and in response to our written requests the DfES provided

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2 See Department for Education and Skills, *Departmental Report 2005*, Cm 6522, p.97, Table 12.3.

the missing table and other information.<sup>3</sup> We acknowledge the effort the Department has made to address the problems, albeit at our instigation. The Secretary of State, in his covering letter to the Chairman when sending the additional information, describes the questions posed to his Department as “rather complicated”, and the Department says in part of the answer to our question 3 that “the longer the time series shown will make the tables more complicated and lead to more footnotes being required over time.”<sup>4</sup> In reality, the questions were not, in themselves, complicated. They asked for comprehensible and consistent information to allow the Committee to be able to understand broad trends in public expenditure on education. The DfES response indicates that Government itself is now so complex that even the Department finds it difficult to present tables and text that make such understanding possible.

**11. We expect the DfES to take our concerns about the Departmental report on board for the future and to ensure that information is presented in the Departmental Annual Report in ways which are consistent with previous years and which provide clarity about what is happening with expenditure, for example by having all tables reflecting the full period of a Government (in this case, running from 1997). Consistency and rigour will benefit us in our scrutiny work, but will also benefit the DfES. Debate should be about what information on expenditure tells us about what is happening in the education sector, not whether the information itself is reliable. Moreover, we expect to be informed, prior to preparation of the report, about significant changes to the DAR or within any other key annual sources of information on education expenditure and outcomes.**

12. The provision of accurate and consistent information is important in other areas. Under the Government’s sustainable development policy, all central government departments and their agencies had to produce sustainable development action plans by December 2005. The expectation in the national sustainable development strategy is that from December 2006 departments will report on implementation of these plans regularly, for example in their Departmental Annual Reports.<sup>5</sup> We look forward to comprehensive and consistent information on sustainable development from the DfES in the 2007 Annual report and subsequent years.

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3 Qq 15–16, 128–129

4 Ev 45

5 Department for Environment, Food and Rural Affairs, *The UK Government Sustainable Development Strategy*, Cm 6467, March 2005, p 153.

## 2 Schools' funding

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13. We have continued the work of our predecessors in following closely the development of a new schools' funding mechanism arising from the reported difficulties in spring 2003. In July 2005, following a consultation exercise, the Government announced its plans for new funding arrangements, with a ring-fenced Dedicated Schools Grant. The aim is to move to three year budgets for schools from 2008–09, with 2006–07 and 2007–08 being a further transitional period.

14. The Department is reviewing the way in which the system currently operates in order to reach conclusions on how the new funding allocations to be put in place in 2008–09 will be determined. It held an initial consultation exercise between 6 April and 31 May this year on some of the issues that will need to be resolved in formulating the new system. We were not made aware of the consultation until we received the Government's reply to our earlier report on public expenditure on 15 May. We were obviously concerned at this, and raised the issue in evidence. Mr Thompson of the DfES answered with refreshing candour:

“The simple answer is that it was a mistake. We should have consulted you and we thought we had, but it appears we had not and we have to apologise for that [...] our consultation on the terms of reference for that review was with a wide number of groups and it clearly should have included the Committee and it did not so we have to offer you that apology.”<sup>6</sup>

15. Given that apology, we do not intend to pursue this failure further. We expect the DfES to ensure that similar mistakes do not happen in the future and look forward to seeing the consultation on the substantive proposals later in the autumn.

### Schools' funding in the future

16. On the subject of the future system, we looked in particular at two issues: the Chancellor of the Exchequer's statement in this year's Budget that his aim was to close the gap in per pupil funding between the private and maintained sectors, and the question of how the new formula might better be used to help pupils from disadvantaged backgrounds than at present.

#### *Per pupil spending*

17. In his Budget Statement on 22 March, the Chancellor said that it was his aim to close the gap in per pupil funding between the private sector and the maintained sector. This would mean raising funding from £5,000 at present to £8,000 at current prices. The Institute for Fiscal Studies (IFS) estimate that it would cost £17 billion in real terms to close the gap, and would be achieved between 2014 and 2022 depending on growth on spending in the sector.<sup>7</sup> The Chancellor repeated this aspiration in his speech to the Labour Party conference on 25 September.

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6 Q 41

7 Ev 66

18. We asked the Permanent Secretary if he thought this aim was meaningful. Mr Bell said:

“I think it is a fair aspiration [...] the future plans are all tied up with the comprehensive spending review so clearly the medium term funding for education is going to be determined through that process, not through any other process [...] I think there is a recognition that if you invest wisely in education you can get better outcomes. I think we have seen over the past few years that the increasing effect of expenditure in education has secured better outcomes. I do not think it is based on a whim and a fancy that if you spend money nothing will happen. I think there is a clear understanding that you need investment in all aspects of our education system to bring about improvement. It is not the only factor; I am not naïve about that. Money is not everything when it comes to improved attainment or outputs from education but it certainly has made a difference in the sorts of things that have been achieved in the maintained system.”<sup>8</sup>

19. We put similar questions to the Secretary of State. He told us:

“What the Chancellor said is that our long-term aim is to match the ‘per pupil’ spending in the state sector with that in the independent sector and to bring it up to £8,000. Actually we will be at the level of capital expenditure by 2011. So, all of this is remarkable and no previous government has got to this level of expenditure and investment in education, and I certainly agree that with that long-term aim.”<sup>9</sup>

20. We pressed the Secretary of State whether that meant he agreed with the IFS’s calculation that this would require £17 billion of extra expenditure. He replied:

“It is a long-term aim. What we are doing is concentrating on the money we are putting in at the moment, the extra investment at the moment. We are very pleased that the Chancellor has set the long-term aim, I think it is consistent with everything we have been doing since 1997, and, of course, the short-term aim by 2011 and matching capital expenditure is very important. We are also thinking very carefully about how public schools can contribute here. There is a very important Charities Bill in front of the House at the moment and the independent sector has charitable status. There are issues there around their facilities and how they could be used to help close this social class gap in the state sector. That is what we are concentrating our mind on at the moment.”<sup>10</sup>

21. It remains to be seen to what extent this aspiration will be backed up with extra funding. The level of spending over the next Comprehensive Spending Review period will be settled by next summer. In its evidence to the Committee, the IFS concluded that, given spending commitments already made in other areas, and assuming that remaining departments have a real terms freeze in expenditure, there would be resources for a 3.4% real terms annual increase for the whole of education spending between 2008–09 and 2010–11. This is slower than the average increase seen over the full period of the current government, up to 2007–08 (4.6%).

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8 Qq 30–32

9 Q 151

10 Q 155

“In sum, it appears that there is unlikely to be room in CSR 2007 for substantial increases to education spending, given other commitments and priorities. Alternatively, further cutbacks will need to be found in other spending areas if education is to be given as strong a priority as it has in recent years.”<sup>11</sup>

22. It appears from the careful answers that both the Secretary of State and the Permanent Secretary gave to our questions on the Chancellor’s announcement that the policy is an aspiration rather than having been developed with a timetable in conjunction with the DfES. Without a timescale to achieve the target or any definite commitment to increase expenditure, it is hard to be certain when the target would be met. The debate on what is the appropriate level of per-pupil funding is an important one. Future policy announcements should have a more substantial basis.

### **Funding for pupils from deprived backgrounds**

23. Jonathan Thompson told us that one of the issues the Department wanted to examine was the link between funding and deprivation:

“There are various different models which you could develop between those two, some of which potentially might lead to a greater differentiation of schools funding around the system. Clearly that is something which we want to have a look at because eventually the funding is only really based on two major factors: one, the number of pupils and secondly the whole question of how we differentiate according to various measures of deprivation. It is that second part which we want to have a look at to see what our options are around the distribution of funding.”<sup>12</sup>

24. We asked if there was a move towards a national funding formula, something that our predecessors had predicted would be the logical conclusion of the Government’s funding reforms. David Bell said that was clearly not currently the case, with local school forums having a role in agreeing allocations.<sup>13</sup> The distribution in each local area is also determined by local funding formulae. David Bell told us:

“It is worth just remembering that the dedicated grant came out of a very substantial concern that money that the Government had intended to be spent on schools was not always being so spent. There has always been this tension between what you enable to happen nationally by funding requirements and what you allow local discretion over. If you mean by national funding formula a single national model that would apply in every local authority area that is certainly not on the cards.”<sup>14</sup>

25. This issue of providing greater funding for pupils from deprived backgrounds wherever they live is one that we have looked at before. In our previous expenditure report of this session, we said that we expected the Government to take both transience and the

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11 Ev 67

12 Q 28

13 Q 29

14 *Ibid.*

provision of extra funding for individual pupils from disadvantaged backgrounds into account in developing the new formula.<sup>15</sup> In its response, the DfES said:

“The funding mechanism for DSG will distribute funding for personalisation to all local authorities, not just to those with high levels of deprivation, as suggested in the Committee’s report. Moreover, the formula used by the Government to distribute funds under the previous system (Schools Formula Spending Shares) has always taken account of all deprived pupils, not just those in deprived areas. But we agree with the Committee that this funding needs actually to reach deprived schools and pupils: local authorities need to make further progress in targeting the funding for pupils from disadvantaged backgrounds that they receive through Dedicated Schools Grant; and local authorities need also to take account of the link between transience and outcomes in relation to pupils from disadvantaged backgrounds.”<sup>16</sup>

The Secretary of State also acknowledged that “it would be good to have a better method and a better determinant of how that money can follow [deprived pupils] absolutely”.<sup>17</sup>

26. There is a series of interactions here which need to work together if there is to be a significant benefit for disadvantaged children. The new national funding arrangements need to be geared to address the issue of deprivation; the DfES makes much of personalisation, and we agree that this is likely to assist children from deprived backgrounds, but disadvantaged children’s needs are likely to be greater than others’ and therefore likely to require more resource to be addressed effectively. Local funding formulae also need to be constructed to target deprivation, while the role of the schools forum needs to be made clearer. If national and local distribution formulae allocate money on the basis largely of pupil numbers and deprivation measures, what scope is there for schools forums to change them? What are the mechanisms by which they seek to deliver the overall objective? These issues need to be considered in the consultation on the new formula.

27. The Government will have to make explicit decisions about the allocation of resources from authority to authority, unless a national funding formula is introduced. “Deprivation”, though an important indicator of expenditure need, is not the only one. Others include sparsity, transience and not speaking English as a first language. Moreover, there is a trade-off between “fairness” and stability. The Minimum Funding Guarantee used since 2004–05 to prevent substantial reductions in funding for individual schools suggests stability is the Government’s overriding objective. If so, fairness will, inevitably, become a secondary concern. Finally, there should be broad consistency between the objectives of any schools’ funding formula and authorities’ local funding formulae.

28. The other key thing that the new formula needs to deliver is transparency. The schools’ funding system, like many other areas of public expenditure, has been dogged by complexity and opacity. We accepted earlier in this report that the need for accuracy in

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15 Education and Skills Committee, Second Report, Session 2005–06, *Public Expenditure on Education and Skills*, HC 479, para 25.

16 Public Expenditure on Education and Skills; Government Response to the Committee’s Second Report of 2005–06, HC 1132, p 4.

17 Q 157

information from the Department can breed complexity. Nevertheless, **one of the main aims for the new funding system ought to be that it is as comprehensible as possible, so that head teachers, governors and parents are able to understand how funding decisions for their schools are arrived at.**

### 3 Expenditure and efficiency

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29. The whole question of the effectiveness of the Government's efficiency programme arising from the Gershon review is one that we have also examined before. We have expressed concerns about the extent to which the £4.3 billion efficiency savings which the Department is working towards will be able to be reused elsewhere or, alternatively, will allow for a lower level of spending, and about the extent to which it will be possible to verify savings.<sup>18</sup>

30. In a report earlier this year, the NAO shed more light on the process throughout Government. It explained that the Gershon savings are both "cashable and non-cashable gains". Cashable gains consist of reductions in inputs which do not adversely affect the quality of outputs. Non-cashable gains arise where the quality of outputs increases while inputs remain the same.<sup>19</sup> In its reply to the Committee's previous report on public expenditure, the DfES said:

"Our efficiency initiatives are not about taking money away from the frontline, rather they are about helping the frontline to realise maximum outcomes from the resource it is allocated. As our efficiency programme stems, in the main, from initiatives designed to improve the quality of provision, we are confident that the realisation of our efficiency target will in turn improve outcomes for children and learners."<sup>20</sup>

31. In evidence, both the Permanent Secretary and the Secretary of State told us that all of the £4.3 billion Gershon savings, which does not include savings arising from the restructuring of the Department and the reduction in the number of staff, were non-cashable savings.<sup>21</sup> We noted that the DAR also describes savings as recyclable and non-recyclable, and queried whether this meant the same as cashable and non-cashable. In response, the Department sent us a helpful note:

"The Department has drawn an important distinction between cashable, where the resource freed up is money, and recyclable, where the resource freed up is productive time, to exemplify how the programme is making a difference to the frontline.

"The definitions of the terms as they are used in the Department are as follows:

- **Cashable** efficiencies release financial resources whilst maintaining outputs and output quality, thereby enabling the resources that are released to be diverted to other services;
- **Non-cashable** efficiency gains occur when productivity or output quality increases, either for the same resource inputs or a proportionately smaller

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18 Education and Skills Committee, Second Report, Session 2005–06, *Public Expenditure on Education and Skills*, HC 479, paras 26–35.

19 National Audit Office, *Progress in improving government efficiency*, HC 802–I, 2005–06, February 2006, p 4.

20 *Public Expenditure on Education and Skills: Government Response to the Committee's Second Report of 2005–06*, HC 1132, 25 May 2006.

21 Q 65; Q 137

increase in resource inputs in a way that does not release financial resources that can be deployed elsewhere;

- **Recyclable** efficiencies release resource (although not necessarily financial) whilst maintaining output quality, thereby enabling the resources that are released to be diverted to other services. Clearly if the resource released is not financial it can only be diverted within the system it has been released e.g. teachers time freed up within a school; and
- **Non-recyclable** efficiency gains occur when output quality or quantity increases either without reductions in resources or with a proportionately smaller increase in resource inputs in a way that does not release resources that can be deployed elsewhere.

“This means, for instance, that better procurement practices represent a cashable gain as the same products are being bought at reduced costs thereby liberating cash that can be redeployed elsewhere. However, teacher time saved in schools through workforce reform represents a non-cashable efficiency gain as teacher time rather than actual money is freed up and thereby available to be redeployed. This therefore represents a recyclable gain. Reducing drop-out rates in higher education represents a non-cashable and non-recyclable gain as successfully reducing drop out rates increases course completion rates for no extra cost but clearly will not free up any money or time resources for redistribution elsewhere.”<sup>22</sup>

32. Taking this explanation with those offered in oral evidence it appears therefore that the DfES expects to make no cash savings through these efficiency gains, but does expect that about 75% of these non-cashable gains will be recyclable, for example allowing the more effective use of teachers’ time. **We welcome these recyclable gains, but we do have doubts about whether quantifying them in cash terms is in any way helpful. Money is not being redeployed elsewhere, and it is a moot point the extent to which the gain which accrues from a teaching assistant or other non-teaching staff member taking on tasks previously undertaken by teachers, and thereby freeing teachers’ time for preparation or teaching, can be given a monetary value. This does not seem to be money as it is normally understood, and once again draws the DfES, and Government more widely, into arguments about what the numbers mean, rather than putting the focus on the matter in hand, namely the quality of educational provision.**

33. This leads us back to another question that we have addressed previously, the measurement of productivity in education.<sup>23</sup> The Chairman of the Committee wrote to the Office for National Statistics to ask the nation’s official statisticians about the best existing measures of education productivity. The response indicated that a definitive way of calculating that productivity is some way off:

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22 Ev 51

23 Education and Skills Committee, Second Report, Session 2005–06, *Public Expenditure on Education and Skills*, HC 479, para 5.

“Productivity analysis is very complex and it is difficult for any estimate of productivity to fully capture all the outputs from education spending, but there are some obvious alternatives based on attainment output which are being considered”.<sup>24</sup>

34. The ONS told us that there would be a consultation exercise beginning in September this year looking at both issues in education productivity and methodological issues more generally.<sup>25</sup> It cautioned, however, that “Measurement of the productivity of the public services is not simple and once the consultation period is complete there will be many issues to decide.”<sup>26</sup> It appears, therefore, that there is no prospect of any resolution of these problems in the near future. In the meantime, the arguments over how effective extra investment is in terms of educational outcomes, and over the extent to which measuring efficiency savings in money terms is meaningful, will continue.

**35. Given the increased level of investment that this Government has made in education, it is unfortunate that it has not yet proved possible to measure the effectiveness of that spending in providing better education and more highly qualified students. This is not to say that the investment was ineffective; but in productivity terms, we simply do not have the data to tell us one way or the other. There is a risk, in the longer term, that the inability to demonstrate a measurable link between inputs and outputs will mean that taxpayers have no way of judging whether or not public resources are being well used. Such an outcome would be bad for taxpayers and, potentially, could undermine the electorate’s willingness to fund public services.**

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24 Ev 72

25 ONS announced the consultation on 18 September.

26 Ev 72

## 4 Research funding

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36. In the Budget in March, the Chancellor made the unexpected announcement that the Research Assessment Exercise for evaluating the quality of research undertaken at universities, the results of which are used by the Higher Education Funding Councils and by Government to decide on the allocation of funding for research, would be ended and replaced with a system based on the use of existing data, described as “metrics”. A consultation document was published on 13 June which, rather than discussing the merits of such a change, deals principally with technical issues to do with the introduction and implementation of metrics.

37. In very broad terms, the proposals are to replace the expert peer review system, based on panels of experts assessing the quality of research, with a system that uses metrics. Metrics could be used in a number of different ways:

- a) metrics as quantitative indicators of volume, value or quality;
- b) metrics-based funding: a funding system in which metrics directly determine the distribution of funds; and
- c) metrics-based quality assessment: a system for identifying high quality research based wholly or primarily on metrics.

38. The Government has not been clear about which of these it is seeking to achieve. What is clear is that it has decided that it wants to move to some sort of “metrics” system. This can be seen from the fact that the paper is not consulting on whether or not it is appropriate to move to a metrics system; it is taken as a given in the consultation document that there will be a move away from the use of bespoke peer review towards a system which makes more use of quantitative indicators.

39. This must mean more than just asking RAE panels to look at metrics: panels already consider those relating to income and volume. The most significant difference between current practice and what is being proposed is that, at present, the panels rely on peer review to determine the quality of output and give that the greatest weight.

40. There are, essentially, three options:

- i. metrics based exclusively upon levels of external research income achieved by universities (at the moment, no-one is proposing using just research council income: charities and other funding would also count though income may be weighted);
- ii. a basket of indicators including output metrics (almost certainly based on citations or the impact of journal articles), volume metrics (number of PhDs, number of staff etc.) and funding metrics; and
- iii. some combination of the above with an expert review element (either just as a check on the results, or possibly something more substantial).

41. We took evidence on this subject from Sir Alan Wilson, then Director General, Higher Education at the DfES and Professor David Eastwood, Vice-Chancellor of the University of East Anglia and Chief Executive designate of the Higher Education Funding Council for England, who jointly chaired the group that drafted the consultation paper published in June. On the question of the speed with which the change appeared to be being made, Sir Alan said:

“[...] the notion that it was all very fast [...] we would say was not the case, partly because the document that was eventually produced is a follow-up to a document that was published in 2004, the original 10-year framework for investment in science. The policies that were further developed in the budget science paper were really a continuation of the policies that were announced in July 2004. From our perspective it has been continuing work. In terms of the *Next Steps* paper that was published with the budget—and in a sense this almost answers the question, ‘why the Chancellor?[made the announcement]’—it goes back to the 10-year science framework. I think the Chancellor is anxious, as part of the budget, as I understand it, to have a comprehensive review of progress since the 2004 paper, and research was part of that. From our point of view it is an ongoing process, and we have worked with HEFCE all the way through that period in terms of looking at possible metrics and performance indicators.”<sup>27</sup>

42. Professor Eastwood added:

“After the RAE 2001 the funding councils jointly set up a review of the RAE methodology under Sir Gareth Roberts; and on the basis of the Roberts recommendations, the funding councils agreed substantial changes to the methodology for 2008, including a substantial reliance on metrics in the 2008 exercise. At nearly the same time the decision was taken alongside the RAE in 2008 to run a shadow metrics exercise; that is to say to test in real time an alternative lighter touch methodology for research assessment. Indeed, work was in hand within the funding council, and between the funding council and other bodies, to build that alternative model. So there was a direction of travel here towards a robust RAE in 2008, on the basis of what we might broadly call the Roberts methodology; but alongside that to test and chart a new future for research assessment in the world beyond 2008. To that extent, what was announced at the budget and the announcements around the budget were consistent with that direction of travel.”<sup>28</sup>

43. Professor Eastwood accepted that in consultation on the Roberts review the vast majority of respondents expressed approval of the RAE in general and peer review in particular, but he argued that “alongside that there was the move towards a greater reliance on metrics, and a sense too that the available metrics would continue to develop both in terms of range and in terms of reliability as time moved on.”<sup>29</sup>

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27 Uncorrected transcript of oral evidence taken before the Education and Skills Committee on 10 July 2006, HC (2005–06) 1405–i, Q 2.

28 *Ibid*, Q 3

29 *Ibid*, Q 4

44. Despite complaints over time about the onerous burden that the RAE places on university departments, the suggested move to metrics has not been widely welcomed. For example, a paper from the Higher Education Policy Institute (HEPI) says of the consultation paper that “it contains no analysis of the problems associated with the RAE or the metrics alternatives, and provides no basis for policy decisions. It asks which of 5 metrics-based models is preferred but [...] all suffer from similar flaws and there is no basis in the document for making a judgement between metrics and peer review.”<sup>30</sup>

45. A working group set up by the Russell Group of research intensive universities has concluded that the Russell Group “could not support any of the possible models set out in the Consultation Document.” It strongly recommends:

**“[...] that consideration to devise an approach based more on metrics begins afresh, based more on the approach set out in Annex 2 of the Consultation Document as adjusted to reflect the broad direction set out in this response. We recognise and indeed would wish to emphasise the considerable work that will be necessary to develop such a framework and its subject group variations. There are difficulties of definition and of measurement, of avoiding perverse incentives and undesirable outcomes and of ensuring auditability, probity and rigour. There are also issues of devising new and better means within such modelling of making initial QR allocations across the broad subject groupings we propose, which no doubt will need to be based in part on some appropriate proxy for volume and in part on the better cost information that should become available from TRAC data sources.”**<sup>31</sup>

46. Concern has also been expressed that it will not be possible to assess research across all disciplines in the same way. Metrics-systems are much more appropriate for science, technology, engineering, and maths (STEM)-based subjects than they are for the arts and humanities. As the consultation paper itself acknowledges, arts and humanities subjects will need a different methodology.

47. When we discussed these issues with the Secretary of State he told us that he was a “fan” of metrics and that he had been “amazed” when he had been Minister for Higher Education “that we spent all this money and took up all this time—something like 82 different panels and committees—on something that could be done much more quickly.”<sup>32</sup> He pointed out that the proposal was to run a system of metrics alongside the 2008 RAE:

“I would want to see these two systems running side by side. I would want to see the correlation and the outcome. That is the best way to do this rather than to leap from RAE to a metrics based system, to see how they operate”.<sup>33</sup>

He also denied that the intention was to concentrate research funding on a few research intensive universities.<sup>34</sup>

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30 Higher Education Policy Institute, *Using metrics to allocate research funds: initial response to the Government's consultation proposals*, June 2006.

31 Russell Group response to the consultation document *Reform of Higher Education Research Assessment and Funding*, September 2006, paras 6.1 and 6.3, [http://www.russellgroup.ac.uk/2006/research\\_reform\\_response.htm](http://www.russellgroup.ac.uk/2006/research_reform_response.htm)

32 Q 190

33 Q 191

48. This last point is in many ways the vital issue. Whatever the method used to assess research quality, the crucial decision is the extent to which funding is provided for different levels of quality. For example, under the current system, there is no HEFCE funding for Departments graded below level 4 (5\* is the top grade), and funding for departments graded at level 4 has been reduced since 2003. A key question that needs to be answered, therefore, is what does the Government want to achieve through its research funding? As Sir Howard Newby, who until recently was Chief Executive of HEFCE, has said, the order of any discussion must be to clarify policy goals first, then consider the RAE, and then consider metrics—not to begin with a consultation on metrics which will impact on the RAE which will impact on research policy.<sup>35</sup>

49. The Chancellor's announcement and the publication of the consultation paper have given rise to a great deal of controversy. Our main concern is that no significant decision should be taken without a full debate on the substantive issues of what we want the research funding system to achieve and whether it is appropriate to replace the RAE with metrics (and if so, what type), or without a proper evaluation of the evidence from the dual running of the 2008 RAE alongside a system of metrics. Any replacement system will only be relevant for funding decisions after the 2008 exercise has been completed. There is therefore sufficient time to weigh the evidence before a new system is put in place. **We are planning a wide-ranging inquiry into a number of issues concerning higher education in the next parliamentary session, and research funding is one of the subjects that we shall be investigating. We expect the Government not to take any irrevocable decisions on the next steps until we have reported our findings.**

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34 Qq 196–199

35 Professor Sir Howard Newby, Vice Chancellor of the University of the West of England and former Chief Executive of HEFCE speaking at HEPI's RAE Conference on 21 June 2006.

# Conclusions and recommendations

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## Departmental Report

1. We expect the DfES to take our concerns about the Departmental report on board for the future and to ensure that information is presented in the Departmental Annual Report in ways which are consistent with previous years and which provide clarity about what is happening with expenditure, for example by having all tables reflecting the full period of a Government (in this case, running from 1997). Consistency and rigour will benefit us in our scrutiny work, but will also benefit the DfES. Debate should be about what information on expenditure tells us about what is happening in the education sector, not whether the information itself is reliable. Moreover, we expect to be informed, prior to preparation of the report, about significant changes to the DAR or within any other key annual sources of information on education expenditure and outcomes. (Paragraph 11)

## Schools' funding

2. One of the main aims for the new schools' funding system ought to be that it is as comprehensible as possible, so that head teachers, governors and parents are able to understand how funding decisions for their schools are arrived at. (Paragraph 28)

## Expenditure and efficiency

3. We welcome the recyclable gains expected from the efficiency programme, but we do have doubts about whether quantifying them in cash terms is in any way helpful. Money is not being redeployed elsewhere, and it is a moot point the extent to which the gain which accrues from a teaching assistant or other non-teaching staff member taking on tasks previously undertaken by teachers, and thereby freeing teachers' time for preparation or teaching, can be given a monetary value. This does not seem to be money as it is normally understood, and once again draws the DfES, and Government more widely, into arguments about what the numbers mean, rather than putting the focus on the matter in hand, namely the quality of educational provision. (Paragraph 32)
4. Given the increased level of investment that this Government has made in education, it is unfortunate that it has not yet proved possible to measure the effectiveness of that spending in providing better education and more highly qualified students. This is not to say that the investment was ineffective; but in productivity terms, we simply do not have the data to tell us one way or the other. There is a risk, in the longer term, that the inability to demonstrate a measurable link between inputs and outputs will mean that taxpayers have no way of judging whether or not public resources are being well used. Such an outcome would be bad for taxpayers and, potentially, could undermine the electorate's willingness to fund public services. (Paragraph 35)

## Research funding

5. We are planning a wide-ranging inquiry into a number of issues concerning higher education in the next parliamentary session, and research funding is one of the subjects that we shall be investigating. We expect the Government not to take any irrevocable decisions on the next steps until we have reported our findings. (Paragraph 49)

# Formal Minutes

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**Monday 16 October 2006**

Members present:

Mr Barry Sheerman, in the Chair

Mr Douglas Carswell

Mr David Chaytor

Paul Holmes

Helen Jones

Fiona Mactaggart

Mr Gordon Marsden

Stephen Williams

Mr Rob Wilson

The Committee deliberated.

Draft Report (Public Expenditure), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 49 read and agreed to.

*Resolved*, That the Report be the Fifth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select committees (reports)) be applied to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned until Monday 23 October at 3.30 pm]

# Witnesses

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## Wednesday 14 June 2006

*Page*

**Mr David Bell**, Permanent Secretary, Department for Education and Skills, and **Mr Jonathan Thompson**, Director General Finance, Department for Education and Skills

Ev 1

## Wednesday 19 July 2006

**Rt Hon Alan Johnson**, a Member of the House, Secretary of State for Education and Skills, Department for Education and Skills

Ev 24

## List of written evidence

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1	Department for Education and Skills (DfES)	Ev 21: Ev 43: Ev 51
2	Institute for Fiscal Studies	Ev 61
3	Tony Travers, London School of Economics and Political Science	Ev 68: Ev 72
4	Office for National Statistics	Ev 71
5	National Union of Students (NUS)	Ev 73
6	University and College Union (UCU)	Ev 74

## List of unprinted written evidence

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Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons Library where they may be inspected by Members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Field Studies Council

## Reports from the Education and Skills Committee, Session 2005–06

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First Special Report	Government's Response to the Committee's Second Report (Education Outside the Classroom), Sixth Report (National Skills Strategy: 14–19 Education) and Eighth Report (Teaching Children to Read) of Session 2004–05	HC 406
Second Special Report	Government's Response to the Committee's Third Report (UK eUniversity) of Session 2004–05	HC 489
Third Special Report	Government's Response to the Committee's Fifth Report (Secondary Education) of Session 2004–05	HC 725
First Report	The Schools White Paper: <i>Higher Standards, Better Schools for All</i>	HC 633–I and II
Second Report	Public Expenditure on Education and Skills	HC 479
Fourth Special Report	Public Expenditure on Education and Skills: Government Response to the Committee's Second Report of Session 2005–06	HC 1132
Third Report	Special Educational Needs	HC 478–I, II and III
Fourth Report	Further Education	HC 649

# Oral evidence

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## Taken before the Education and Skills Committee on Wednesday 14 June 2006

Members present:

Mr Barry Sheerman, in the Chair

Dr Roberta Blackman-Woods	Helen Jones
Mr Douglas Carswell	Mr Gordon Marsden
Mr David Chaytor	Stephen Williams
Jeff Ennis	Mr Rob Wilson
Paul Holmes	

*Witnesses:* **Mr David Bell**, Permanent Secretary, Department for Education and Skill and **Mr Jonathan Thompson**, Director General Finance, Department for Education and Skills, gave evidence.

**Q1 Chairman:** Good morning everyone. I do not know who is trying to confuse who in this Committee but here you are, both in new roles; last time we saw you you were part of one gang and now you are part of another. I am not saying which is more notorious than the other. Welcome to your first meeting with the Committee in your new roles. We are very happy to see you. It is an important week for education. We have a new successor to you, David, so we look forward to meeting her in due course. You have suggested you would like two or three minutes to give us an opening statement and we welcome that.

**Mr Bell:** Thank you very much. As you suggested I am no stranger to your Committee but nonetheless it is a real pleasure to be in front of you in my new role as Permanent Secretary at the DfES and I am sure I speak likewise for Jon as the Director General for Finance at the Department. The Department is small by Whitehall standards but has a huge reach as our Departmental Report demonstrates. To put that in context, we employ directly around three and a half thousand staff against a total workforce across all of the sectors we have responsibility for of over four million. Of course we also have responsibilities to parents, students, employers and the like. In other words, almost no-one is unaffected by what we do. Thus in providing leadership to the education, training and children's services system we have to work with and through others. Ensuring that we are clear about our role and responsibilities it is vital if we are going to be an effective Department of state. It is unarguable that our education system has made huge strides in recent years as the data in the Departmental Report demonstrates. However it is also clear that much remains to be done in areas such as closing the attainment gap between different groups of students or ensuring that the workforce has the skills required in an era of fierce international competition. It is also fair to say that we have to deal with some of our more intractable social and educational difficulties such as teenage pregnancies or attainment of looked after children. If there were quick and easy solutions to these problems I guess you would not have me here in front of you this

morning. We need to look critically at what we do and, where we are not on course, think again. At the same time though I never want us to lose sight of the much that is both good and outstanding in education, training and children's services. In that context may I say how grateful I am that your Committee in its Reports always goes out of its way to highlight what is effective as well as what can be improved. On my first day in the Department in January this year I told the staff that I was a product of the Robins Report that led to the expansion of higher education in the 1960s. I was the first of my family to attend university and I said to my colleagues that I could not think of a greater privilege than being the permanent head of a government department responsible and charged with creating opportunities for this and coming generations. Robins said in the 1960s—the early 60s were part of his justification for expansion—that there is in our society a reservoir of untapped talent. We have come a long way since then but the potential within our nation seems to me to remain unlimited. Helping to unleash that potential in all sections of our society would be my moral compass in this post in the coming months and years and I look forward to sharing both the ups and the occasional downs with you and your Committee.

**Q2 Chairman:** You referred to Robins who was a professor at the London School of Economics; he never talked to me in my first years as an undergraduate because you had to tip-toe past his room. There was a sign which said "Quiet—man working on commission". So we share that but from a different perspective. You touched a little bit on the change in your role. What is the real difference between suddenly being inside looking out rather than outside looking into the Department?

**Mr Bell:** I described my previous role as having something of a ring side seat and now I am in the ring, as it were, as the Permanent Secretary. I think many aspects of the job are similar on the management and leadership side, as you would expect, having the kind of chief executive responsibilities in the Department that I had at

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14 June 2006 Mr David Bell and Mr Jonathan Thompson

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Ofsted. Of course the most striking difference is the relationship that I need to strike up with the Secretary of State and Ministers and that is quite different from what I had to do at Ofsted. I thoroughly enjoyed my time at Ofsted and I felt very privileged to be the chief inspector for nearly four years. As I suggested in my opening remarks it seems to me to be a fantastic privilege to be helping to influence the shape of education and children's services and the like in the current years. So there has been great enjoyment in the past but I am really pleased that I made the move to the Department.

**Q3 Chairman:** What did you make of it when you first arrived in the office? You had just got to know your ministerial team and the Schools Minister goes and there is all change again. As Chair of this Committee over five years I have seen five secretaries of state. Is this any way to run the Education Department, to have a constantly changing group of ministers?

**Mr Bell:** I suppose you know better than I do that it is a fact of our political system. I think what has struck me, certainly after what happened to me, is just how quickly you move from one secretary of state to another and how quickly the individuals concerned grasp what it is they need to do. I think one of the virtues of having a permanent civil service is that you do provide some kind of continuity, recognising that every secretary of state and every ministerial team may want to put out different emphasis on the work that it does. I think there is a real responsibility on the permanent civil service to help to ensure that those transitions—and they do happen, sometimes fairly frequently—are managed effectively and there is not a great disjuncture from one secretary of state to another.

**Q4 Chairman:** You know as well as I do that if you had a private sector corporation out there your share price would plummet if you kept changing the chief executives with the regularity that we change secretaries of state.

**Mr Bell:** I think it is important to make the point that for any government they will have a set of policies and priorities that will continue over a period of time. Yes, every secretary of state will give a certain emphasis to taking forward those policies. I do not think the parallel is absolutely right with a private sector company, not least because if you have a permanent cadre of civil servants you can provide some kind of continuity. I acknowledge that the Department's senior leadership team on the official side has undergone quite a bit of change recently but generally speaking I think the permanent civil service provides that continuity which is required and helps to mitigate some of the effects of political change.

**Q5 Chairman:** Can I just push you on that permanent civil service side? We have been impressed over recent years with the high quality of civil servants coming to give evidence to this Committee, particularly the group who came to give evidence recently on special educational needs. The

fact of the matter is that we still have a very high rate of turnover in your Department. You have seen someone in a senior position in your Department who seems to have a real grasp of the subject; they may be there three years and suddenly they disappear and we ask what has happened to that very good person who seemed to be very knowledgeable and we are told they have to be moved on because of their career development. It does seem that you have a rate of churn in the civil servants and if you combine that with the ever changing group of ministers that leads to some sort of instability.

**Mr Bell:** I think it is a fair question and certainly coming in from a local government background that is quite unusual. It is more likely to be the case in local government that people will have a particular post and will stay in that post for a longer period of time. I think it is something we have to look at because just at the point where people are getting on top of their subject area there is something of an expectation across the civil service system that people will move on for career development. That is all very well but I do think there is a need to balance the proper career aspirations of civil servants with the continuity of government. That is an issue I want to look at.

**Q6 Chairman:** Perhaps one day we can have a look at that with you, what the churn is in senior positions in the Department. Today the Committee will be drilling down on the expenditure of your Department. This Committee have looked at expenditure and have predicted that expenditure on education was plateauing and was going to decline in relation to expenditure on health and there were less promising years for education to come. Then we heard the Chancellor's budget statement and there was quite a feeling of euphoria amongst some of us that perhaps we got it wrong, that the good times were going to continue. However, what we have seen recently in terms of comments, comparing what the Chancellor said and what it actually means in expenditure on education over the coming years it still looks rather depressing, does it not?

**Mr Bell:** It is going to be tighter; I do not think there is any secret about that because the Chancellor has made it very clear. I think we will have to wait and see what is going to happen in the medium term in the light of the comprehensive spending review. I think there are two comments I would make, however. The first is this, that education has benefited enormously from significant investment over the last nine or 10 years and therefore I think it is absolutely right that we push hard and ask what has been achieved as a result of that expenditure. I think we just need to keep reminding not just those who work in the system but parents and others that there has been that investment. The second point I would make is this, we have to scrutinise very carefully the efficiencies we can generate within the system and that may well be a subject that you will turn to this morning. I think it is entirely reasonable on the facts of not just the financial investment but in the reforms that we have seen for example to the

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workforce, that we do ask if we can do a more effective job in a period where resources might be tighter. It will not necessarily be as it is and has been over the last nine or 10 years, but I think we should not underestimate the significant investment that has gone in and the proper requirement on the system to be as efficient as possible in spending that money.

**Q7 Chairman:** Was the Chancellor wrong then? Was the Chancellor misleading us in any sense when he made these budget statements in terms of education when he talked about raising the average spend on the average state pupil to the level of the average pupil in the private sector? Was he misleading us?

**Mr Bell:** The Chancellor laid out an aspiration but, as I said, the comprehensive spending review will be concluded for 2007 obviously next year and we will have to wait and see what happens. I do not think I can really comment on that because I do not know what the outcomes of that comprehensive settlement will be.

**Q8 Chairman:** You must have listened to it and then gone on to talk to the Treasury about what it really means.

**Mr Bell:** The Treasury, properly, is considering along with departments a whole range of issues in advance of the comprehensive spending review and Government will have to weigh up its different pressures and priorities and that is the point, of course, of having a comprehensive spending system, that you can assess what your needs are, what your demands are, what your priorities are and therefore there is a lot of conversation at the moment—as you would expect—between our Department and the Treasury and all departments and the Treasury about where it is going to go but clearly I cannot tell you because I just do not know what it is going to look like.

**Q9 Chairman:** This is a Government selected on the main theme of its greatest priority being to education—three elections—and now we can see the figures that the increases for education and skills is fourth in the league table after health, after criminal justice and after transport.

**Mr Bell:** As I suggested earlier I think you have to set that against the huge investment that education has received and in some ways will continue to receive. If you take, for example, longer term capital investment under Building Schools for the Future, we are not talking about a period of a comprehensive spending review as such, we are talking about a period of 15 or so years.

**Q10 Chairman:** A lot of that is going to come from PFI.

**Mr Bell:** But it is still significant public money investment in buildings and the school estate. I think it is really important not to just look at the figures as of now but look at the huge investment there has been in education since 1997 and ask what we have achieved on the back of that and how do we become

more efficient. I think that message of making best use of what we have is one that we need to get out in the system more widely.

**Chairman:** We will be drilling down on many of those aspects in a moment.

**Q11 Paul Holmes:** The Chairman has already alluded to the difference in your roles. As head of Ofsted you were a high profile public figure; you were able to make criticisms of schools, colleges or, indeed, of government policy. Now, as Permanent Secretary, you are supposed to be fairly anonymous and defend the Government. Is that a fair summary?

**Mr Bell:** I certainly had a more high profile public role, that is true. That is part of the territory of being the chief inspector and your characterisation of me as Permanent Secretary I suppose is what is expected of a permanent secretary. It is true, these are different roles. The role of the chief inspector was to report independently on what he or she sees. The role of a permanent secretary is to lead the permanent civil service and to support ministers in the execution of the Government's policies, and that is absolutely clear.

**Q12 Paul Holmes:** Do you carry over into the new job any clear priority from the weaknesses of government policy that you saw as head of Ofsted? Do you have a batting order? What are the first two things you would like to try to get the DfES to change?

**Mr Bell:** It is for ministers to decide where the priorities lie.

**Q13 Paul Holmes:** You are supposed to be the most senior adviser.

**Mr Bell:** Absolutely. What I would say is that where the Ofsted experience is useful is giving me quite a good understanding of particular areas where we need to make further improvement. I think we can see that already. I am not taking any credit for that, I hasten to add, but we can see that for example in relation to further education and proposals in the Further Education White Paper about other reforms to the system. You can see that, for example, in proposals on schools. I think there is a lot I could draw upon in terms of my knowledge of the system, but there is one point I would like to make, however. I have been very careful not to make assumptions about the DfES and what it does simply based on what I did when I was at Ofsted. I think it is really important to be very clear that these are very different jobs. I do think one of the benefits of having done what I have done previously is having a good insight. I will also say this, that the scope of the Department's responsibilities—in a sense what I am expected to know and what my team is expected to know—is not actually going to be far greater than what Ofsted had to know and do. That goes without saying. Of course there are aspects of the Department's remit that were not any part of Ofsted's remit, for example higher education.

**Q14 Paul Holmes:** While you were at Ofsted there were significant changes in staffing and the way Ofsted operated (the short inspections announced at very short notice and so on). Are there any organisational or operational changes that you can draw on from that experience to bring into the DfES?

**Mr Bell:** If I was thinking about leading the management of the DfES I guess that I would not just draw upon the experience of Ofsted, useful and valuable though that was. I guess you would try to draw upon the things you have done well and the things you have not done so well over your career. One thing that I think is important is that the permanent secretaries, as you rightly suggest, have that role as a principal policy adviser, but the permanent secretary is also the chief executive of a department and therefore for me it is really important to keep those two roles in balance at the same time as ensuring that I and my colleagues provide good policy advice to ministers and also to be very clear about what we need to do, for example understanding our role in relation to the rest of the system because almost all of what we do, as it were, we have to do through others. I think I bring a strong focus on the leadership and management of the Department in the role of the permanent secretary. That is not to suggest that has not been the case but I think, to answer your question directly, that is something I am very focussed on as the permanent secretary as well as my policy advice.

**Q15 Paul Holmes:** In 1979 select committees were considerably strengthened and reformed to improve the way that that parliament could scrutinise what government were doing. In the 1980s, specifically as a result of that, departmental reports were produced to allow select committees to ease that process so they could see what departments were doing from year to year. Some departmental reports keep a consistent format year after year after year: the Department of Health, the Treasury's Public Expenditure Statistical Analysis. They are pretty constant. Your Department's reports seem to change every year. They have different chapters, different headings, different formats, different tables, starting points for statistical tables of expenditure and so forth (some start in 1999, some in 2001); it is just constant change all the time. Is this cock-up or is it conspiracy? Are you doing it on purpose so we cannot make those comparisons?

**Mr Bell:** I will answer that a bit more specifically in a moment because I know the Chairman has raised this directly with the Secretary of State. I think in retrospect not providing explanation about some of the changes that the Chairman highlighted in his letter was a mistake and I take full responsibility for that. I think we should have provided some context and good reasons why some of those tables changed. It would have been helpful for the sake of clarity to have explained why some of the baselines have changed. I do not know whether you want me to make one or two references to some of the specific

points that you raised or if you want to wait for the Secretary of State's response to them. Jon could make some general points.

**Mr Thompson:** I agree with David; we need to offer you an apology for the fact that there have been some changes. There were some reasons why we decided to change the departmental report and those revolve around consistency between our report and the public expenditure tables. For example, in one of the issues you rightly raised, we discovered this year that there was a difference in terms of the data we were providing as opposed to the data Treasury was providing. We had to make sure we got that right. What I would say at this point is that we can answer all six of the questions and provide all of that data to you and we would be very happy to do that. If you want to go through those six areas we can attempt to do that today, but we would be very happy to give you a written response.<sup>1</sup>

**Q16 Paul Holmes:** One specific example is that in last year's report there was a table—Table 12.3—which was entitled “Education Expenditure by Central and Local Government by Sector in Real Terms” and that is not there this year. Surely a simple, clear set of statistics on that year by year to allow for comparisons is absolutely crucial. The Select Committee, the public, the media or anybody is going to evaluate how you are doing as a Department over a period of time.

**Mr Thompson:** We agree with you. We offer you our apology and we will provide you with that data. If this revolves around some of the questions in relation to Annex A, for example, in the departmental report, then we can get further into that if you want some kind of a technical explanation about why we did it. In relation to some of the questions which we were given in advance there is some misunderstanding in the questions which we could try to explain now if you want us to.

**Q17 Chairman:** We do not want to get into the minutiae, but Paul is quite right; is it a conspiracy? You must know that this Committee wants to be able to compare year on year and if you suddenly start changing the statistics so we cannot compare year on year it looks to us as though you are trying to obscure rather than be transparent.

**Mr Bell:** It certainly was not a conspiracy, I can assure you of that. As Jon said, there are some technical explanations that we can provide and I think the lesson for me on this one is that if you are going to have to make those changes for technical reasons it is important to put some clarification notes so that we do not get into a conversation of trying to understand why the Department has changed its tables from one year to the other.

**Q18 Paul Holmes:** Is there a commitment from the new team at the top that in future years there will be a consistent format to enable comparisons and perhaps you might talk to the Select Committee about what that format is going to be.

<sup>1</sup> Ev 43–50

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**Mr Bell:** I am more than happy to talk to you. I am just conscious that the letter from the Chairman was directed to the Secretary of State and I am sure the secretary of state would want to reply. All of the detailed questions raised by the Chairman will be answered in the letter back to you, Mr Chairman.

**Q19 Chairman:** Why would you change your methodology but not the Department of Health?

**Mr Bell:** There were some changes in the presentation of information as Jon said in relation to the consistency between the Treasury requirements and what the Department had put so we thought in those cases it would be better to have a single and consistent format. It was not in any sense intended to be misleading; it was just to try to clarify areas. It could actually, for another reason, be seen as misleading and open up a whole set of other questions as to why our numbers are different to the Treasury's numbers and that is why we have done it in some of those answers.

**Q20 Paul Holmes:** In terms of the various statistical charts—whether it is pupil/teacher ratio, expenditure, people in higher education or whatever it is—should there have been one consistent starting point instead of a lot of different ones. Could I suggest that that consistent starting point ought to be 1997 if we are going to evaluate how the current Government is doing? The Department, insofar as it has used a consistent starting point, it has used 1999 which was the very bottom of expenditure after two years of continued cuts and so it shows a better result—1999–2005—whereas if you start at 1997 that is more realistic, that is the start of the current government period. As I say, you have not even stuck to 1999; the tables start all over the place.

**Mr Thompson:** It would clearly be more appropriate to start at one particular point. One of the questions that was raised about funding for a full time equivalent student in further education was why have we started in 2001–02 whereas government departmental reports started in 1997–98, we wanted to start at some consistent point throughout this report and in our written response we will give you the data going back to 1997–98.

**Q21 Paul Holmes:** Should that consistent point be 1997 or 1999 or do you not have an opinion?

**Mr Bell:** I think we will have to look at that because there will be some issues about the availability of data that I know of, but we would certainly be happy to look at that and again we can make sure that that specific point is addressed in the response from the Secretary of State to the Chairman.

**Q22 Mr Chaytor:** One of the aspects of the report that is consistent year on year is the reporting of PSA targets and the progress of PSA targets. In this year's report it seems that there are 24 targets reported on but 12 are slipping behind or have not yet been assessed. The Department is only meeting 12 of its 24 current PSA targets. Does the fault lie with the

targets or does the fault lie with the Department? What would you expect to do about that 50% success rate over the next two to three years?

**Mr Bell:** I think you are right to highlight the distinction between those that are slipping and those that have not yet been assessed. I think that is an important distinction but, having said that, there are some key targets here that are against projectory. The targets in some cases—but not all cases—are ambitious but we cannot just say, “Look, they are too ambitious therefore we cannot meet them”. One of the tasks we have been doing recently within the Department is taking each of those PSA targets in turn and really drilling down to have a look at what we might need to do differently to accelerate progress. For example, if you take the target on Key Stage 2 achievement—the achievement of 11-year-olds—we have been looking at all sorts of information and guidance given to schools but I do not think we can just sit back say that we have done this and done that and it is happening or not happening; it is a real responsibility on us as officials to drill down to look at that so we have gone through that process with all of those targets and asked what we need to do to improve our performance. I can assure you that there is no sense at all of complacency about the targets and a real recognition that we need to accelerate what we are doing in some areas.

**Q23 Mr Chaytor:** I want to move onto the question of school funding because the Department is in the middle of a major review of the way in which schools are funded. From the financial year 2008 new three year budgets will be in place and possibly a new system of funding. You had a consultation recently during April and May about the possibilities for the new funding methodology, but who was consulted? This was not a normal formal public consultation on the methodology. Who was consulted in this exercise?

**Mr Bell:** The usual group of consultees. We can provide you with a full list but I can assure you that it was those we would normally consult very widely and that would include associations, authorities, local government associations and the like. A lot of people would be consulted as you would expect in an exercise like this. I cannot give you the outcomes because you will recognise that the consultation just closed a few weeks ago and we are just analysing that data. We believe this is a really important issue and therefore it was important to consult widely.

**Q24 Mr Chaytor:** What is your feeling of the major problems of school funding that you are trying solve by moving to a new system?

**Mr Bell:** I think in some ways we have gone a long way to address some of the concerns that people had, for example the move away from single year budgets which was already started under the current system. I think that in itself is a very important shift in how we do business, as is, of course, the direct grant on the school side. We do recognise that there are issues that we wanted to get views on. Our impression is that for the budget of 2006–07—ie the current year

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we are in—we have not picked up a lot of noise within the system. There are clearly questions that people ask, but in terms of the structure of the system it seems to have addressed many of the concerns that a number of people had raised so quite a lot of this has to do with the technical elements of taking it forward. I think maybe Jon should add one or two details.

**Mr Thompson:** I think we feel there are six specific things that we would want to have a look at. One is the way in which the DSG itself is distributed across the system. Secondly, the difference between DSG and the various specific grants.

**Q25 Chairman:** Could you use the full titles rather than acronyms, please.

**Mr Thompson:** My apologies; I will start again. First of all we want to look at distribution arrangements for the dedicated schools grant. Secondly the balance between the specific grants like the school standards grant and the dedicated schools grant. Thirdly, the whole question of how we take into account deprivation in this methodology. Fourthly, the question of the minimum funding guarantee and where we should be placed on the spectrum in terms of minimum funding guarantee. Fifthly, the big issue of the accounting year versus the academic year which is always an issue. I have to account for it in accounting years whereas schools obviously run on academic years. Then lastly there is the question of the multi-year budget. Those are the six areas we think we want to probe into.

**Q26 Mr Chaytor:** Can the DfES itself decide on these things? How do these issues relate to what is being done in the ODPM and what may come out as a result of the Lyons review? We have major work being done on wider issues in local government and the whole basis of taxation and revenue. Are you meshing in with that or is your exercise being done in isolation.

**Mr Thompson:** We are obviously talking to colleagues in the Department for Communities and Local Government about this issue. For example, the specific difference between specific grants and the dedicated schools grant. There is a constant debate about general funding for local government as opposed to specific grant funding and clearly colleagues at the DCLG are in the lead on that but we need to work very closely with them to make sure that policies do mesh. The answer to your question is yes, we are talking to colleagues in that area.

**Q27 Mr Chaytor:** To what extent is equity between schools and local authorities a factor in your deliberations?

**Mr Thompson:** Equity in the sense of the distribution per pupil?

**Q28 Mr Chaytor:** Currently we are having enormous differences budgets that go to individual local authorities and to individual schools. Is it a specific objective to try to inject greater fairness into the system?

**Mr Thompson:** One of the things we want to have a look at is the link between funding and deprivation. There are various different models which you could develop between those two, some of which potentially might lead to a greater differentiation of schools funding around the system. Clearly that is something which we want to have a look at because eventually the funding is only really based on two major factors: one, the number of pupils and secondly the whole question of how we differentiate according to various measures of deprivation. It is that second part which we want to have a look at to see what our options are around the distribution of funding.

**Q29 Mr Chaytor:** Do you think we are moving inevitably to a national funding formula or have we got there already?

**Mr Bell:** I do not think we have got there already because we clearly still have responsibilities at local level, the forums that each local authority has to have to look at formula allocation. This is a long standing debate about the balance between what is done nationally and what is done locally. It is worth just remembering that the dedicated grant came out of a very substantial concern that money that the Government had intended to be spent on schools was not always being so spent. There has always been this tension between what you enable to happen nationally by funding requirements and what you allow local discretion over. If you mean by national funding formula a single national model that would apply in every local authority area that is certainly not on the cards.

**Q30 Mr Wilson:** In the budget last March the Chancellor said it is his aim to close the gap in per pupil funding between the private sector and the maintained sector. Do you think it is meaningful to make any such pledge or commitment of this nature?

**Mr Bell:** I think it is a fair aspiration. I think there is also an issue about the amount of capital investment that has gone in historically to independent schools which is now being rebalanced by the huge investment under Building Schools for the Future. As we pointed out earlier the amount of money that is being spent in maintaining schools is great. I think it is a fair aspiration to have in mind that we want all children, wherever they are educated, to be benefiting from substantial sums of money and achieving the best they can.

**Q31 Mr Wilson:** Just to be clear, the Chancellor was not referring, I do not believe, to capital spending, but it would mean raising funding from about £5,000 per pupil to £8,000 at current prices. The IFS estimate that would cost £17 billion in real terms to close the gap between the private and the maintained sector. Realistically this is la-la land, is it not? It is a piece of headline grabbing and it is not realistic for the Department to achieve this. If it is, what plans have you already set in motion to achieve it?

**Mr Bell:** As I mentioned earlier, the future plans are all tied up with the comprehensive spending review so clearly the medium term funding for education is

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going to be determined through that process, not through any other process. I really cannot answer your question except to say that we are looking at all aspects of education expenditure as I am sure is happening right across government to determine what will be allocated to education after the comprehensive spending review.

**Q32 Mr Wilson:** Surely the Chancellor must be basing his opinion on something that this level of increase is necessary. If that is the case what research has your Department done to support that theory?

**Mr Bell:** The research is in relation to we know what it is that is spent in the maintained system and clearly we know broadly what is spent in the independent school system. As I say, we are not doing anything now specifically on that because all of the discussions about future education expenditure are tied up in the comprehensive spending review so I do not really think I can go beyond that.

**Q33 Mr Wilson:** So there is no research undertaken, just a piece of politics that the Chancellor is engaged in.

**Mr Bell:** No, I think there is a recognition that if you invest wisely in education you can get better outcomes. I think we have seen over the past few years that the increasing effect of expenditure in education has secured better outcomes. I do not think it is based on a whim and a fancy that if you spend money nothing will happen. I think there is a clear understanding that you need investment in all aspects of our education system to bring about improvement. It is not the only factor; I am not naive about that. Money is not everything when it comes to improved attainment or outputs from education but it certainly has made a difference in the sorts of things that have been achieved in the maintained system.

**Q34 Mr Wilson:** The outcomes have not been proportionate to the spending, but I want to move on from that. You might have noticed that I proposed a number of unsuccessful amendments to the Education and Inspections Bill because I have been giving some thought to how we can help disadvantaged children to get into better schools. One of the mechanisms I believe is funding. Do you think a 30% increase in funding for children on free school meals would help to make those children more attractive to the better schools?

**Mr Bell:** I am obviously not going to comment on what was discussed and voted on during the parliamentary process. We have already got mechanisms in the system to some extent. Jon alluded to funding additionally on the basis of deprivation if you use free school meals as a proxy indicator, so I am not quite sure of the specific argument you are making.

**Q35 Mr Wilson:** It is attaching the money to the pupil, an extra 30% to children on free school meals over and above what is being spent currently.

**Mr Bell:** I am not quite sure what you would attempt to achieve through that because obviously the bulk of funding, as Jon said, via the local management system, is that money follows the pupil. There are two basic elements: money following the number of pupils and money based on deprivation. I am not entirely clear what you are getting at.

**Q36 Mr Wilson:** Let me tell you what I think you can achieve. Has your Department considered, if you were to increase spending by 36%, allowing this money to be spent by parents of disadvantaged children say in the private sector.

**Mr Bell:** Government has been very clear about its approach to this. It wants to ensure that we have the maximum funding available to schools in the maintained sector and we want all schools to improve what they do for all children. I think the answer to that is clear. The Government has not considered doing what you have described.

**Q37 Mr Wilson:** Do you not think that vouchers, for example, is a way of helping poorer children to get out of the educational apartheid they find themselves in?

**Mr Bell:** The most important priority surely is to ensure that we have as many schools as possible that are good schools so the parents will want to send their children there. The Government's policy has not been to allow vouchers in the form I think you are alluding to. Surely the priority for us all is to ensure that we improve all schools so that parents do not feel somehow that they are pressurised into making a different choice. That has to be the aspiration of government policy, to bring about school improvement across all 24,000 state schools.

**Q38 Mr Wilson:** Obviously in your position you have to give very bland answers and what I am trying to tease out of you is what your Department is actually going to do in terms of helping these disadvantaged children directly? What is your Department exploring that might be, for example, along similar lines?

**Mr Bell:** That implies that the Department has done nothing in relation to deprivation. I could run off a whole number of things starting with Sure Start through to Excellence in Cities through to gifted and talented programmes through to making sure that more young people are supported to achieve the appropriate qualifications at 19 and of course now up to 25. I think it is quite misleading to suggest that somehow the Government and the Department is not interested in dealing with deprivation. There has been a huge swathe of activities to ensure that we help to close some of those attainment gaps.

**Q39 Mr Wilson:** You did not directly answer my question. You can also look at a lot of spending that has been wasted, for example the spending on truancy that did not get a single pupil to go to school more often; then the Connexions card more recently. There is a lot of money that has gone into failing schools that has not produced any real results. Just essentially listing a series of what are quite often

gimmicks does not actually answer the question. What are you doing to fundamentally change the lives of those disadvantaged children by directly getting involved in their lives as a Department?

**Mr Bell:** I do not think by saying the Government has funded this or funded that that somehow we are saying that it has not achieved any results. We know that the performance of students from the poorest socio economic backgrounds has improved significantly but we also know of course that we have not closed the gap. I cited that in what I said earlier, there are still big attainment gaps. We know, if you talk about the most deprived, we are dealing with some really substantially difficult issues but that is why I think the continuity of approach is important. You try to intervene at the beginning through giving really good pre-school experiences, particularly targeting those children's families in the most deprived circumstances, with absolutely ruthless focus on literacy and numeracy at primary school. We know the evidence is there; there are more and more children doing better all the way through secondary and further education. I think I can sit here and cite a number of very practical benefits and achievements that have come on the back of that expenditure that I have just described. Many more children and young people are doing better as a result of that targeted investment.

**Q40 Mr Wilson:** It does appear to me that despite you sitting there and citing those examples that there has not really been a break in the generational cycle that seems to have developed, longer than the period of this government, in those areas where essentially poor education and life chances have been passed from one generation to the next. Nothing I see happening in education at the moment is actually breaking that cycle. I see education as the only way of those children getting out of the circumstances they find themselves in.

**Mr Bell:** I absolutely agree with that point. Education is crucial. We know that thousands more children are achieving the expected levels in literacy and numeracy at the age of eleven. We know that more and more young people are staying on but we know we have more to do for their education. More and more young people are achieving the benchmark of five A plus to C grades at GCSE. All of those things are assisting in doing what it is that you are describing. I would be the last person to sit here and suggest that the kind of inter-generational problems that you have described are easy to crack. They are not; of course they are not. I think those policies and approaches taken together demonstrate that the Department is absolutely committed to trying to do the very best for those young people and their families.

**Q41 Mr Marsden:** Can I take you back to the new arrangements for 2008–09 and to that initial consultation? This Committee in its last Report on the whole issue expressed a considerable amount of interest. Was there a particular reason why this Committee was not asked to contribute to that initial consultation?

**Mr Thompson:** The simple answer is that it was a mistake. We should have consulted you and we thought we had, but it appears we had not and we have to apologise for that. As David said earlier in one of his answers our consultation on the terms of reference for that review was with a wide number of groups and it clearly should have included the Committee and it did not so we have to offer you that apology.

**Q42 Mr Marsden:** I am sure there will be other opportunities as we drill down into some of the detail, and particularly perhaps to pick up some of the issues that this Committee in specific funding terms has commented on in the past. One of the ones that we have commented on in the past and I want to touch on again today picks up some of Jonathan Thompson's remarks about looking closely at the link between funding and deprivation, and that is the whole issue of funding issues to do with children with transience and mobility. In your Department gathering I hope not dust but a little bit of reflection are two reports on this issue by Sally Dobson. When your predecessors came before this Committee last October I questioned them on what you might or might not do in that context. The then permanent secretary said there were no plans to change the existing situation. Given what you have said and given that this is actually an issue and that you, David, in your previous role as Chief Inspector of Ofsted, must be well aware that this is an issue for a significant number of schools—inner city schools, schools with a high number of ethnic minorities, seaside and coastal towns—is it not about time that you looked very specifically at this link in the context of 2008–09 in terms of the funding stream?

**Mr Bell:** We have looked at this one but I think our conclusion is that there are two specific problems with distributing funding to local authorities on the basis of that mobility measure. First of all it is a surprisingly widespread phenomenon so we actually think that inclusion of a mobility factor would not have much overall impact on the dedicated schools grant. Secondly—this is probably the hardest point—the actual data that the Department currently collects is not sufficient or is not a robust enough indicator. I think that is a very serious point because if you are going to fund according to any element you have to have an indicator that people actually respect and see as fairly applied. All the research on this has been looked at very carefully within the Department and all the research suggests that we cannot get that kind of robust indicator.

**Q43 Mr Marsden:** I accept, not least in your battles with the Treasury, that robust indicators are always very important, but is it not possibly the case that it is also in some degrees inconvenient for you to have robust indicators on this issue because it would mean you would have to open another funding stream which you do not have. If you are not going to go down that route, what are you going to do to address the very real issues in those areas that your own Department has had identified by the reports that I have referred to?

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**Mr Bell:** I can assure you on the robust indicator point this is not one that is in a sense constrained by the Treasury, this is a very real issue. I can speak from some experience on this one given my time in Newcastle when there were some schools with huge turnovers but to try to nail down what kind of indicator you would have used to measure that would have actually involved the schools concerned in a phenomenal amount of additional paper work and bureaucracy. I think you always have to bear that in mind. I think Jon can give some consolation on this point.

**Mr Thompson:** We have looked at the advice which was initially available to us and what we would now like to do is take that into account in the deprivation indicators review as part of our longer term review of school funding. It may well be that there are other indicators that we can use which are more robust which take into account the deprivation of those individual children, which we could then use in terms of distributing the schools grant. It may be there is a different way of tackling the issue through the use of those deprivation indicators.

**Q44 Mr Marsden:** There is some degree of consolation in that but the issue will not go away. Can I suggest, therefore, that if you are looking in that area that you discuss obviously very closely with colleagues in the community but also with the Social Exclusion Minister, not least because the Social Exclusion Unit is now, as we learn, to be relocated outside of Number 10 and therefore the involvement of the Social Exclusion Minister and that aspect of government in terms of what you decide is very important.

**Mr Bell:** Yes.

**Q45 Mr Carswell:** I would like to build on some of the things that Gordon was saying. There is a huge unfairness and inequality in the current system. I know this from representatives of a local authority in Yorkshire who showed me some data. They showed that per pupil terms there are enormous inequalities. You have said there are problems with getting robust indicators and whatever, but the question I really wanted to put to you is, if you were to come up with a formula based on various factors—age, location, social deprivation—and this formula showed you what every pupil in the country could expect to receive in terms of funding from their local authority, would that allow you to give every parent in the country a legal right to request and receive control over that share of LA funding? Up until now the great stumbling block to doing that has been people saying what constitutes their share of local authority funding. If you came up with a formula surely you could open the door to doing that.

**Mr Bell:** Do you mean their share at a level of individual school or the level of the individual pupil?

**Q46 Mr Carswell:** Pupil.

**Mr Bell:** It is a requirement on local authorities in relation to what we publish to demonstrate per pupil spending in their schools. Any parent can look

within the local authority area what is spent in any particular school and the decisions about the allocation within a local authority area are decided through the funding forum arrangements. As you rightly point out, if you want to make those comparisons from one place to another you can also make those comparisons. I think you are, however, beginning to touch on the issue of a national funding formula. There has always been a debate about on the one hand having something that is perceived to be fair nationally yet on the other hand not trying to prescribe to a particular area what should be spent. I think the balance of the argument has always been that we want to ensure that the totality of expenditure on schools is secured by the dedicated schools grant and then there is a good degree of local discretion about how that money is then allocated and what decisions are made locally. I think that is where we are at the moment in relation to your question.

**Q47 Mr Carswell:** I am not talking about a national funding formula, I am talking about something which would be extremely localist because rather than having the national funding formula which is not the answer—I am against that—but as a local issue it would be giving people a legal entitlement to request and receive from the LA their share of funding; it would actually be devolving to an even lower tier, directly to the people.

**Mr Bell:** I think you are perhaps in the territory that Mr Wilson described in relation to direct funding in relation to a voucher system.

**Q48 Mr Carswell:** I am not using that term.

**Mr Bell:** I know you are not, but I am trying to understand the distinction between them.

**Q49 Mr Carswell:** A legal right and a legal entitlement to request and receive.

**Mr Bell:** I am not quite sure what added benefit you would get from that.

**Q50 Mr Carswell:** Choices.

**Mr Bell:** There are obviously a lot of choice mechanisms already in the system. The system is such that every school will get its allocated share and parents have the freedom and right to know how that money is spent from school to school. Obviously because of a variety of choice mechanisms and levers in the system that does drive the distribution of funding between schools because the more successful schools inevitably attract more students which attract more money.

**Q51 Mr Carswell:** Under the current system all too often the people end up having to follow the money as allocated by the so called experts at the LA. With this system the money would follow the pupil.

**Mr Bell:** I think it is really important to deal with the point about the so called experts at the LA. The arrangements for agreeing the distribution of funding in a local authority have to include representatives of all the schools in the area.

**Q52 Mr Carswell:** That is okay then.

**Mr Bell:** I think it is a counter point to the argument that it is all about LA experts. I think this is an agreement at local level about how money is distributed. There are some broad rules, for example the majority of the funding has to follow the pupils. It is a proper engagement of those who are on the receiving end of fund decisions, ie head teachers and school governors. That seems to me entirely consistent with the local spirit.

**Q53 Chairman:** You are a Scots, are you not?

**Mr Bell:** Yes. I sense a World Cup question here.

**Q54 Chairman:** No, I would not ask you if you were going to be supporting Trinidad and Tobago, but have you ever mused what more expenditure you could give to schools if England were beneficiaries of the Barnet formula

**Mr Bell:** No, I have never mused on that point.

**Chairman:** Perhaps it is something some of you may consider at some stage.

**Q55 Jeff Ennis:** Could you tell us what the current funding gap is for a student studying in a school sixth form as compared with an FE college?

**Mr Bell:** The gap was 13%. The previous Secretary of State announced at the AoC conference last November that that gap had dropped to 8% and there is a proposal that that drops a further 3%. We are moving in the direction of trying to equalise further between school sixth forms and colleges. You might say that that has not gone the whole way but I think that then becomes quite an important issue in relation to the 14–19 reform. I think the movement that has been made now is getting us closer between the funded schools and further education. I am sure the system is going to change as a result of 14–19. I think we are going in the right direction but we have to look at it quite fundamentally.

**Q56 Jeff Ennis:** I do feel a certain amount of frustration given that almost two years ago now I asked Charles Clarke what the gap was then and it was then 7%. He told this Committee nearly two years ago that the gap would be closed in three years, in other words in just over 12 months. We are not going to hit that target, are we?

**Mr Bell:** We are not going to equalise the funding in 12 months, no.

**Q57 Jeff Ennis:** What priority does this particular problem get now with the Department, given the fact that the Department has actually failed to hit our previous Secretary of State's targets? You intimated to me that we are actually down in the right direction; we are going to close it with the passage of time down to 3%. How high a priority does it have with ministers?

**Mr Bell:** It is a very important priority and I hope you would have recognised in the Further Education White Paper the priority that is given not just to the funding issue—and I do not in any sense underestimate the significance of that—but also about

further education more generally. There are some difficult choices, as we know, about quite where you put the money when it comes to post-compulsory education. I can absolutely reassure you that it does have priority. There have been a lot of arrangements to ensure that we get and keep more young people in further education through things like Education Maintenance Allowances through to expanding our Apprenticeship programme and so on. There has been a lot of priority given to it, but I accept the point that the funding issue remains one that causes great concern.

**Q58 Jeff Ennis:** In Barnsley, for example, 85–90% of the kids go to an FE college which has central provision and I do not think it is fair that kids in Barnsley should be funded 13% less than other LA areas for sixth form provision.

**Mr Bell:** I can only repeat the point about trying to move over time.

**Q59 Jeff Ennis:** Do we have any sort of research in terms of the impact it is having on pass rates or exam success between students who are studying in school sixth forms as opposed to FE colleges?

**Mr Bell:** We will have the data but I do not have it to hand. I could get it in relation to the achievements of students studying in different post-16 institutions, whether that is a college, a school sixth form or a sixth-form college. We can get that but I think you are perhaps asking a slightly different question, can we draw some direct connection between the funding and the outcomes and I suspect we do not have that but I will undertake to look at that. We have the raw data about who achieves what and where, but not data in relation to what you spend and what you get.<sup>2</sup>

**Q60 Jeff Ennis:** Is it something we ought to be able to have a handle on?

**Mr Bell:** I think it is an important question. It is notoriously difficult to get the data and measure it. How do you make that absolute connection between the funding and the outcome? I think there is a recognition in terms of the direction of government policy that it does matter to get the funding as close as possible wherever a student is being educated. One of the historic reasons has been that what goes on in a school, sixth form or a sixth-form college is different in type and nature to what goes on in college. That is why I made the point about 14–19 reform. That argument is a less sustainable one to advance even if there were a single argument in the first place. I think we really will have to look very seriously at this as the full impact of 14–19 reform kicks in.

**Q61 Chairman:** As I go round schools I detect a real worry that what came out of the Tomlinson recommendations and the Government's take on that that the new diplomas are going to come in in something over a year's time, 2008. Many of the schools I talk to are very concerned. This is a

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fundamental change in our educational system and the schools are worried about whether the resources are being allocated, whether planning is being done, the staff are being trained for what is after all a very big change in our secondary education system. Why is there almost an absence of reference to that in your report?

**Mr Bell:** I am a bit concerned that you are picking up that kind of mood and feeling because part of our whole programme of change towards 14–19 is to prepare schools and teachers. I think the most important thing to say is that we have to remind ourselves there will be five diplomas introduced in 2008 but we are not expecting and have never expected every school and every college to have in place in their own institutions provision for all five. That was never the assumption. Part of the assumption, as you know, is that we get better collaborative arrangements between schools and colleges, and a lot of that is happening already ahead of the 14–19 diplomas. For example, students who may be pursuing a diploma route may well do that in a further education college in one place but in another place that diploma will not be on offer but something else will be on offer. I think it is very important just to remind ourselves that this is about progressively rolling out the 14–19 reform and not a big bang where every institution has to have it all in place immediately.

**Q62 Chairman:** This is what I am picking up. You would say that, would you not, that you do not need extra resources, you do not need extra training, this big change is going to take place on the same budget under the same style, but people on the ground are telling me that if that is what you think you are wrong. Even if it is going to happen piecemeal, even it is going to be a gentle move into that direction without training people, this Committee has some very severe reservations about the quality of teacher training as it is. Someone said to me yesterday that what they are worried about is that if they are going to finish up teaching 14–19 the people teaching will be PE teachers with bad knees. That is a real concern. The 14–19 new agenda is not easy and if you think as permanent secretary it is going to be done on a shoe string and it is going to be done with no training then I think there is going to be a lot of concern out there in the schools.

**Mr Bell:** I am not suggesting that, Mr Chairman. I think it is absolutely right that people are going to have to be trained because the quality of the teaching as well as the quality of the facilities will be central to the success of the 14–19 reform programme. There is money earmarked for training and development. We are a couple of years off; I am not underestimating how long it takes to get things into place. We do not yet know until the end of June this year quite what the initial diploma is going to look like in terms of content. That is fine because that is against the timetable that we specified. I think on the back of that you will see more progress as we understand what the diploma requirements are and who is going to be teaching what. In the autumn I would be happy

to respond further and follow up on the very specific detail of how the roll-out and the implementation is going to be carried out.

**Q63 Chairman:** You know the underlying concern that this is a new format where the academic stream will still be reasonably resourced and supported but kids who chose that other course, the other route into vocational if they do not get into the very best on parallel with equal funding they will get some second class offering that is under-resourced. That is a fear. I am not saying it is going to happen, but that is a fear out there amongst some of the people who are going to deliver.

**Mr Bell:** Therefore we have to do all that we can do to reassure people on the back of what is proposed that we do want to have people well trained and qualified. Part of the problem that we have seen on some vocational initiatives in the past is precisely one that you have raised and it has not been seen as having the status within the school or the status within the teaching force. We cannot allow that to happen under the 14–19 report. To reassure you, we have a detailed implementation plan about how we are going to take all of this forward. I would be happy to come back to the Committee to tell you a bit more about that if you wish.

**Chairman:** Thank you for that. We are going to move on now to look at efficiency savings.

**Q64 Helen Jones:** I want to try to look at this business of cashable gains and non-cashable gains. When the Government replied to the Committee's report in March of this year they said that most of the DfES's efficiency programme were measures to improve the quality of provision, in other words what they call non-cashable gains.

**Mr Bell:** That is correct.

**Q65 Helen Jones:** What proportion of the programme falls into that category? Can you give us the figures?

**Mr Bell:** On the £4.3 billion of efficiency savings, those are all non-cashable. The Department's cashable element is in many ways relatively modest and relates to the reduction in the number of posts in the Department. We are due to reduce by 1,400 posts.

**Q66 Helen Jones:** Do you think it is helpful to quantify non-cashable efficiency gains in money terms because no money is being used to fund additional activity, is it? You talk about a saving which, in some respects, is not there.

**Mr Bell:** It is about making better use of what you have. Quite a lot of the emphasis on that £4.3 billion is in workforce reform and remodelling. That seems to me to be a classic example of saying that if you restructure the workforce by, for example, allowing teachers more time for preparation and so on, you should generate the efficiency of more time available for teachers to prepare effectively and to teach better. I think these are very real issues about efficiency. By ensuring—as we are trying to do in further and higher education sectors—that you have

bulk buying of goods and services, providing advice and support to that, the money that you release by procuring business services more cheaply one can then recycle into the basic provisions. That is a very reasonable expectation on the back of an efficiency programme. You are right, it is not cash that is coming out of the system, it is using what you have more effectively on the basis of the actions you take with it and what forms of procurement and the like.

**Q67 Helen Jones:** I understand that but we hear these answers and they are very non-specific. To help us understand can you actually give us some examples of individual schools where they have made efficiency savings and where those efficiency savings have been used?

**Mr Bell:** With the Office of Government Commerce we have done some direct visits. For example, schools that have made more use of cover supervisors have released teachers from doing that work and in a sense they have given teachers more time for planning and preparation and the schools concerned say that that has had an impact on the quality of the education of the students. The cover supervisors are within the school; they are not purchased from outside so there is a saving in not having expensive supply teachers but having people known to the students. That is a very concrete example of what schools can and actually are doing. I can take procurement, for example. Providing on-line procurement advice to primary schools saves the head teacher or the deputy head spending hours and hours and hours going through catalogues trying to find the best deal. If you have services on-line you can type in a particular product and you can draw up the best buys. Those are very practical examples. We are very conscious of your point; we need to give schools and colleges and other institutions that very practical kind of support so that they can change their behaviour to generate those efficiencies.

**Q68 Helen Jones:** I understand that and I understand what you are saying about the savings and teachers having extra preparation time. Do you have any way of measuring whether that is feeding through into improved educational outcomes because what you said earlier was that schools feel that that improves education? Is there any measure that this is actually improving outcome?

**Mr Bell:** The reality is that it is very hard to get that direct correlation between saving time here and achieving X amounts of examination results there.

**Q69 Helen Jones:** That is what it is supposed to do.

**Mr Bell:** Yes, it is, absolutely; it is supposed to do that but it seems to me it is part of a package of measures to bring about that improvement. We do have evidence about teachers having time to be well prepared to teach their lessons. If we know that that has a connection, if you can release more time for teachers to do that substantial kind of preparation we know that improves teacher quality and we know from Ofsted reports that teaching quality is a very important factor. That is a kind of fuzzy connection—I absolutely accept that—but I think it

is important to stress the point that we are giving schools the encouragement, the advice and the support to generate that kind of activity at school level so they can make better use of the teachers so the teachers can do what they know makes the most impact on pupil performance.

**Q70 Helen Jones:** Are you satisfied then that the schools have in place the appropriate systems both to monitor their financial efficiency and to ensure that when they are making changes they are actually improving educational outcomes? Is it hope or have we got a rigorous system in place? If not, what do we need to do to improve that? I am thinking particularly of smaller primary schools where it is quite difficult.

**Mr Bell:** The answer to the first part of your question is yes, we have a financial benchmarking website. There are 18,000 schools that have received specific financial management training. We have training being done through the National College for School Leadership on precisely those points. You can now benchmark how well your school is doing against other schools. That gives you indicators of how you are doing but it does not provide answers. I think you are absolutely right, if schools are going to improve their performance they need to know how they are doing and that is why it has been a very key part of the whole efficiency programme, to have those kinds of systems in place. I think the small primary schools point is a very fair point because one can understand intuitively that if you are in a larger institution you are more likely to be able to generate those kinds of efficiencies, but it is certainly true that even the smallest primary school, by doing some of the things that I have described, can free up more money. That would be proportionate to the size of the institution and to scale that up into further education and higher education you would get greater savings because of the size of school and institution.

**Q71 Helen Jones:** I understand that but the question was partly about staff as well. Are you convinced that heads necessarily have the financial expertise or that they have the staff in schools with the financial expertise to look at these things properly? That is why I mentioned small primary schools where you probably have someone doing it part time. We seem to have moved in secondary schools from school secretaries to bursars to what are now called business managers. Is the Department convinced that the people you have do have the right training to make sure that the budgets are spent effectively and efficiently?

**Mr Bell:** If you take bursars, for example, that is a thoroughly positive development particularly in larger schools and certainly in colleges and universities where you have technically trained staff to do that kind of work so that those who are responsible for teaching and learning are able to focus their time and attention. Again I accept the point in relation to smaller primary schools that it is going to be harder and we have taken that into account. The National College have taken that into

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account in the training they are giving. Have we enough people in schools that actually understand it? It is difficult to quantify that. I think you can tell from those numbers that I have given you earlier about a very large percentage of head teachers having undergone financial management training; more and more head teachers are making use of benchmarking information and data. I am cautiously optimistic that people really do get this now. We also get it, as it were, because a lot of the recent changes and reforms in the system have been explicitly premised on making better use of the teaching quality by making better use of support staff and so on. I will ask Jon if he wants to come in here.

**Mr Thompson:** Just to add slightly to what David said, I think we feel there is further that schools could go and we need to talk about, for example, the employment of a professional bursar that is shared by a number of different schools so there is that expertise which is used by a group. We think there is further potential in this area.

**Q72 Helen Jones:** What about the differences between schools? We have talked about those schools that find themselves in very deprived circumstances. You find that although the money they have had has increased they are still not as well resourced as many of other schools in affluent areas where parents are very good at raising money. How are we going to tackle that problem, to direct more money to the more deprived schools? Do they find it more difficult to make the kind of efficiency gains, bearing in mind they have come from a lower base anyway?

**Mr Bell:** In all the data that we have so far there is no suggestion that schools certainly in one kind of area as opposed to another are finding it more difficult. I think the point perhaps goes back to your earlier one that larger schools by definition find they have more room to manoeuvre. That is irrespective of whether you are in a leafy suburb or an inner city deprived area. I think the general point about funding for deprivation perhaps takes us back to the conversation we were having earlier about how you find the right mechanisms to do that. It seems to me that the point applies in whatever school you are in, you should be looking at the means by which you can make the most efficient use of what it is you have to spare. That applies in every educational institution.

**Mr Thompson:** Is there more that can be done at the local authority area which could differentiate further in relation to the deprivation? We think that is something we need to have a look at and it is part of the review; there is potential to differentiate further and follow the specific needs, possibly of some of the children within that local authority area. That is something which we think we ought to have a look at.

**Q73 Helen Jones:** What you are saying I think is that things would have to be done locally. A local authority like mine, for instance, if you measure the overall deprivation we do not score very highly but

if you look at some of the schools in the centre of my local authority there are some very deprived circumstances. It is also about them getting the necessary expertise down to local levels to do that.

**Mr Thompson:** Yes.

**Mr Bell:** To give you a slightly different example but an important one, if you look at the amount of money that local authorities spend on children with complex needs I am sure you are all aware in your own areas of the very substantial sums of money that are spent. I think there is a shared recognition between local authorities and central government that we do not always get best value out of that because of things like support purchasing where you very much find yourselves in the hands of the provider if you have a child who needs to be placed. We have very small number of procurement experts in the Department working with local authorities to try to build up regional purchasing arrangements so in a sense you get a consortium set up so that you get a more efficient way and a cheaper way of purchasing high quality services. Local authorities will tell you that that is really, really important, given the huge expenditure on children with complex needs. I think that is exactly your point. That is not about central imposition, that is about helping to build that expertise at local level.

**Q74 Helen Jones:** Is there any part of the DfES that has not achieved its efficiency savings in the last year? Headquarters? Schools? Anywhere?

**Mr Bell:** As far as the Department is concerned as I have stressed today this is a very small element of the overall picture. We are just slightly ahead of trajectory in reducing staff numbers and we are ahead of trajectory in relocation. As far as the overall £4.3 billion efficiency savings are concerned we are slightly ahead of trajectory in terms of what has been generated as efficiency savings but the big hike up comes in the next year or so. The Office of Government Commerce quite rightly says we have trajectory but you have quite a low base line. What is going to happen next year? We are confident we are going to achieve that; we are slightly ahead of trajectory in those areas.

**Q75 Paul Holmes:** The National Audit Office in their report in February raised some concerns about how you might measure efficiencies. For example, if you put an ICT system in that could lead to all sorts of efficiencies, but are you taking account of the on-going costs for maintenance, depreciation, replacement of capital later on?

**Mr Bell:** Yes, it is very important to us. A proper question asked of us by the Office of Government Commerce when it reviews these is: are these savings sustainable? That is a really important point that has been asked of us. You could make a one off saving but actually costs hike up. All of the programmes that we have in place have to pass that sustainability test: is this going to be an embedded savings? I can assure you, to take the technology example, we do make assumptions about technology savings that those will be on-going efficiencies; we will not be

making that saving one year and then all of a sudden that efficiency is not captured. These are real efficiencies that are captured over time.

**Q76 Paul Holmes:** In relation to the answers you gave to Helen I was intrigued by some of the definitions of efficiencies, of non-cashable efficiencies. I do agree with what you are saying that if teachers get more preparation time that is educationally good, but you are suggesting that if teachers get more preparation time you think that is a non-cashable efficiency and that you are also saving money because you are not bringing in supply teachers, you are using cheaper exam supervisors, classroom supervisors, *et cetera*.

**Mr Bell:** Yes.

**Q77 Paul Holmes:** In my experience in secondary schools we would cover exams in our free time. As the schools are moving more and more to employing outside people at cheaper rates that is an extra financial cost to the school. They are not actually saving any money there.

**Mr Bell:** There are two dimensions to that. If you take supply cover there is a real saving in financial terms if you do not employ supply teachers. It is much, much more important and usually far better to have your own cadre of staff inside to do that.

**Q78 Paul Holmes:** I agree absolutely with what you are saying but in all three schools that I have worked in over 22 years we have never used outside invigilators, it was always the teachers in their non-contact time who would supervise an exam. If you then start in any of those three schools that I worked in to bring in outside invigilators, even though they are cheaper per hour than a qualified teacher, it is actually a cash cost to the school.

**Mr Bell:** It is, but the cost of that is actually marginal against the school budget. Secondly you are then not having teachers doing exam invigilation which I think we would probably agree is not necessarily the most productive use of a teacher's time. So in a sense you are generating the efficiency not simply just in terms of cash but you are actually seeing on the back of the time that has been freed up that teachers have more time for preparation than doing an activity which may not be making the best use of their expertise.

**Q79 Paul Holmes:** In your account in the secondary school case you say there is a marginal extra cash cost but there is an extra cash cost; are you off-setting that against how you judge the educational efficiency saving?

**Mr Bell:** All of these data requirements under each of the savings are set with the Office of Government Commerce and are subject to reviews so we have to be able to demonstrate against a set of calculations or formulae that have been established that all relevant costs have been taken into account in generating the efficiency. One of the issues that we have is that sometimes we have to use proxy indicators because one of the concerns that ministers had I think quite properly was that they did not want

to have a huge additional bureaucratic burden in schools which would then defeat the purpose that you have to account in all sorts of complex ways for these efficiency savings. For example we do sampling through time diaries so you take a certain number of schools and a certain number of teachers, looking at what has been done and we have made some assumptions. That is all fair and reasonable. Throughout this we have had to strike a careful balance between measuring the efficiencies so they are robust and at the same time not over-burdening the schools with a whole lot of data requirements. That is a fine line to tread I have to acknowledge.

**Q80 Paul Holmes:** With primary schools one of the greatest impacts for the benefit of school pupils and teachers has been that primary school teachers who never had non-contact time in the past now do, but that is not something you can off-set against supply teacher costs or exam invigilation costs. For most primary schools that has been an extra cost. They have had to use school budget money to bring in classroom assistants and supervisors. The class teacher is getting half a day a week off but they are not using their expertise to teach that class. That might be an educational efficiency for the teacher and the pupils in the long run, but equally those pupils are missing half a day of lessons with a qualified teacher. I have seen good examples in Chesterfield, for example, where they have a sports graduate to do the sport who can do it far better than a generalist primary school teacher. So there can be benefits but it is certainly a financial cost because they are having to pay extra people who have never been paid before in order to free up half a day a week for every teacher for non-contact time. How do you count that as a cash gain?

**Mr Thompson:** Just to make sure we are clear, we did not score the freeing up primary teachers' non-contact time as an efficiency in the efficiency review although I do understand the point you are making. We did not score that as an efficiency in the review that we are talking about.

**Q81 Paul Holmes:** How do we as a select committee or the National Audit Office or anybody else judge your figures on the efficiency gains if you aggregate it all up and you cannot give us the exact figures? Can you give us figures now or in a letter to the Committee?

**Mr Bell:** I can provide you, if you wish, with the data requirements that are against each of the key strands of the efficiency review. We have a set of measurements that we have to be able to demonstrate that we have generated the efficiency and those are subject to audit. What I might suggest, rather than providing you with a complete set, is that I provide you with a couple of examples. I think that might be more sensible to do that. We could certainly provide you with the names and examples but to some extent you have some examples in your own mind of how this has actually been done. Perhaps if we provided you with a bit of a briefing

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note on the approach to measurement efficiency and sent you one or two very specific examples under each of the headings that would be helpful.<sup>3</sup>

**Q82 Paul Holmes:** You have to make £4.3 billion efficiency savings over three years and you are one year down the track. According to the departmental report on page 96 you say you have made £875 million so far although you can only report on £578 million. I am not quite sure what the difference there is. Is it £578 or £875?

**Mr Bell:** We always knew that we had a very, very steep trajectory because the big savings would be kicking in, but the data to generate those efficiency savings in a sense was a year behind because you have to wait until the end of the academic year. Perhaps Jon can give an update.

**Mr Thompson:** The answer to your question about page 96 is that under the OGC's definition of how you can score an efficiency we can only score the 578 number but we know that some of those will undoubtedly grow. Although we know we can score 578 we know this will lead to the higher number, the 875. That is essentially the difference. That 578 will lead to 875; at this point we can only score the 578 number.

**Q83 Paul Holmes:** Would the hard-headed statistician ask if that is an aspiration that is going to lead to this or is it a commitment or a priority.

**Mr Bell:** I can assure you that my feet are held to the fire on this one. Jon and I were with the Head of the Office of Government Commerce where there was a very detailed scrutiny through our numbers and through our actions that we are taking to be able to demonstrate that. At the departmental level, since taking over as permanent secretary, I have set up and chair an efficiency and reform board within the Department. I think it is really important that I take a personal part and really drive the questions in the Department and out to the system, at the same time as the head of OGC is holding me to account so we are getting this very substantial priority within the Department.

**Q84 Paul Holmes:** Would the higher figure of £875 million mean that in one year, in 33% of the time, you have made 20% of the efficiency saving and you are confident that in the final two years you will make 80% of the efficiency savings.

**Mr Bell:** With that question I think you might have been there at the meeting with the OGC because that is precisely what they have been asking. Our view all along has been that the big savings will kick in as we have expected them to against our trajectory. So yes, we are confident that we will meet the overall target. Do not forget this has to go to 2008 to see this through, but we are confident, yes.

**Chairman:** We will move on now to education expenditure and the CSR.

**Q85 Stephen Williams:** I want to turn to what the Department might be expecting out of the comprehensive spending review. The Chairman, in his introductory questions, referred to the relative status of education expenditure as part of a government priority. Currently your Department has a 5.7% share of GDP at 2005–06 figures as compared to Health's 7.3%; that is a 1.6% gap, compared to 1997 of 0.7%. Are you lobbying internally for that gap to be stable or are you resigned to the fact that it will continue to widen or do you actually want to narrow it?

**Mr Bell:** I am always afraid of being accused of giving bland answers but I think it helps if I just explain the process to you. We are very much in the early stages of the comprehensive spending review. All the Departments are carrying out a range of work. We are looking at a funding pressure, we are looking at elements of our expenditure, we are trying to project ahead. It really is at that stage. As the process moves on obviously the Ministers in the Department have to consider what we can identify as their key priority and that will form the conversation between ministers and officials in the Department and in the Treasury and ultimately CSR decisions are made. I really cannot say much more than that because we are still at the early stages of what has gone in and what discussions we have been having with the Treasury.

**Q86 Stephen Williams:** Over the period of the Labour Government annual increases in education have been around about 4.6%. The Institute of Fiscal Studies have calculated, based on information that is currently in the public domain, that future increases—ie after the comprehensive spending review—may be 3.4%, that is 1.2% less than what the Department has been used to over the last nine years. Are you planning on a similar figure?

**Mr Bell:** I think it is true to say that we recognise that the context might be tougher than it has been previously and therefore that requires us to look very carefully at what priorities we have. I can assure you we are looking at all options at the moment. That is a proper part of the exercise; I hope we would have been doing that even if it had not been for the comprehensive spending review. I think we do accept that the situation might be different in the future and we really have to drill down hard on priorities and certainly ministers will have to have that kind of conversation in due course when they speak to their Treasury counterparts.

**Q87 Stephen Williams:** You cannot be sure where your position is within overall government expenditure relative to other Departments. You are effectively accepting that there is going to be a deceleration in expenditure.

**Mr Bell:** You would expect me to be planning for all sorts of options under the comprehensive spending review. We have to plan for a context where the situation might not be as good as it has been in previous years and that is what we are doing. I think

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you would be very surprised if I gave you any other answer. We have to plan for all sorts of options under the comprehensive spending review.

**Q88 Stephen Williams:** Can you look at the mix of expenditure on different sectors within the Department. On average of the last five years—from 2001 to the current year just ended—Department expenditure has gone up by 62% but within that there are huge variations. Your own Department's funding direct to schools has gone up by 123% whereas right at the other end of the scale the funding for higher education has gone up by just 15%. Is that a gap that you expect to be perpetuated in future?

**Mr Bell:** Do not forget that we are moving into a new era when it comes to funding arrangements in higher education and I think some of those big questions about the future funding of higher education were precisely what was debated a couple of years ago in this building, about what needs to be done to provide universities with the funding needed for the future. You are right, of course, to highlight the very substantial increases in schools expenditure—not just in the current expenditure but obviously capital expenditure—but that has been seen by the Government as an essential priority but equally I could point right across a whole range of other areas where increases in funding have been made. You are right, the schools expenditure has grown very substantially since 1997.

**Stephen Williams:** That is the schools expenditure direct by the Department. Schools expenditure by LAs has gone up by 13% so the figure there is not so dramatic.

**Q89 Chairman:** Is that a comment? The permanent secretary might want to come back on that?

**Mr Bell:** No, that is fine.

**Q90 Chairman:** The 13% is right, is it, via LAs?

**Mr Bell:** Sorry, I think I missed the point there.

**Q91 Stephen Williams:** The dramatic increase in schools expenditure is actually direct funding from the Department, £4.9 billion in 2001 to just under £11 billion in 2005–06. That is 123%. The funding via local government has only gone up by 13%. Yes, there has been an increase in school funding but it is actually coming directly from the Department according to the table we have. What I am actually pursuing is the expenditure on higher education relative to other sectors including FE which has done relatively well compared to higher education. Are you actually saying that in the future you are not expecting government funding for higher education and to have significant increases because you are expecting the increase on HE to come from tuition fees or even from the universities' own income?

**Mr Bell:** I cannot commit beyond what is within the spending review period but obviously part of the discussion to date around the new variable fees was to provide support to higher education institutions

to do what they do and do better given the pressures on higher education. I certainly cannot comment beyond the spending review.

**Q92 Stephen Williams:** Moving to value for money, Rob Wilson has alluded to some of the areas where he felt perhaps the expenditure had not got the return that the Department would have hoped for. This Committee in an earlier session heard that £500 million had been spent on the literacy programme but some of the witnesses suggested that had not led to a discernable increase in reading and writing standards. Do you think, given your previous experience in Ofsted, that the huge amount of money that the Government has put into certain areas has actually got a significant educational return?

**Mr Bell:** Yes, is the answer to that. We know that throughout the period from 1997 to now attainment has been rising at every key stage. On your very specific point about literacy and numeracy, it is worth reminding ourselves that in 1997 just over 55% of students achieved the appropriate levels and now that figure is just under 80%. That seems to be a very real piece of evidence that attainment has improved. We know that teaching quality has improved and if we see a direct connection between teaching quality and what goes on in the classroom, that is a very significant measure of improvement. We know from research from Ofsted that the new teachers coming out are probably about the best trained we have ever had so I do think there is very substantial evidence of improvement. If you get into the more technical questions—which I know the Committee has been looking at—about productivity, then we know that that is a more tricky area. There is no doubt about that; that is a tricky area. You will also be aware I am sure that the Office of National Statistics is about to embark on a consultation exercise to try to dig deeper into the question of productivity in the education system. There have been very real and measurable gains in our education system over the past few years and I do not think we should underestimate them.

**Q93 Stephen Williams:** In a letter from the National Statistician to you yesterday, Mr Grice, suggested that one of the ways that the Department could improve its productivity measurements is to use the OECD's programme for international students assessment. Is that something which the Department might look into?

**Mr Bell:** We have used it previously. We use those international benchmarks and in fact on the basis of some of those international benchmarks we have seen very substantial improvement. I would not want to present the argument that somehow those international comparisons put us in a perfect position on every measure. Some issues they do throw up concerns, for example, we have fewer students in education and training at the age of 17 than many of our international competitors. We have to be aware of how we use those but there is a pretty positive picture to tell on the international comparison side. It is important that you do use international data to try to judge how well the

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system is doing. Clearly we are working, as you would expect, very closely with the ONS and thinking through this productivity question. I think it is terribly important, as I am sure it is to everyone here.

**Q94 Stephen Williams:** The Department has asked the Treasury to undertake a review of the funding of SEN; has that review been completed yet?

**Mr Thompson:** There is a joint review with the Treasury which forms part of the landscape of the spending review and will report through the spending review either in November this year or the following March.

**Q95 Stephen Williams:** As I understand it, the information we have been given is that it is a base line funding review. Are there any other strands of educational expenditure being reviewed from scratch or is it just SEN that is being reviewed in that way at the moment.

**Mr Bell:** There are other reviews as part of the spending review process; we will look at other areas of expenditure. For example we have been looking at schools for the current expenditure; we have been looking at 14–19 expenditure; we have been looking at children with complex needs. We have been undertaking a very detailed analysis of what is being spent, what we have got for that and what the funding pressures are.

**Q96 Jeff Ennis:** I have a supplementary question in term of the future spending review. Is there not a danger that if you do realise £4.3 billion of efficiency savings that the Treasury will come back and say that you do not need any extra money in the next review round; you have actually achieved all these efficiency savings you can carry on doing so.

**Mr Bell:** I cannot predict what the Treasury will say. The most serious point about this is that it is really important to be able to demonstrate that this additional investment in education is not only generating improvement but actually has the capacity to generate further improvement because people are really carefully using what it is they have been given. I hope it is a powerful case to make for investment, that investment is being used sensibly and wisely.

**Chairman:** I want to move to higher education now. Gordon, would you like to start?

**Q97 Mr Marsden:** Can I ask you what your view is about the pay settlement which has been agreed for the higher education sector?

**Mr Bell:** It is not for the Government or the Department, as you know, to comment on that. That has been a debate between the employers and the trade unions. It seems on the face of it to be a good settlement and hopefully that will now be accepted on the basis of putting it to the members and unions concerned. This has really been a discussion and debate between the employers and the trade unions.

**Q98 Mr Marsden:** What this dispute has thrown up into sharp relief are many of the issues that this Select Committee and its predecessors have been banging on about for years, particularly the historic low levels of pay in the sector and particularly in key subject areas where graduates could go off into other employment rather than teaching or lecturing in higher education, earning four, five, six times as much in some cases. Are you concerned not just about the actual settlement but about the continuing underlying implication in that, not least in terms of the targets that the Department has been set both by the Prime Minister and the Chancellor competing with other world class universities as part of the global economy.

**Mr Bell:** I have spent a lot of time since starting this job and talking to vice chancellors across a wide range of universities to try to get a sense of all those issues. We are certainly not complacent about the supply of staff and the supply of high quality staff. I hope that the funding settlement that we hope will be agreed is going to go some way towards addressing some of the concerns that have been expressed. Equally vice chancellors have said to me that there are a lot of areas where they are offering good career prospects for academics and in some areas are not short. In other areas the competition for talent is tougher; there is absolutely no argument about that. I hope that what we have got under the settlement—which we hope will be an agreed settlement—will assist us in providing the right number of the right quality. I am not complacent about it but I am not suggesting that we have a major crises in terms of recruitment to universities in academic staff but I will keep in mind particular pinch points.

**Q99 Mr Marsden:** That is exactly what I am suggesting in particular areas, not least given the demographic implications. There are a very large number of long serving academics who are about to retire or have already retired. You do not want to be bland and I do not want to be a Stalinist, but is there not more to be said for the Department looking much more sharply with HEFCE about specific funding and specific focus on those pinch points. One can think of science, economics and mathematics as particular examples.

**Mr Bell:** Obviously we do, with HEFCE, look at the labour market as it were, in higher education. We know what the issues are and the points in the subjects you have described. I think we have to be very clear, however, that the particular decisions that universities make in terms of numbers of staff they appoint in particular subjects are decisions for the universities and the decisions about funding methodology and so on are with HEFCE, the funding agency. We do not in any sense stand back from this and say that we are not interested. We keep looking very carefully at it.

**Q100 Mr Marsden:** Notwithstanding the admirable work that they do do, we have had HEFCE before this Committee in the past and it is fair to say we have charged them with complacency and short termism on a number of different areas. Do you not

really have to have one or two people in your own Department who are pushing them to be more proactive, looking at the funding issues and the economic and educational trends over the next 10 to fifteen years?

**Mr Bell:** Absolutely. We are doing that. I think it will not be a great surprise to you that there is a cross-government interest in this in relation to science, innovation and business, not just nationally but internationally so we are very much on this case. The supply of high quality staff to universities is part of that equation because if we do not have, as you suggested, high quality staff our universities are not going to be able to compete in what is now an increasingly international market for higher education. I absolutely accept that.

**Q101 Mr Marsden:** I know you are going to be asked some quite detailed questions about the comings and goings of the RAE discussions, but I want to ask a broader question which again is one that this Committee has looked at in the past. That is the relevance of the funding that you put via the RAE into higher education for the overall performance of higher education. You will be aware of the fact that there are a number of examples—many of them not publishable for libel purposes—of academics who have been poached as part of the RAE exercise by universities to go and do books or pieces of work there and who do little or no teaching on the back of it. The criticism has been throughout this process that the over-emphasis in terms of funding on the RAE has not given enough implication in higher education to teaching, to outreach work, the social inclusion work that younger academics in particular cannot do if they are entirely focused on the RAE. Is it not appropriate to use the fundamental re-examination of the RAE beyond 2008 to fundamentally re-examine also the balance of the funding which you give between the RAE and between those broader definitions of success in higher education?

**Mr Bell:** I think the consultation paper covers certain conversations I have had with vice chancellors. There are a range of views about the impact of RAE. Our view is that the RAE has been extremely beneficial to the quality and standing of UK universities' research and therefore we think it has served its purpose very well over the past 20-odd years, but we are now embarking on this consultation exercise. I suspect what will happen perhaps is along the lines that you suggested, that people will want to debate those other points about the balance between research and teaching. I am slightly nervous about drawing too sharp a distinction that somehow the RAE has completely skewed the behaviour of every academic in every university. That is not the experience that I hear, not just from vice chancellors as I said but from university lecturers, that actually the quality of research is often informed by the teaching experience on a day-to-day basis and obviously the teaching experience is helped by the quality of research done by academics.

**Q102 Dr Blackman-Woods:** I have a series of questions on consultations but first could I pick you up on your last point? I would have thought there was a difference in skewing between the research intensive universities and ones who are not research intensive. I think the information that we hear is that particularly for those Departments or institutions which are research intensive there is a skewing away from teaching towards research because it brings in so much money. I just wondered if there was any acknowledge of that in the Department and therefore any consideration of what might be done about that.

**Mr Bell:** I think the difficulty on this one is that you really do hear such a range of opinions. I can think of recent conversations with folks from research intensive universities and I have heard a whole range of views from people who would advance the argument that you have advanced there and then others who would say it is incredibly important. I think the consultation paper actually made that point, that there is a wide range of opinion about the benefits of the RAE. I think it is fair to say if you look at the consultation paper there has been no attempt to hide some of the perceived difficulties. I know they are actually laid out so this is not some sort of paper that says that everything in the Research Assessment Exercise has been perceived to be beneficial. We try to acknowledge in the paper that there are criticisms of the Exercise, I accept that.

**Q103 Dr Blackman-Woods:** If we can look in more detail at the consultation paper, in paragraphs 1.10 and 1.11 I am just wondering if you are danger of creating some confusion with two systems because you seem to be suggesting that panels can lead to the metric system at least to some extent or they can carry on doing the RAE as it was originally planned. Is there not a danger there that the panels will use different criteria if they moved to the more metrics basis?

**Mr Bell:** We have to be very sensitive to that point because this is obviously high stakes. I think there is a recognition in the paper that if you take the so called stem subjects they are already arguing for greater use of metrics and we are suggesting that that is something that they may wish to do as part of the RAE and the panels have to come to a view on that. On the other hand, again recognised in the paper, those in the arts and humanities would feel that the metrics are less robust.

**Q104 Chairman:** Why are you using this metric system? It defies all common use of English language. You are suddenly into higher education funding and are talking about metrics.

**Mr Bell:** I am using the terminology that is within the paper and essentially it is using some harder measures of research.

**Q105 Chairman:** Why did they not say that? It is confusing.

**Mr Bell:** Part of the problem is that it is simply a shorthand to draw a distinction between on the one hand what you might describe as qualitative

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judgments about research as well as some assessment of the number alongside a system that is more quantitative. In simple terms that is the distinction. Please forgive me for using metrics as the shorthand. Going back to the point, we have also said in the paper that the shadow exercise that goes on across the whole of the 2008 exercise should help us to inform what we might do beyond 2008. I think we have managed to get the right balance here; we have tried to give freedom to those who want to make better use of the metric as well as trying to learn some of the lessons from the whole exercise to inform what we do in future RAEs.

**Q106 Dr Blackman-Woods:** Can I add another complication then? I think we should point out that the consultation paper does make it very clear what is being considered at the moment under the metric system but presumably you are going to be open to suggestions about the refining that. My concern is that 3.2 and 3.3 make it clear that there is an acknowledgement at the moment that the metric system does not relate very well to some subjects. It actually says it is not applicable to all subjects; you will have to think about applying it to some subjects. The question is, if you are devising the system and are consulting on a system that does not relate to all subjects, why are we doing it and what is going to happen to the subjects where it does not fit very easily?

**Mr Bell:** Because of that divergence of opinion in the higher education system and beyond about the RAE I think it would have been difficult for us to have said that we would never look at this again. Of course there had already been a commitment to think about the RAE beyond 2008. There is a sense in which, if we had not done so people would have said we were not prepared to look at this; on the other hand in doing it we have tried to recognise that the decisions you make about research and research quality may differ between groups of subjects. I think what we have tried to do here is to indicate, certainly on the subjects where you may use the metrics, what the options might be for the future and make it very clear that it is about those subjects that we are looking at under the metric but there is, as you say, a separate discussion about how you would judge the quality of research in subjects that do not lend themselves quite so easily to the quantitative measurements. I think to be fair that is acknowledged in the paper.

**Q107 Dr Blackman-Woods:** Also, the list of consultation questions at the end of the consultation, most of them are about the detail of the metric system. It is only when you get to the very last question where it asks if there are any other issues that should be taken into consideration, are there any other ways in which you can accomplish the distribution of research funding. Given where it sits in the whole paper it is fair to question whether the Department really wants to hear about other methods or whether it does in fact just want to concentrate our attention on the metric system itself.

**Mr Bell:** My experience of these consultation papers is that even if you do not put that kind of open ended question in people usually take the opportunity to comment. That is there not as an afterthought; that is there as a serious question. If there are people and organisations and institutions who think that this is not the right direction to take the funding of the quality of UK research then what other ideas are on the table? I think it is as genuinely open as that. I think, however, it would have been wrong for us not to put some options on the table so that people do have some technical annexes behind that so they can really scrutinise the implication of each of these options. That is not in any sense intended to close down the discussions.

**Q108 Dr Blackman-Woods:** I think there is a general question about whether you and your officials think that the RAE system has improved the overall quality. You can improve the volume without improving the quality. Do you think there has been an improvement in the quality of the research?

**Mr Bell:** Our idea is that there has been improvement in the quality of research and I think, as we do in other sections of the paper, we can point to a number of measures we have taken into account. Some of those are international peer assessments of research; some of those are fed by the drive to improve the quality of research at the level of the individual institution. Although there are all sorts of arguments and debates within the academic community about the value of RAE I think it is certainly the case that most people would agree that it really has focused the attention of the universities to ensure they have rigorous processes for improving the quality of research. The argument often then is whether the RAE is either the best means to secure that improvement or does it then have a number of side effects that you have described. We argue very strongly that RAE over the past 20 years has been a powerful lever to improve the quality of UK research. The only other comment I would make is that if you look at the standing of UK universities in research terms worldwide we are still very, very highly regarded and I do not think that that is an accident in the light of the measures the system has taken to improve quality.

**Q109 Chairman:** You know school staff backwards—that is no surprise with your background—but you seem less comfortable and assured when you are talking about higher education; even your body language changes a bit. Can I say to you, as Chairman of this Committee, that I do hope you are going to get out there into the higher education sector? I was in York on Friday and I spent half a day with York University. It was very instructive to spend the time with a very successful and expanding university.

**Mr Bell:** I think I have acknowledged that higher education is the area that in my professional background I have least experience of and I freely admit that. I think I am the first permanent secretary ever to have been a tutor of the Open University. I would make the point that I have taken a lot of time

and effort since starting to get out to universities; I have met all the groupings of universities and I have actually met the unions and all the bodies involved. To put it clearly, if for no other reason, as the accounting officer of this Department I have to know this inside out.

**Q110 Chairman:** You will know that there is a real discontent out there in higher education about how part-time students are being treated. There is a very real concern that recent changes in HEFCE have changed the balance between those universities who have a lot of part-time students and those who do not. There is a very serious concern and worry out there that here we are with your Department and this Government committed to 50% of people going to university in this country and a lot of those people are going to be going on as part-timers and suddenly there has been a shift in here and within the Department pushing the money away from the part-time people, that are going to be taking the brunt of the expansion allowed of higher education. That is a real concern. Are you aware of that?

**Mr Bell:** Yes, that issue has been brought to my attention and it is something the Department is considering talking to HEFCE about. Every grouping of universities I have met is able to advance a case about how the funding arrangements disadvantage their particular part of the university system. Every grouping that I have met has something to say about the funding mechanisms. That is not to suggest that we must be getting it right because everyone is annoyed; we might be getting it wrong because everyone is annoyed. That point has been made to me.

**Q111 Chairman:** Even in FE many people think that it is the part-time students who are the neglected child on the block.

**Mr Bell:** I have spent a lot of time thinking about the kind of world that we are going to be in in higher education in the future. Yes, we will continue to have a very strong element of the full-time student in their teenage years and early twenties but increasing we are going to have people, I think, coming back into higher education who are going to be funded in higher education by their employers. People are going to come into higher education via further education. There is a huge amount of really exciting territory. Coming to this area relatively fresh it is incredibly stimulating and interesting area which I am diving into with some relish.

**Q112 Dr Blackman-Woods:** I was wondering where in the priorities of the review was the situation of getting those universities who at the moment are weaker in research to enable them to do more research, so trying to move towards an ending of the binary system of higher education. I wonder whether you see the binary system as a problem and then to what extent this review could help them with that.

**Mr Bell:** I know the consultation paper does not make any specific reference to that point. One of the things that I certainly picked up in conversation with groups of vice chancellors at very different kinds of

universities is just quite where they pitch their stall. You might say that all universities should be encouraged to do more and more research. Vice chancellors from whatever kind of university do see that as important, but it is the case—and will continue to be the case—that some universities will be more research driven than others partly for historical reasons, partly for the nature of the work that is done. I do not think we are looking explicitly in this document as to how to address that but I do think it is a really interesting question for individual universities themselves to decide quite where they pitch their stall.

**Q113 Jeff Ennis:** Changing the subject, this Committee has recently received correspondence from Mr Tony Thomas, the Chief Executive of the Field Studies Council because he is worried that the implementation of this dedicated schools grant may have a negative impact on the future of field trips, they may be squeezed out et cetera in budgetary terms. Could you give me some reassurance with regards to that specific point?

**Mr Bell:** In the spirit of humility I am not aware of the contents of that specific letter but I am more than happy to respond directly. I can only agree with you in relation to field studies, external visits and trips and so on. I would make the obvious point that the decisions about outside trips, field studies and so on are decisions that have to be made by individual schools. That responsibility remains there. It is quite difficult to nail down the evidence on this one, about whether you are seeing an increase or a decrease in terms of all kinds of external visits. We know that there is evidence, for example, that adventure trips and field studies are under some pressure but we also note at the same time that a lot more schools are taking pupils out into the local area, doing local studies and so on. I am just making this caveat from my previous experience, that it depends quite how you measure it. I have said in front of this Committee in a previous guise that I think the outside visit, the field trip, the adventure trip is such an essential part of a rounded education. We have to do everything we can—and it is not just about money—to encourage teachers to keep doing that very valuable work.

**Q114 Chairman:** Tony Thomas, Andy Simpson and other people from the RSPB very much impressed this Committee with their evidence and we did show very clearly that the safest place for your child was on a school trip. Secondly, a trip adds immeasurably to the student's experience if it is done properly, interpreted well and followed through well.

**Mr Bell:** I will certainly come back to you on that one.<sup>4</sup>

**Q115 Stephen Williams:** Who is driving this review of research funding, is it the Treasury or is it the DfES or is an example of joined up government, or is the Treasury now leading the way on policy in this area?

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**Mr Bell:** The responsibility for policy in this area lies with the DfES but of course other government departments—not just the Treasury, the DTI and so on—have had real and proper interest because higher education research is not just about education but about the other things that I described earlier.

**Q116 Stephen Williams:** There is a joined up press release from the Department yesterday. The financial secretary to the Treasury, Mr Healey, stated: “The Government is committed to ensuring the UK remains the centre of world class research” we are all agreed with that, but it goes on to say “with scientific outputs fuelling innovation and productivity”. Do you share the view that there might be a suspicion out there that what the Treasury wants is a focus with research onto science, engineering and the stem subjects and there might be a fear amongst the arts and humanities subjects that research funding is not going to be so generous to them?

**Mr Bell:** I hope that fear would not be there because actually it lays out quite explicitly in the RAE consultation paper the value of research based on

curiosity (I think that is the terminology) which may not be scientific or innovation type research but it can also just be research for the sake of finding out more about the past or whatever happens to be studied. There will always be a proper balance to strike in terms of where we put public money in relation to research because research is hugely significant in terms of science and innovation but I do not think there is any suggestion anywhere in government that we do not believe that academic research in terms of expanding the boundaries of knowledge more generally is not important; of course it is terribly important and I hope we will cover that in our consideration of all research in the future.

**Q117 Chairman:** Permanent secretary, you have given us good value for money today. Jonathan, can I thank you too. It is a very good first engagement in your new roles. We look forward to a good and positive relationship over time. There are issues that we have not discussed today but we will be seeing you shortly.

**Mr Bell:** Thank you very much.

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#### Supplementary memorandum submitted by the Department for Education and Skills

*Question 59 (Jeff Ennis) The impact of different funding levels on the success rates in school sixth forms and FE colleges*

It is not possible to draw a direct line between funding levels and differences in success rates. Many other factors intervene including differences in qualifications being undertaken and the prior attainment of students. Nevertheless, we know that “value added” for A-level students in general FE colleges is slightly less than that for students in sixth forms. It is our policy to help every school and every college to improve the quality of the teaching and learning they offer. We are also committed to reducing the funding gap between colleges and schools, for comparable learning programmes, as resources allow. The measures we have already taken will narrow the gap by 5 percentage points by 2006–07 and we expect the gap to reduce by a further 3 percentage points by 2008. Beyond that we will work to establish a common funding approach covering sixth forms, and FE colleges through the LSC’s agenda for change.

*Question 81 (Paul Holmes) Composition and measurement of the £4.3 billion efficiency target*

This note sets out details of the programmes that make the greatest contribution and describes the robust approach we are taking to measuring our efficiency gains.

#### MAIN PROGRAMMES

The four programmes that contribute the most to our overall target are: Schools Funding; Transforming the School Workforce; Lifelong Learning and Skills; Every Child Matters: Change for Children.

*The Schools Funding programme* is essentially about using resources in schools efficiently to deliver optimum outcomes. This is being achieved by improving procurement practices in schools and encouraging schools frontline practitioners particularly bursars and headteachers to make more effective use of their resources by for instance peer pressure via benchmarking website comparisons.

*The Transforming the School Workforce Programme* is encouraging a more efficient set of working arrangements in schools, building a whole school team approach that frees teacher time to be spent on activities that require a teacher’s specialist input, ie the delivery, design and assessment of teaching and learning.

*The Lifelong Learning and Skills element* of the efficiency programme is delivering efficiency of the further education sector by achieving better outcomes with the same resources; this is evidenced by improving success rates despite moving to a longer more difficult course. Rationalisation of further education inspection agencies is also yielding significant efficiency gains as well as improved procurement practices.

*The Every Child Matters programme* aims to produce a much more efficient use of resources across the whole of children's services in order to achieve better outcomes for children, young people and families. Arrangements coming into place locally, within the overarching children's trust delivery model, will help local authorities and other service providers identify ways of using available resources more effectively whilst also improving outcomes, eg improvements in joint planning and commissioning. Further gains will be achieved through extending Sure Start services, using a more efficient Children's Centre delivery model, across the 30% most disadvantaged areas.

## MEASUREMENT

In measuring the efficiency gains we have a system which provides balance between a robust assessment of the gains whilst minimising the additional burdens we place on the frontline. We have developed a range of measures based upon data that would already be gathered or data requirements that can be incorporated into existing data demands upon schools and other institutions. Full details of our measures are set out in our published Efficiency Technical Note, which can be found at <http://www.dfes.gov.uk/publications/otherdocs.shtml>. Our Efficiency Technical Note is updated on a regular basis as our measures are refined.

For the HE sector the Efficiency Measurement Model (EMM) is a new innovative solution that was developed by HEFCE. It is a methodology and model that supports the reporting of achieved efficiencies in an IT database. In response to the Government's Efficiency Review the EMM uses their five measures to help identify and capture efficiency savings:

- price reduction—where there is a monetary saving in the purchase price for the goods or services;
- added value—where additional benefit is obtained for no extra cost;
- risk reduction—where identified risks have been reduced or eliminated;
- process re-engineering—where improved processes have reduced time or effort in achieving tasks; and
- sustainability—where environmental, economic and social improvements are achieved through the supply chain.

The EMM has used the above measures to create a solution that allows an organisation to track its non-pay spend and capture any efficiency savings that it makes. Additionally it categorises each efficiency in terms of being cashable (ie funds are available to spend on other requirements) or uncashable (ie the efficiency has a worth to the organisation but no hard cash is released).

The primary aim the EMM is to provide a structure and set of protocols that allows efficiency savings to be captured and valued in a consistent way. Guidance has also been prepared to help users calculate the value of the efficiency saving that the EMM will track. For example the guidance provides recognised values for time/process savings, thus helping to ensure that there is consistency.

Being a new solution, protocols etc are still evolving, but it is expected the EMM will facilitate the identification of good practice that will then be shared with others. It is a solution that will enable procurement professionals to demonstrate their value to their organisation, as well as make it easier for the organisation to complete its reporting requirements.

In addition to HEFCE promoting it to the HE sector, the Department's Centre for Procurement Performance has licensed the EMM so that FE colleges can use it, and colleges will be encouraged to use it as part of doing their college returns.

## REAL LIFE EXAMPLES

Our efficiency programme brings together a set of policy initiatives which are making a real difference to the way in which frontline institutions operate. Many of the policies are about helping frontline professionals to get the very best from their resources and thereby obtain better outcomes for learners. For example, the use of ICT in lesson preparation is enabling teachers to carry out preparation tasks more quickly and efficiently, freeing up teachers' productive time to enable them to bring greater quality to their lessons. Many teachers have told us about the positive effects of ICT in helping them to work more efficiently:

- one language teacher in a secondary school said that a software package she had bought allowed pupils to match words to pictures. Before acquiring the software package, she would have developed her own materials and would have had to seek out the pictures herself, which would have taken a lot of time.
- a teacher in an inner city primary school realised that many digital resources available at the time would not address the needs of her learners with English as an additional language. She spent some time creating a set of easily amendable resources and evaluated their impact. Since then, her resources have been adopted by other teachers and learning support staff in the school, and they recently became available to others in her location via a Learning Gateway. In this way, practitioners facing similar challenges have access to resources that are applicable to their particular needs without needing to spend time creating their own from nothing.

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*Question 114 (Jeff Ennis) The effect on field trips of the introduction of the Dedicated Schools Grant*

The introduction of the Dedicated Schools Grant (DSG) makes no difference to the ability of schools to pay for field and other trips from their delegated budgets. The DSG changes the way the Government provides funding for schools and other provision for pupils to local authorities; but the local distribution of funds by local authorities to schools through the local formula should not be affected, except that all schools are now receiving multi-year budgets.

Since the school funding settlement for 2006–08 is a good one for schools and authorities across the country, with national average per pupil increases of 6.8% and 6.7% in the two years, there should be no reason why schools generally should need to reduce their expenditure on this kind of valuable activity. But we believe that schools should be free to decide their own expenditure priorities.

The DSG funds each local authority's Schools Budget, the scope of which has not changed. However, local authorities have always been able to support the costs of outdoor education centres and field trips, by maintaining centres and perhaps offering discounted rates to schools in their area, from what used to be the local education authority (LA) Budget. Under the new arrangements, the LA budget is no longer separately identified, but the expenditure it supported remains within the local government finance system.

The total resource for local government has been increased by 4.5% in 2006–07 and 5% in 2007–08 and includes extra provision in formula grant, over and above previous plans, of £305 million and £508 million in each year respectively. Increases of this size are over double the current rate of inflation. Councils decide on how to achieve best value from these extra resources.

*July 2006*

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## Wednesday 19 July 2006

Members present:

Mr Barry Sheerman, in the Chair

Mr David Chaytor  
Mrs Nadine Dorries  
Paul Holmes  
Fiona Mactaggart

Mr Gordon Marsden  
Stephen Williams  
Mr Rob Wilson

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*Witness:* **Rt Hon Alan Johnson**, a Member of the House, Secretary of State for Education and Skills, gave evidence.

**Q118 Chairman:** Secretary of State, as everyone makes themselves comfortable, can I welcome you to your first session with the Committee as Secretary of State, although as Minister of State you did come in front of the Committee a couple of years ago. You have been in a couple of other departments since then, and so you will have been before select committees there, I take it. You said you did not particularly want to make an opening statement, so we will get straight into questions. Seriously, in terms of how a department runs, you have got a lot of experience now because you have been in four or five departments, do you think it really adds up to an effective and efficient department to have so much change? Some of us used to brag that the continuity in having at large a Secretary of State who is going to stay for the whole of a Parliament (from 1997 through to 2001) was actually something to be quite proud of because it had stability. Do you think that this Department suffers from the fact that what seems only a very short time ago it was Charles Clarke, it was you, it was Margaret Hodge, it was Ivan and the whole team changed very quickly and changed again?

*Alan Johnson:* Yes.

**Q119 Chairman:** Do you think it is helpful?

*Alan Johnson:* As far as the Secretary of State's position goes, I support the change until I get there and then I am quite opposed to change now I am there as Secretary of State. So, I do not know. I think, if you look at the Department, since 1997 there was a lot of stability. David Blunkett was there for a while. Of course Estelle resigned, so it was not a reshuffle. There have been some changes since. I tend to think the role of the civil service is to cope with changes in ministers. I think I have got really a good ministerial team, I love each and every one of them, and I would like that team to stay together, of course I would, but politics is politics and reshuffles happen.

**Q120 Chairman:** The Prime Minister is in the *Financial Times* this morning calling on a whole new view of how we run departments, and some of us believe that with the turnover in civil servants, whether it is under the name of continuous professional development or what else, on the one hand you have got the ministerial team moving fast, but you have got a pretty turbulent and fast-moving civil service these days?

*Alan Johnson:* I think we have to accept that people want to make their mark and then move up and move onwards. There is the capability review actually published this afternoon, which will be a lot about how my Department operates and organises on a very technical basis. I would instinctively, like you, think that if you have a got a good team of people you want that team to stay together, but I recognise the realities both of the civil service professional career development and, as I say, of ministerial reshuffles.

**Q121 Chairman:** You, like me, have had a career outside this place, and there are not many organisations that would run in the real world with that turbulence of management of all kinds.

*Alan Johnson:* I do not think the turbulence is there in the civil service to the same degree as you are mentioning for ministers. It is true, I think, that when Charles Clarke left David Miliband left at the same time, Ivan Lewis left at the same time, there was quite a churn there, but that is the benefit of the Permanent Secretary and the civil service. Incidentally, when I was a postman working in Slough, there was an 87% turnover of staff, I seem to remember, but that is another story.

**Q122 Chairman:** Not in the senior management. Let us get on with it. This is the scrutiny committee of the Department, and we can only do that job properly if we have the data and we know about expenditure in a proper form over time so we can compare year on year. Particularly when a new government comes in, as in 1997, it is very important for us to be able to track and, if your Annual Report does start regularly changing its format but crucially changes the way it presents data, that puts us at a great disadvantage. This most recent publication has caused us a lot of problems, and I have been in correspondence with you about that. We were not consulted on that. We are the main scrutiny body for your Department. Why were we not consulted, do you think?

*Alan Johnson:* Let me add my apologies to those of David Bell and Jon Thompson. You should have been consulted. I think my reply of 10 June sets out some of the reasons why there was some movement, there were some technical reasons, but your general point is absolutely right, we should try to ensure that you are comparing like with like, and we will do our very best to make sure that happens.

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19 July 2006 Rt Hon Alan Johnson MP

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**Q123 Chairman:** Some of my colleagues are going to come back to that a bit later, but what are your priorities? This Government has been in power since 1997, education has been a priority from the very beginning. What do you think now? Nine years in, what are your priorities, what do you think the big challenges are now?

**Alan Johnson:** Improve attainment, close the social class gap. It is as simple as that.

**Q124 Chairman:** What do you say then to the head of the school I visited on Monday, a very challenged but hard working and not in any special measures school just here in Bermondsey and 50 feeder schools unable to cope with a number of young people turning up at 11, unable to read and unable to deploy the right resources to actually get them to read English? Is that not pretty awful?

**Alan Johnson:** Yes, and it is a crucial part. I see Key Stage 2 and English and maths at age 11 as crucial in all of this, not least of all because of the amazing statistic, I think it is, 66% of children who get to Level Four in English and maths will go on to get five decent GCSEs, whatever their social class background, and if they get five decent GCSEs 70% of them will go on to get two decent A levels, and if they get two decent A levels 90% of them will go to university, so it is crucial, and we have made huge improvements since 1997. Indeed, I was looking at something that the National Federation for Educational Research did in the mid-sixties which influenced Kenneth Baker and the Conservative Government that showed that, on that precise measure of primary school children, there had been absolutely no improvement for 40 years, 20 years either side of the 11 Plus it just flatlined. There was an amazing complacency about poor results at any level but at that crucial level. So, we have to redouble our efforts and keep this improvement going. It is an incredible improvement, and it is not me that has done this or our Department, it is teachers and head teachers that have transformed the situation, but we need to go much further.

**Q125 Chairman:** Why are these 11-year-olds pitching up in our schools, after a career in the primary sector, unable to read and why can they not have enough resource to tackle it: because unless they can understand the curriculum they can have no access to the curriculum? It is crazy, is it not, that children pitch up at 11, they are identified as unable to read properly and they are not taken into some intensive situation that gives them the skills to then open up the curriculum? If they sit there in regular classes unable to participate, it is going to lead to unhappiness, stress, chaos, is it not?

**Alan Johnson:** Yes, it is fundamental, but we do need to put in the resources. I would argue the resources are there. The whole idea of developing personalised learning, and we are waiting for Christine Gilbert's report on this, is to ensure that if you see the signs at Level 3 you need to put that extra effort with those individuals, and it might be over a variety of different reasons. It might be because of family problems, there might be pastoral care involved

there; it might be that they need extra time, Extended Schools will give us help there as well; it may be for specific reasons about attendance that need to be resolved, but, whatever it is, it needs to be much more personalised and, I agree with you, much more intensive to ensure you get that child that is looking at Level 3 as if they are going to have problems at Level 4 to make that attainment leap.

**Q126 Chairman:** The first inquiry that we did when I became Chairman of this Committee five years ago was on early years, and the settings we looked at, there was this great emphasis on personalised assessment, so you knew how a child was developing very clearly, very carefully, a written report every week, every month so there was real understanding of the child's educational needs. When I visited that school on Monday they said they do not read those; it does not come in the right form. They are too busy to even look at it, and it does not come in the right form. They say, "Look, there is a whole folder with pictures and things." Surely there is something wrong with the transition from primary school into secondary school if that is the real nature of personalised assessment?

**Alan Johnson:** I would like to know more about this school and this head teacher, their circumstances and their definition of being under too much pressure, or whatever the reason was. We have gone on the latest polls survey from somewhere like 18th in the world for age 11 reading ability to third in the world, and that is not by accident, that is because of the concentration on literacy and numeracy. We are on a journey here and we have made a huge amount of progress on this journey, but I was at a school yesterday in Nottingham where teachers were saying to me, "Ease up a bit", and there was even a view that league tables ought to be abolished. You have heard this many times, but I accept the pressure and the extra intensity and the stress it puts on teachers, but it is absolutely the right thing to do. The whole kit and caboodle from Ofsted, from league tables, from the concentration on tests and exams and, if anything, we need to intensify that rather than relax, for the very reasons you say. We are up to 75%; we need to go much higher.

**Q127 Chairman:** What I am in a sense trying to push is: is this not something the Department could take as a real priority under your leadership that absolutely targets these kids that still are at the bottom of the pile and cannot get off the bottom unless they can have access to language. Is there not a campaign that you could put your name to so that across Departments there was a real carrot and stick for everyone involved—families, background, the welfare system—actually leading up to this prioritisation of access through language?

**Alan Johnson:** Yes, Chairman, but I do not have to put my name to this, it is already there. It is called *Every Child Matters*, it is called Sure Start, it is called tackling these cross-overs between a black child from a poor background and a less bright child from a richer background at age 22 months when that kind of cross over occurs. It is tackling all of that

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right the way through the system. As I say, I think age 11 is a crucial position there, but it is keeping kids on at school rather than leaving school. All of that is there. It is the focus of the Government. I would love to say it is somehow Johnsonian, but it is not, it is what this Government has been about since 1997. This is part of the point I was making in my maiden (which two people may have read) when I first came in that, because we have been in for nine years (and it is not just in education it is in other areas as well), people say, "You have been there nine years, you must be in the land of milk and honey after the first term and then you just sit back and relax", but it is a constant process with constant challenges and, as I say, it is a journey. As I said, that is one of my priorities, improving attainment and closing the social class gap.

**Chairman:** That is why I was pushing on closing the social class gap. Let us move on. Paul.

**Q128 Paul Holmes:** In the Chairman's initial comments you have already touched on this one. The presentation of statistics in departmental reports was started specifically for select committees back in the 1980s so that they could oversee what departments were doing. Clearly, if select committees and MPs and journalists and the public and the educational world are going to make the maximum use out of that information to see how the Government (in this case the education department) are doing, they need to have consistent figures. We have already had this exchange with the Chairman. Charts on real terms expenditure which have been in the 2005 report and earlier ones suddenly disappeared from this year's without anybody knowing that that was going to happen. In response to a letter the Chairman sent to you, you have given some detailed answers to those and you have provided some of the statistics in the format we requested. Have we on the record now got from you a clear commitment that in future you think the Department or its future secretaries of state as well should maintain a consistent format for reporting this information?

**Alan Johnson:** We should. If we are changing any format, we should consult the select committee and explain to them why we are doing it and have a dialogue about that. So, yes, not a problem, and I quite understand the difficulties you have because I had the same difficulty when I came into this job of comparing data, and whilst the letter explains some, I think, understandable technical reasons, there is an acceptance by my Permanent Secretary and myself that we really need to work harder at this and we need to work with you.

**Q129 Paul Holmes:** Again, in view of the earlier question from the Chairman about the turnover of people at the DfES, both civil servants and politicians, do you feel that future people who occupy the post that you do should follow the same principle as well?

**Alan Johnson:** I will make a commitment that this Department must get this right. This is a really important committee. I know all select committees

are important, but the work of this Committee I think has been exceptional, and there is no reason why we should not ensure that any changes to any statistics are discussed with you, explained to you, cleared with you before the changes. I think it would have saved at least 20 minutes of understandable questioning at two hearings if we could have done that.

**Q130 Paul Holmes:** In the tables that you did provide in response to the letter from the Chairman of the Committee you point out in the explanatory notes that this causes extra problems, that the longer the series goes on the more you have to have explanatory footnotes, and so on. Nonetheless, you were able to do it when asked, so you accept that, whatever explanatory footnotes have to be added and however complicated the explanations get, it is still worth sticking to one format?

**Alan Johnson:** I want to give you the information in a format that is easy for you to do your job of scrutinising my Department. Whatever that means and however many footnotes are there, that is what needs to be done, and I do accept that, yes.

**Q131 Paul Holmes:** You specifically in one or two of the new charts you provided point out that it is a bit difficult to do this because the answer will depend partly on how local government provides grants and top-ups to sixth forms, for example, but that has always been the case. In social services in all sorts of areas, local government often provide a considerable top-up to what the government formula provides, so that difficulty has always been there. It is not a new one. People have met that before.

**Alan Johnson:** I accept that, but why do we not carry on this exchange until we get to perhaps a valid point and perhaps one you can make in response. I have not got a grasp of all those tables in detail but the general thrust of your question is absolutely right. We should be presenting information to you in a way that you can easily compare it with the record of the past, and I accept that completely.

**Q15 Paul Holmes:** One final very specific one on this theme. A number of the charts that your Department and other departments have produced over the years will start in 1999, running up to 2005–06, and so forth. Why 1999? Surely if we are looking at how your Government has performed, the start date should always be 1997, which is the position you inherit at that point?

**Alan Johnson:** Most of the statistics I have got start at 1997 in terms of improvements at every level (capital expenditure, number of teachers, number of support staff). I guess I can see the sub-text of your question, which would be the first two years of carrying on from a previous government. I do not want to play tricks like that, and I am quite sure no-one in the department would want to, but we have to deal with that sub-text and explain why we are using 1999 and, if there is no good reason to use 1999, we

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ought to be using 1997 because I tend to think our records should be reflective from when we came into government.

**Q16 Paul Holmes:** Again, you feel that ought to be good practice that everybody else in your Department should follow as well?

**Alan Johnson:** Other departments can speak for themselves; I am talking about this Department.

**Q134 Mr Chaytor:** I would like to ask about the Gershon efficiency savings. The target for the Department is 4.3 billion by the 2007–08 financial year, and these savings appear to be of two kinds, the cashable and the non-cashable. Could you explain to us, Secretary of State, what is the difference between the two terms?

**Alan Johnson:** The cashable are the ones you can get your hands on pretty easily and it is money you can bank; so that the 1,400 job cuts are cashable, which we are well on our way to achieving. The non-cashable are savings that can be made, efficiency savings at the front-line, in schools throughout the country where the freeing up of that time allows more time to be spent on teaching. We are not looking for it to be money that we bank or bring back in, we are looking for greater efficiency, we are looking for the resources, the incredible increase in resources that we are putting into education, to actually show potential benefits, which I think they have but there is always more you can do there, but that is basically the difference.

**Q135 Mr Chaytor:** In the 2006 Annual Report it does not use the term “cashable” and “non-cashable”, it uses “recyclable” and “non-recyclable”. Do we assume that that means the same?

**Alan Johnson:** I would assume it means the same, but if there is a difference in that I will drop you a line.

**Q136 Mr Chaytor:** When the Permanent Secretary came to the Committee on 14 June he told us that all of the 4.3 billion would be non-cashable. Is that absolutely right?

**Alan Johnson:** I think that is right. I am just wondering. I am not absolutely sure whether the cuts in staff are part of the 4.3 billion.

**Q137 Chairman:** They are not.

**Alan Johnson:** They are not. So they are all non-cashable, yes.

**Q138 Mr Chaytor:** They are all non-cashable?

**Alan Johnson:** Yes.

**Q139 Mr Chaytor:** But in the Annual Report it says, of the 4.3 billion, 3.2 billion is recyclable and 1.1 is non-recyclable?

**Alan Johnson:** Maybe “recyclable” and “non-recyclable” do mean something different. My understanding is that the 4.3 billion is non-cashable.

**Q140 Mr Chaytor:** So 4.3 billion is non-cashable but the 1,800 job losses will be cashable on top of the 4.3?

**Alan Johnson:** Yes, 1,900 if you count Ofsted.

**Q141 Mr Chaytor:** Can we have some clarification of this and how the 4.3 billion is divided, because we have got two categories. We have got the 4.3 billion, which is divided into recyclable and non-recyclable, then we have got the total amounts of which the 4.3 billion is non-cashable and the equivalent of 1,800 job losses is cashable?

**Alan Johnson:** That is my understanding.<sup>1</sup>

**Q142 Mr Chaytor:** When are we going to find out how all this is going to be achieved in detail? You have got to do it by the end of the next financial year, but will there be some kind of interim public statement as to how?

**Alan Johnson:** I think the National Audit Office are due to say something, but the Office of Government Commerce keep a regular track of this, and they are quite satisfied that we are on track.

**Q143 Mr Chaytor:** But is that currently public information?

**Alan Johnson:** I will find out. That must be a pretty long letter.<sup>2</sup>

**Q144 Mr Chaytor:** In terms of the non-cashable savings, the squeezing out of productivity in the schools, what will be put in place to assess how that increased productivity is measured in terms of attainment or, your other objective, closing the social class gap?

**Alan Johnson:** There are various technical ways to ensure that we are getting those savings. I think the Permanent Secretary Jon Thompson went through some of them. Measuring productivity is much harder. There is a piece of work going on as to how you can measure productivity more accurately or, indeed, at all—some would argue there has not been any success in measuring it at all—to see whether we can find a mechanism to do that. I do not think we are there yet.

**Q145 Mr Chaytor:** If teachers, as a result of the Workforce Reform Programme, have less contact and more preparation time and it does not lead to improvements in attainment, the question is why has it been done in the first place? Is there going to be some systematic monitoring of the Workforce Reform Programme, the introduction of IT on overall levels of attainment?

**Alan Johnson:** Yes, there is a monitoring programme to make sure of the effect the investment (and that includes the investment in giving half a day to teachers to prepare, analyse and plan) is having on the absolute reason why we are all in existence, which is to improve attainment.

**Q146 Mr Chaytor:** Finally, when the non-cashable 4.3 billion has been achieved will the process stop there or will there be a permanent revolution in non-cashable savings?

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<sup>1</sup> Ev 51

<sup>2</sup> Ev 51–52

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**Alan Johnson:** There will be a permanent concentration on value for money, and that is not going to stop. Of course we have got the Comprehensive Spending Review coming up, so in that sense there will be a permanent revolution. There will never be a period where we will say, "That is fine now. We think we have got the right level of efficiency", but at the same time we need to be concentrating on the resources that teachers need. We have got a very good social partnership working with most of the teachers' unions and are moving on to issues like, for instance, the turnover of head teachers and how we can tackle a problem that is not right at the moment. It is a constant process.

**Q147 Chairman:** We would be more confident about real saving if we could get some real examples in schools and colleges: what savings have been made and what has happened to the resources that have been saved? There are no examples of that at the moment, we have been given none, and you do lay yourself open to charges that these are fantasy savings rather than real savings if we cannot see, because we know, your predecessors have said, they will be made by schools and colleges, the bulk of these Gershon reform savings. So, when can we have some examples of what savings have been made and where have the resources been shifted to?

**Alan Johnson:** I would have thought you would have some examples now, particularly on procurement and on freeing up teacher time and that being used more productively. I will see whether we have got some examples. It comes back to your original question about who is monitoring this, whether it is the National Audit Office or the Office of Government Commerce because, I accept, we should not be just be setting targets and saying everything is hunky dory if we cannot provide examples of that.<sup>3</sup>

**Chairman:** We now move seamlessly to school funding. Rob Wilson is going lead on that.

**Mr Wilson:** Thank you, Secretary of State, for coming today. I know how busy you are in the Department, and on top that you have also got your leadership campaign to run.

**Chairman:** Fortunately, Rob, there is something wrong with your microphone. We cannot quite hear what you are saying!

**Mr Wilson:** I have to say, I have got a few quid on the outcome, so I am interested. When Tony Blair steps down next year and you take over as Prime Minister, would your priority be, as his was: "Education, education, education"?

**Q148 Chairman:** Stick to the education.

**Alan Johnson:** Yes, I think so. I would probably classify it more as "learning, learning, learning", but it is the same thing expressed in a different way.

**Q149 Chairman:** Would that mean significant extra funding for schools, for example? Do you think extra funding is needed even at this stage?

**Alan Johnson:** I think the extra funding that has gone in has been phenomenal. I certainly do not think, in terms of where we are moving to education as a percentage of GDP, that we are there yet, we will be at something like 5.4% next year, so I do think investment is important, yes.

**Q150 Mr Wilson:** You do not think we are quite there in terms of extra investment that is needed, but you cannot say at the moment how much further you think we need to go?

**Alan Johnson:** We have got the Comprehensive Spending Review coming up, and that is a process that will be taking a lot of my time over the next year. It is absolutely the case, as I think has been mentioned at previous hearings of this Committee, that the level of increase in expenditure that we have seen since 1997, which has been quite phenomenal, can probably not be maintained, but I very much hope that we have got increased funding.

**Q151 Mr Wilson:** It is interesting, because your rival for the top job, the Chancellor, thinks that funding per pupil in schools should rise from £5,000 a year to £8,000 a year at current prices, and that means an extra £17 billion worth of investment into schools. Do you agree with him? Do you think that is practical?

**Alan Johnson:** What the Chancellor said is that our long-term aim is to match the "per pupil" spending in the state sector with that in the independent sector and to bring it up to 8,000. Actually we will be at the level of capital expenditure by 2011. So, all of this is remarkable and no previous government has got to this level of expenditure and investment in education, and I certainly agree that with that long-term aim. I think it is too crucial.

**Q152 Mr Wilson:** So you are in agreement, £17 billion extra into school funding?

**Alan Johnson:** I am in agreement with a long-term aim of matching "per pupil" spending in the state sector with the independent sector.

**Q153 Mr Wilson:** Is that an aspiration or a pledge?

**Alan Johnson:** That is an aim.

**Q154 Mr Wilson:** So it is an aspiration?

**Alan Johnson:** It is an aim.

**Q155 Mr Wilson:** We do not want to give politicians the name of being shifty, so we will move on. Has your Department done anything about the aim that the Chancellor announced in his budget to get to this considerable increase in funding in schools? Has there been any research undertaken, for example?

**Alan Johnson:** It is a long-term aim. What we are doing is concentrating on the money we are putting in at the moment, the extra investment at the moment. We are very pleased that the Chancellor has set the long-term aim, I think it is consistent with everything we have been doing since 1997, and, of course, the short-term aim by 2011 and matching capital expenditure is very important. We are also thinking very carefully about how public schools can

<sup>3</sup> Ev 52

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contribute here. There is a very important Charities Bill in front of the House at the moment and the independent sector has charitable status. There are issues there around their facilities and how they could be used to help close this social class gap in the state sector. That is what we are concentrating our mind on at the moment.

**Q156 Mr Wilson:** Can I move on then. The Department has made growing use of “velcroing” spending, as it were, to the pupil, and we were talking about the £5,000, £8,000 just a moment ago. Have you had a chance, as I am sure you have not had, to look at one of the amendments I tried to make to the Education Inspections Bill which would have velcroed an extra 30% to disadvantaged children?

**Alan Johnson:** I have studied it carefully. The first thing I did when I came into office was to say, “Can I see Rob Wilson’s amendments to the Education and Inspections Bill”, but unfortunately that was eight weeks ago, so it has slipped, so, no, I cannot remember that, the velcro amendment.

**Q157 Mr Wilson:** Can you see the advantages of Velcroing an extra 30% in terms of funding to the back of disadvantaged pupils?

**Alan Johnson:** I think you are making a really serious point here, and I think it came up at the session that David Bell and Jon Thompson had with you. How can we get a statistic, a determinant, that would follow as accurately as you would like, and I think this Committee made the point that there needs to be more work on this, but I hope in some of the responses we have reassured you that the velcro is there but it would be good to have a better method and a better determinant of how that money can follow absolutely. I think the point you made is that in many affluent areas there are pupils who are disadvantaged, so it is much harder to identify them in those situations, and I tend to agree that, but David and Jon explained some of the difficulties about that at their session. I do think that is a serious point.

**Q158 Mr Wilson:** Are you doing any work, because the only measure that I could find was free school meals? Is the Department doing any work on ways of better evaluating deprivation?

**Alan Johnson:** I think this comes into our review of school funding, and I think this is a good opportunity to see whether we could better focus that money on disadvantaged pupils.

**Q159 Mr Wilson:** So there is work on-going?

**Alan Johnson:** Yes.

**Q160 Mr Wilson:** Have you any indication for the Committee as to what direction that might take?

**Alan Johnson:** You will have to wait for the outcome. We will consult you very closely on the review.

**Mr Wilson:** Thank you, Chairman.

**Q161 Chairman:** Secretary of State, we have had evidence to this Committee that there is already some good research on how you more accurately look at social deprivation rather than just free school meals. There is stuff out there, so in a sense there is challenge that you could as a department move quite fast on this to become more focused.

**Alan Johnson:** Okay.

**Chairman:** Mainly university research, as we understand it. We want to move on to education expenditure and the CSR. Stephen.

**Q162 Stephen Williams:** Good morning, Secretary of State. We have mentioned the CSR once already and you have described that as the next stage in the permanent revolution in government. Do you think in this forthcoming CSR that education will be the top priority for the Chancellor?

**Alan Johnson:** The Chancellor has made it quite clear that education is a priority.

**Q163 Stephen Williams:** A priority not the top priority?

**Alan Johnson:** Well, I forget whether he said “a” or “the”, but it is a priority nonetheless, and that is very reassuring to me.

**Q164 Stephen Williams:** In 1997 the Government, of which you are a part, was elected on, “Education, education, education”, but if you look at the increases in public expenditure since 1997, it is health that has actually got the lion’s share. In 1997 there was a gap of 0.7% of GDP in health’s favour, and in the current year it has widened to 1.6%. In your negotiations with your cabinet colleagues are you expecting to maintain that gap at a constant level, or are you resigned to the fact that health will continue to be the Government’s top priority?

**Alan Johnson:** We did, indeed, say, “Education, education, education”, and I think John Major said his priorities were the same but in a different order at the time! I saw your point about this. I do not particularly go along with this, that if education is our priority then, if you compare health and everything, we have to show the same percentage increase. It depends on what you are seeking to tackle and the issues you are seeking to tackle. Transport was one of the issues. In actual fact I think your figures stop short of the last year, I think, where that would be rebalanced, but our priority is education. It is not just all about spending money. A lot of it is about spending money but it is not all about spending money, it is about the concentration on attainment, it is about the concentration on ensuring that we are focusing on children from a very young age rather than waiting until they get to school, on issues like 14–19 where you get the cliff edge at 16. There is a financial tag to that but it is not all about money.

**Q165 Chairman:** When you say “your figures”, can I make clear, you are not talking about Stephen’s figures, you are talking about our Committee’s Report figures.

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**Alan Johnson:** Which came from us, you are going to tell me. Yes, okay.

**Q166 Stephen Williams:** You have obviously studied the transcript of our last session with your Permanent Secretary carefully, and you may have noticed that I also asked the Permanent Secretary about projected figures for the future. Since 1997 there have been in real terms increases of around about 4.6% a year for education, but the Institute of Fiscal Studies have suggested, based on the information currently available, that in future increases will be around 3.4% per annum, so there is going to be deceleration in increased expenditure for education, so we will not have the “land of milk and honey” which I think you mentioned earlier. Do you accept that figure, that there is going to be a fall-off in increases for education expenditure, and what are the implications of that given what Mr Wilson was asking you about this long-term aim of raising public expenditure in the state sector to match the independent sector?

**Alan Johnson:** I cannot see beyond the Comprehensive Spending Review. What I can see is that the expenditure in my Department this year is 60 billion and next year will be 64 billion. That is an incredible uplift in just one year. The Chancellor’s long-term aim would depend on the financial situation at the time, the demographics, all those issues. I know it is going to be a stroked bat that will be used quite often during this session, but I really cannot predict what is going to happen after the Comprehensive Spending Review.

**Q167 Stephen Williams:** But you accept that the CSR itself in 2008–11 is going to be very tight for your Department relative to the largesse your predecessors had?

**Alan Johnson:** Yes, a point I have made before.

**Q168 Stephen Williams:** Given that type of situation, what are your personal priorities to achieve out of this CSR?

**Alan Johnson:** I think this uplift from 60 billion to 64 billion, which will be something like a 52% increase since 1997, not 1999, we have to ensure that we get the best value for money for that huge increase in expenditure, and that is going to be a big focus of what we are doing. We have to ensure that public money is used in that way, and this is not us dictating this from the Tower of Mordor, or whatever, the schools are up for this as well. So, there is a lot to be done there, and we lock in all of that. I have just come from the DTI where we had a very different spending situation, and to be in a department where you have had that increased expenditure, you are going to get another four billion next year, you are 52% up in the last nine years and the prospect of more real terms increases is a place where many secretaries of state in education over the years would love to have been.

**Q169 Stephen Williams:** To repeat my question, what are your personal priorities out of that increased expenditure?

**Alan Johnson:** We will have to get the CSR over with first. We have to decide our priorities as part of that. Of course, that is a discussion I will be having with the Treasury as we go through the CSR.

**Q170 Stephen Williams:** The Committee has just completed and published its Report on special educational needs. I know the Department has not responded to that yet, but can we have some assurance from you that SEN will get quite a high priority within your discussions and your bids for extra expenditure?

**Alan Johnson:** SEN, I think, will always be a priority. I think “looked after children”, and it probably will not register on the Richter scale because there are only 60,000 of them, their treatment has been pretty dreadful by successive governments, and I think that is a priority but it is not a hugely expensive priority just to concentrate on some of the problems that a corporate parent has with these children as opposed to real parents.

**Q171 Stephen Williams:** I think we all agree that education has had large amounts of public expenditure squirted into it since 1997. Are you confident that value for money is being delivered from that increase in expenditure in terms of the outcomes in literacy and numeracy on other measurable outputs?

**Alan Johnson:** Eight weeks in, I cannot say I am absolutely confident. I am confident that we have got the mechanisms in place to ensure that we get value for money, but, as I say, I think there is going to be a real push to ensure that. I would want to have studied the situation far more into that 4.3 billion—the point that David Chaytor was making earlier—before I say I am confident that that is happening.

**Q172 Stephen Williams:** Do you think it is quite hard to measure productivity in your Department? In the private sector if you train your staff better, if you buy a machine probably more widgets come out and they are of a better quality at the other end. How are you able to be confident that we have got better educated children and well educated students and graduate workforce as well at the end of all this extra expenditure?

**Alan Johnson:** You can be confident because it is measured, the results are published and it can be seen. Going back to David Chaytor’s question, whether we are getting the savings in line with our ambitions, particularly under Gershon, then it is the National Audit Office, it is the Public Accounts Committee, it is the Office of Government Commerce and all the usual channels, but it is more difficult. Widgets are easy. Education, as it should be, is much more complex.

**Q173 Chairman:** Is not it true, Secretary of State, that this question of measuring productivity is at the heart? On the one hand our Committee’s Report did point out that it was not just the relationship between health spending and education spending but that also overall there is a forecast plateau of expenditure, and while I take your response to

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Stephen Williams on that as a positive response, if we cannot measure productivity, people are going to say, “Look at the money we have put in”, and we would not question that, would we, but what our constituents would say is, “Show us the value. Show us that that has been productive”, and if you do not have a good measure of productivity you make yourself vulnerable.

**Alan Johnson:** I accept there is a point about productivity, but just running through these, you know them well. Primary schools, English 79% attainment against 63% in 1997, 75% in maths against 62%. In London at secondary school level an incredible turn around of five GCSEs. 32.3% of children in Inner London got five decent GCSEs in 1997, and now it is 50.2%. Thirty-six thousand extra teachers, 90,000 extra support staff, capital expenditure that is absolutely extraordinary: 700 million being spent in our schools in 1997, 6.5 billion this year rising to eight billion next year. I think the public understands full well what this means for education. They do not need a measure of productivity. We do, I accept, but in terms of whether they have faith that that investment is worthwhile and producing results, the statistics are clear.

**Q174 Paul Holmes:** You quite rightly talk about the extra money and capital and so forth that has gone into education. One way of measuring the output would be rising literacy standards and rising exam passes. One of the criticisms that employers make, it is not the one that the newspapers tend to pick up on, when they are recruiting people, whether direct from schools or from universities, is that people are not flexible enough, they are not able to work in teams enough and these are not things that can be measured by how many exam passes and what grades somebody has got. Yet you go to Scandinavia they would argue that there it is the other way, that the children they produce are much more free-standing, mature and independent. Have you got any thoughts on that and how you measure that sort of outcome?

**Alan Johnson:** Yes, we had an interesting session in our ministerial meeting last Friday about non-cognitive skills. There is an issue here. Part of what we are doing, and I do not know whether this Committee will know about the SEAL Programme (Social and Emotional Aspects of Learning). I was in Nottingham yesterday talking to primary school head teachers. 50% of primary schools have now adopted this. In Nottingham they have adopted it with knobs on because they have got particular social problems.

**Q175 Chairman:** Graham Allen’s great campaign.

**Alan Johnson:** Absolutely, and seeing it first hand. So the idea of SEAL it is to work on those aspects of team working in primary schools. I think issues like citizenship are very important as well, and what we are trying to do as we work up to 14–19 diplomas is introduce an element of this, because, I think you are absolutely right, employers are increasingly pointing to this as a difference, and the reason why they are

pointing to it as a difference is because, in my patch and probably yours, lots of workers are coming from Poland and Eastern Europe who have these kinds of skills instinctively and so it is becoming a bigger issue.

**Q176 Paul Holmes:** One of the things that you must have heard teachers say when you refer to teachers saying that league tables are a problem, both at junior and secondary level, is that the pressure to get better and better results partly squeezes out the sort of team working and cognitive thinking work that takes more time but does not reflect in something that hits a league table. I was in Stockholm with Graham Allen earlier this year, for example, looking at some of the early years there. Graham came specifically to look from that point of view, were we squeezing out of our young children those sorts of personal social skills in favour of league table results.

**Alan Johnson:** This was the discussion we had yesterday with teachers, not just head teachers but teachers, and the majority of them thought it was not either/or, it was not non-cognitive skills verses exams and tests, it was an add-on, it was to actually help children in primary schools to get to the right level of Level 3 and Level 4. For kids in Nottingham it was very important for them to acquire those skills so that they could go on to achieve in literacy and numeracy, and I think the add-ons were the majority, but I accept there are issues here. The stress there must be being involved as a teacher, the joy and satisfaction as well, I know, so I am not here to say it is something they can absorb. SEAL is very new and it is very important that we get the right feedback. Of course, the idea of it is that it is embedded right across the curriculum. It is not a half an hour a week to look at non-cognitive skills, you actually do it in the way you teach the whole curriculum.

**Q177 Paul Holmes:** I remember back in 2000 when I was still teaching, we had somebody from the DfES come to talk to us in a secondary school about what was going to happen in literacy and numeracy in the primaries, and when they were talking about what was going to be built, we were saying, “But with the national curriculum requirements, how can you put the time into doing that?”, and he said, “We will disallow it. We will remove a lot of those strictures from the national curriculum on junior school teachers so we can deliver the literacy and numeracy programme.” Are you coming to a point where you have to remove some of the other pressures to allow more freedom to teach these other skills?

**Alan Johnson:** I do not think there is way of doing that at Key Stage 3 to free up for 14–19. I would not go as far as thinking that there is a specific problem there. Certainly yesterday’s discussion did not lead me to that view, but if there is an issue, as I say, we have got a very good social partnership here, we get good feedback from teachers through their trade unions and through other methods.

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**Q178 Paul Holmes:** One final question on this question of how you measure the output. Are there more sophisticated ways than just exam results? David Chaytor was talking about if you are giving primary teachers non-contact time, which they have never traditionally had, but you cannot then, two or three years down the line, see some sort of increase in educational attainment, how do you measure whether that is worthwhile? Another way of measuring might be if you had a lower turnover of primary school teachers leaving the profession because they are so ragged and worn out, that that would justify providing non-contact time rather than an increase in literacy, for example. Are you looking at other ways of measuring the success of these initiatives?

**Alan Johnson:** I think that is a valid point. I instinctively feel that it must be right to have that non-contact time, but it is going to have to prove itself, maybe in reduced wastage and reduced turnover. I certainly think we ought to monitor the situation but without making teachers feel that it is somehow under threat. I just think it is the right thing to do. Everything you heard and we heard about the pressures on teachers meant that they could do better at teaching if they had some time to analyse, plan and prepare.

**Q179 Paul Holmes:** So you will be talking to teachers' unions and to head teachers about how you measure the success of non-contact time, for example?

**Alan Johnson:** It is essential to talk to the unions, yes.

**Q180 Fiona Mactaggart:** You said in reply to an earlier question that the improvements in results was the best evidence of improved productivity of the Department and the success it has had, but I have received a lot of evidence that the emphasis on results has meant that many educational institutions focus on the children just below a boundary, and I was wondering what you were doing about the consequences of that, because it means that groups of children are missed out, so just pushing them across from Level 3 to Level 4, for example, at Key Stage 2, those are the children who get focused on. What are you doing about that?

**Alan Johnson:** It is not something that I have particularly picked up. Incidentally, when I said about attainment, I did not say it is the best mark of productivity, I said I think it is the best example to the public, or information to the public, about taxpayers' money being spent wisely. Productivity, I accept, is a different issue. I would like to know more about the point you are making. Our approach has to be personalised learning, not just looking at statistics and saying that 5% are not at the right level at Level 3, therefore there must be a single solution to get them back on track to Level 4. We have to look at the specific problems, and personalised learning to me means concentrating on the specific needs and concerns of individual children to get them up to that required level.

**Q181 Fiona Mactaggart:** Do you think you are going to have a way that you can describe these cohorts of children in a more personalised way? At the moment the information that we get is rather crude. You talk about lowering social class achievement gaps, but there are other big differentials, race and particular racial groups and so on. Are you going to find ways of describing the kind of journey of groups of children in a way that people can see it better so that you can see which schools are doing what well?

**Alan Johnson:** I hope so, and I hope Christine Gilbert's work on personalised learning will help us to do that. That is certainly my concept.

**Q182 Fiona Mactaggart:** To follow up the point that you were making about seeing, what do you think about the nursery teacher who is told that she cannot have the SEAL documents and resources because they are designed for people in Key Stage 1 and Key Stage 2?

**Alan Johnson:** I think the younger you get to these kinds of non-cognitive skills, as doubtless Stockholm would have demonstrated, the better it will be. We have introduced it at primary school level because there was a specific reason there. You are looking at me mischievously. I do not know where this nursery teacher stems from, but probably from Slough.

**Q183 Fiona Mactaggart:** Slough.

**Alan Johnson:** Okay. Let us look at how it works at primary school level before we can decide whether to put it elsewhere.

**Chairman:** I do not know how we can record a mischievous look. Never mind. Rob Wilson.

**Q184 Mr Wilson:** I am interested to explore this issue of spending or investment and the relationship to standards. How close do you think that that relationship is? For example, synthetic phonics, where it has been tried out, has made a huge difference to attainment standards by children, not just in literacy but in numeracy as well. That has not involved any real additional spending or investment, as such. I just wondered whether you have explored that sort of relationship in detail?

**Alan Johnson:** Not in detail, but you make a very good point. The point that I was trying to make to Stephen Williams, that actually concentrating on educational and improving education is not all about spending money, I accept that, but certainly, capital expenditure, you can see the stark results. In my constituency there were so-called Horsa classrooms in 1997 for children, a temporary arrangement in 1944, I think it was, still there in 1997. So there is a very clear effect there, because when children are taught in better surroundings with better equipment and good books, I think there is a clear correlation. Other aspects, I agree, and the work of the Rose Report on phonics is something that is very exciting and not particularly expensive.<sup>4</sup>

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**Q185 Chairman:** Can I put you straight on that a little. The thrust of our Report on phonics was actually teaching children to read. What we showed was that the evidence suggested that any intensive form of teaching children to read seemed to work, and the best form was assessing what was right for that child. Some children responded to one technique and others to another. We found two things out of that. One is that teachers in their training were not trained properly to teach children to read, and that was one of our prime recommendations. We were rather amazed, some of us, that your Department seems to have gone rather overboard with this synthetic phonics, because there has only been one study on the effectiveness of synthetic phonics in one part of Scotland and we wanted more research not just suddenly taking up the latest fashion. So, intensive help for those kids that are struggling with reading does work, but we still, I have to say—please come back to me on this—we are a bit worried about how enthusiastically you have embraced synthetic phonics.

**Alan Johnson:** That is another piece of reading for me, I think. I will have a look at your Report.

**Q186 Paul Holmes:** On that point, the one study that has really assisted us was from Clackmannanshire, and as I recall the figures now, it was a very small authority with something like only 18 junior schools and they intensively trained all the teachers involved. All the people we had from your Department were pointing out that if you tried to do that across the whole of England, for example, the implications of taking every single teacher and training them to that level would have very significant financial implications. The other thing about the synthetic phonics schemes is, if you were doing them to the exclusion of other things, which the enthusiasts were telling us, you had to buy entire new reading schemes, junk everything you had got virtually and buy entire new reading schemes. So, if you want to do that across a country the size of England, there are massive financial implications. As the Chairman said, the implications of Clackmannanshire partly was that if you took a group of teachers from 18 schools and gave them intensive training, intensive anyway for teaching kids to read, then you would see an improvement in results because what works works and enthusiastic teachers can make things work in all sorts of different ways?

**Alan Johnson:** There appears to be a difference between Committee Members here.

**Q187 Chairman:** We still have the scars of that too. Last one before we move on to research funding. There is a massive programme of rebuilding schools, building new schools and refurbishing old schools, and none of us would in a sense criticise that wonderful programme. We do not want to see kids in awful conditions. Our Committee is looking at sustainable schools as a major inquiry, but as this vast expenditure takes place, do you think we are

getting the proportion right between building new schools and designing what goes into those new and refurbished schools?

**Alan Johnson:** Yes, I hope so. The whole philosophy between the local education partnerships that will be responsible for BSF is that it is not just someone going in, sticking up a building. Education informs everything, the shape, the design and the ICT that goes in there with the involvement of the local authority, of people who have a background and a track record in producing iconic, good buildings. This is, as you rightly say, so crucial, such a huge expenditure, every secondary school in the country being refurbished or rebuilt and a fair stock of primary schools. It cannot just be done on the basis of sticking up buildings and hoping for the best. We have to ensure that everything is integrated and coordinated. That is what we are trying to do through LEPS.

**Q188 Chairman:** We have to go beyond boasting there are banks of computers and white boards, some of which unfortunately teachers do not know how to use. Some of the information we have had from Microsoft, BT and others is that there is a lot of very good information about new ways of teaching children to learn and perhaps the Department is rather lagging behind.

**Alan Johnson:** I will look at that. I hope not.<sup>5</sup>

**Q189 Chairman:** How are your own IT skills?

**Alan Johnson:** Poor to appalling.

**Chairman:** Perhaps we can all join together and improve them.

**Q190 Mr Marsden:** In the Budget there was an announcement that the Research Assessment Exercise for assessing university funding was going to be replaced with a system based on metrics. As you know, the consultation document has been already published on that, but it is a rather narrow consultation document in that it focuses not so much on the merits of change but more on the process of introducing metrics. Do you think it makes sense to be arguing for the introduction of a system that has generally already agreed more than half of the subjects currently funded for research, particularly the humanities and social sciences, and more than half the number of the academics and lecturers involved and a metrics system that will not be fit for purpose?

**Alan Johnson:** I have some history on this because when I was Higher Education Minister we published the Roberts Review. Gareth Roberts recommended moving a long way towards a metrics based system. We are doing this in the best way possible, running the traditional RAE alongside a metrics based system and using that to inform where we go to next. I think there has been a lot of discussion about this over many years and, when I was Higher Education Minister, I was amazed quite frankly that we spent all this money and took up all this time—something like 82 different panels and committees—on

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<sup>5</sup> Ev 54

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something that could be done much more quickly. Our joint objective would be to maintain the excellent research base we have in this country. I went through the arguments. You have been through them, I know. It was pretty tedious stuff in the sense that it got very techy but I do believe that we need to move away from peer review and we need to have a better system. Running the two systems alongside each other which can reassure people who are worried about what the objective is here—i.e., does it mean putting all the money into a few universities around the south east—will give reassurance.

**Q191 Mr Marsden:** You are obviously reading my mind. You are absolutely right. I can understand your world weariness with it. There has been an immense amount of discussion about the RAE, the problems and difficulties of it and indeed about the extent to which there are all these problems about assessment and all the rest of it. Many of those criticisms have focused on the narrowness and mechanical nature of the RAE as it is at the moment. Does it make sense to be moving to a system which, at least on the basis of what is included in your consultation document, looks as if it is going to move more to a tick box culture and an assessment of a number of pages of things submitted? How are we going to assess whether any of these changes have a beneficial impact on UK research's reputation internationally or not?

**Alan Johnson:** Gareth Roberts did make the point about metrics. You could run a metrics system without peer review and get good results. I am not sure of the answer to your question. I would want to see these two systems running side by side. I would want to see the correlation and the outcome. That is the best way to do this rather than to leap from RAE to a metrics based system, to see how they operate and to see the similarity.

**Q192 Mr Marsden:** Given that this has been introduced, what research has your Department commissioned to look at the potential impact of this change? I make that point because the direction of travel, the buzzwords that we all like to use these days, internationally appears to be in the opposite direction.

**Alan Johnson:** Australia.

**Q193 Mr Marsden:** Australia and Hong Kong. In addition, there is an issue in terms of the concentration in universities on research where the evidence again from the States suggests that the travel is in the other direction and is becoming more diffuse and not more concentrated. Academics will argue about these things until kingdom come but would it not be a good idea to do a little bit of risk benefit analysis on it?

**Alan Johnson:** We will be doing some research on this. That is the whole reason for running the two alongside each other. I am a fan of metrics.

**Mr Marsden:** Would your Department be able to come back to the Committee in due course and give us details of what this research is going to be, how you are going to carry it out and evaluate it?

**Q194 Chairman:** You have not been bounced into metrics by the Chancellor, have you?

**Alan Johnson:** Maybe the other way round.

**Q195 Chairman:** Why was it announced in the Budget?

**Alan Johnson:** We had the Roberts Report in 2004. We had the 10-year Science and Innovation Framework which I was involved with as a DTI minister. It has hardly been bounced. This has been around for a while. What was in the Budget was the next steps on the 10-year Science and Innovation Framework. It is quite right, if you set a 10-year framework, you have to have the steps along the way. I refute the argument completely that this is somehow the Chancellor pushing this. The Chancellor is in a good place on this.

**Q196 Mr Marsden:** You will be relieved to know that I am not going to pursue the issue of what the Chancellor's views are or are not. I am going to move on to the views of the people at the coal face, the lecturers, the academics, the support staff who currently work under RAE and will be affected by this. The UCU, who are launching their own major consultation exercise at the moment, have pointed out that under the present system there has been a very strong concentration of research funding in a small number of departments and institutions. They make the point—I would like your comment on this—that we ought to be questioning whether we fund past performance rather than potential capacity building. Is there a danger that by entrenching funding, whether it is by a metrics system or by the RAE system, in a few very tight universities you are not going to stop the small and medium sized research enterprises growing in other universities, particularly the post-1992 ones?

**Alan Johnson:** That would be a concern. The objective must be to fund excellent research wherever it takes place. I do not agree that this change is to lead to a concentration onto the so-called club. You know who I am talking about.

**Q197 Mr Marsden:** You are talking about the post-1992 universities, the Russell Group, losing out.

**Alan Johnson:** No, I am not talking about them losing out. I disagree that this is a process that will lead to Imperial, Oxford, Cambridge and one other—

**Q198 Stephen Williams:** Bristol?

**Alan Johnson:** No, not Bristol.

**Q199 Chairman:** Imperial, University College, London, Oxford and Cambridge.

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**Alan Johnson:** That is right, that that is going to lead to all research being concentrated. The Chairman put it more eloquently than anyone I have heard on this about a gang of people marching into Number 10.

**Q200 Mr Marsden:** Highly motivated people.

**Alan Johnson:** That is not where this comes from. It comes from the tortuous debates I had as Higher Education Minister, where you had people in different camps. The one thing that unites us is that we support the dual support system and we want to fund excellent research wherever it takes place. If running these two exercises alongside each other and the research around that shows some of the fears UCU have suggested, we will have to tackle that because I certainly believe that we can save £8 million and put more into research, not save it back for the Treasury. We can stop a long system of 82 committees and peer reviews. We could have a much better system because behind the metrics is peer review. Metrics is a dreadful term but it is the best one we can think of. I do not agree with these fears. These certainly are concerns that we will have to watch.

**Q201 Mr Marsden:** I share your frustration with the 82 committees or whatever it is. For what it is worth, I think so do many people in academia which is why they would like to have seen a much broader consultation on successes of the RAE. The former chief executive, Howard Newby, speaking at the higher education policy unit conference said, more eloquently than I can, you are putting the cart before the horse. One of the concerns is that you will be replacing a restrictive and difficult process with an even more restrictive one, particularly in terms of the humanities and social sciences. Does it not worry you, given your passion for life long learning and further education, that you will be missing an opportunity to look at the way in which we translate research into teaching and communication, because that is one of the major criticisms of the RAE at the moment, that it up-ends the system. It does not give value to the dissemination and communication of academic ideas across the piece.

**Alan Johnson:** That does concern me, yes. We have a consultation period that is running to October on this. There are zealots on both sides of this argument. We have to sort this out once and for all. The RAE has been going for about 20 years and as long as the RAE has been going there has been an argument about whether—

**Q202 Mr Marsden:** You are open to the possibility that this consultation might raise some broader issues about the relationship between research and teaching and how that should be rewarded, particularly for younger academics?

**Alan Johnson:** Yes.

**Q203 Mr Marsden:** There is an issue, is there not, that if you focus research into a narrow band of universities, whether it is the ones you named or whether it is the ones that other people name, you

miss the bright stars and the people coming through. Albert Einstein was a patent clerk when he started working on the theory of relativity. Do you think he would have got it right under a metrics system?

**Alan Johnson:** I would like to think so.

**Q204 Chairman:** What Howard Newby said is, “Get your policy objectives right first. Then consult and then evaluate whether metrics will help you in achieving your policy objectives.” Our mutual friend, Sir Alan Wilson, when he was in front of the Committee, did not seem altogether happy about the place he was at on that day. I may be wrong. Howard Newby and Sir Alan pretty much know where this issue is. You will take their views into account, will you?

**Alan Johnson:** There are no more wise and sagacious people than Alan Wilson and Howard Newby and I will take their views into account, yes.

**Q205 Chairman:** What are you going to do when Sir Alan leaves you? Who is going to replace him?

**Alan Johnson:** Cry. He will be a great loss to us. If you had the offer that he had to go to Corpus Christi, you might follow that route.

**Q206 Chairman:** I tested the catering on Thursday night. If you look at the context, this is taking place. You and I and some other people in this room were more or less on the same side on variable fees two years ago. Some of us saw them as putting one of the mainstays of higher education on the right track. The other is research and it is very important to get that right, is it not? I know you said you were a fan and it worried me a bit, but this is a government that believes in evidence based policy. On the evidence, no one will be against change but it will be on a careful analysis of the evidence. Can you assure the Committee of that?

**Alan Johnson:** It will be because this is not about cutting costs. The investment in science and research, never mind about what it does socially for this country, the economic challenges that we face from globalisation et cetera mean that we have to stay ahead of the game. This whole process is underpinned by a passion for ensuring that we stay second in the world only to America in terms of our research base. If we jeopardise that it would be ludicrous. I would happily cease to be a fan of metrics if I could see quite clearly that peer pressure is the best system.

**Q207 Chairman:** If you look at your table in terms of expenditure on various sectors of education over the last nine years, the fact still does come through that higher education is the one that has not the same kind of percentage increase that other areas of education have. That is not to deny that good things have not happened since 2002. There has been, for example, a very substantial increase in university pay at last but overall there is no doubt Lord Sainsbury and the regime have been pretty consistent—there has been some good investment in science—but any vice-chancellor looking at the overall package here, overall spending on HE which

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is at the cutting edge of our competitive struggle against other countries, the figures are not really very inspiring, are they, in percentage terms?

**Alan Johnson:** That is because you are comparing it with other areas of education. If you look at schools, for instance, there was huge under-investment there. Let me give you my take on this. In higher education there was a 36% reduction in per student spending between something like 1989 and 1997. The previous government set up the Dearing Report. The Dearing Report said that we need another £3 billion to go into higher education. We put 2.9 billion of public money into higher education since the Dearing Report. We put 800 million from the £1,000 up front fees and we will be putting 1.35 billion from variable fees up to £3,000. You add all that together. Dearing had all party support. Remember, at the 1997 election, everybody was saying wait to see what we are going to do on HE. God bless Lord Dearing for the work he has done on higher education. What people in higher education should acknowledge is we have done what Dearing said we should do and some more in terms of investment. Very importantly, the introduction of fees has not affected the public per student funding that we put in. The thing that higher education must be most concerned about is that, for whatever reason, a government says, "Now you have that money from fees income, we will cut the money you get from HEFCE and from public expenditure" because that would have been a betrayal of everything we went through on that very difficult Bill. That has not happened. Rather than a comparison saying, "We are badly off because there has not been as much money spent on us as in schools." What we did in schools was address the problems in schools. What we have done on Sure Start is address the problems there. In FE, there has been an enormous increase in expenditure from those figures. Goodness, it needed it. What we have done on higher education is pursue what Dearing said we should pursue, not immediately, of course. We went through the highways and byways before we got back to where Dearing said we should go but, in terms of the expenditure and the investment in higher education, that is a very good story.

**Q208 Chairman:** Earlier on I asked you whether you could set your stall out for delivering a campaign on teaching children language skills. I wondered if the other one that matched that would be making universities more adept at producing entrepreneurs. Some of us met the chief executive of BT yesterday and he made that very strong call. Our educational system still does not seem to be able to produce enough young people coming through the system with entrepreneurial skills and the courage to get into business on their own. Do you think that is a problem?

**Alan Johnson:** Yes, it is a problem we were looking at very closely in the DTI as part of the general problem in entrepreneurial skills. Women and entrepreneurship, for instance. If we had the same level in this country as they have in the US, we would have a much bigger economy and many more

businesses. It is particularly important in universities. Whereas we have had a huge amount of success on spin-out companies from universities which, by definition, involves some entrepreneurship that is just helping students with really good ideas to get them into a commercial place, that has been hugely successful. There does seem to be a problem here vis-à-vis our international competitors. That was the real driving force for us in the DTI. What is happening with students coming out of universities in China, India and America? There seems to be a much better grasp of entrepreneurial skills. There is more we could do in that area.

**Q209 Stephen Williams:** You have widened the discussion into other higher education areas away from research. I get the impression that you mean what you say. Did you really mean it when you said in *The Sunday Times*, "The students will learn to love top-up fees"?

**Alan Johnson:** Incidentally, these are not top-up fees; they are variable fees but let us leave that to one side. No, I do not think I did say that. That was the David Cracknell interview. I did not say they would learn to love top-up fees because that would have been silly. I do not expect students to love a £3,000 a year contribution. The point I was making is that I found time and time again, as the Higher Education Minister going to universities to talk to students who were by definition hostile, once you went through the arguments and once you explained the arguments, it took a fair bit of explaining. Most people thought and still think probably it is £3,000 up front, who do not understand about income contingent repayments, who do not fully realise that if your earnings ever drop below 15,000 you stop paying. It is quite a chunky pitch. What I was explaining was that variable fees will not prevent kids who get two or three decent A levels going to university. We have to get more kids from poorer backgrounds to the starting blocks. I do not think fees, properly explained, particularly once there is experience of them which will not start until this academic year, will put them off.

**Q210 Stephen Williams:** We have talked about the review of Research Assessment Funding and the Comprehensive Spending Review. Of that period of the CSR, the Government is going to review the impact of variable fees, top-up fees, call them what you will. How meaningful is that review going to be? We have already had the Prime Minister saying he wanted nuclear energy and that effectively undermined the energy review. We have had the Chancellor, when he spoke at the launch of a Centre for European Reform pamphlet on higher education in Europe, more or less indicating that he wanted a market in fees in the future, taking the cap off the existing £3,000. How can the aspiring students in school at the moment be confident that in the future the levels of debt from top-up fees are not going to go through the roof?

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**Alan Johnson:** I am going to have to be a little bit pedantic here because it really is not top-up fees. It is relevant because the whole point you make about the cap is what means these are not top-up fees. The debate was about whether there should be a level of fee that we charged that Government said was appropriate but universities could, if they wished, top that up to whatever level they liked. If anything, this is top down because the system now that we are replacing is £1,000 that you must pay. You cannot charge any less or any more. In a sense, we moved that £1,000 to £3,000 but said, "You can charge less." That is not top-up fees; that is variable fees with a cap tightly screwed down in legislation. You laugh but I am not an anorak; I have become a kagool on this. It was relevant to our manifesto. 2009 is going to be a very meaningful review. I wish it was a bit later because 2009 is the first year when you have the whole university paying fees. Nevertheless, we are where we are. We said 2009 because at the time in Parliament people wanted a very early review of this. The review could lead to us abandoning this policy altogether. It could be damaging. We could find that kids from social classes four and five will find it more difficult. That is not what I want to do. Quite the opposite. I know David Chaytor, this Committee and you, Chairman, are in the same camp. We could abandon it altogether. It is going to be a very serious review. The legislation is screwed down. That £3,000 cap cannot be lifted without primary legislation through both Houses of Parliament. The independent review goes direct to both Houses of Parliament. The Parliament of 2003 by a very narrow whisker did their job very well in ensuring that, if we were going to go down this route, no tinpot Secretary of State for Education, no Chancellor, no Prime Minister was going to be able to lift this easily. It is Parliament's job and that is why it has to be a serious review, because there has to be a serious debate that follows it.

**Chairman:** I want to reassure Stephen that once you have any witness in front of the Committee you can ask anything you like.

**Q211 Fiona Mactaggart:** I want to start with the announcement about giving the Mayor of London powers in relation to skills in London. I was wondering why you did it.

**Alan Johnson:** Because we had a situation where there were four, maybe five, Learning and Skills Councils in London. The issue of skills is so crucial to everything that the GLA and the Mayor are trying to do in London. It made absolute sense. There is already a parallel with Regional Development Agencies where the Mayor is responsible for appointing the Regional Development Agency in London. Everywhere else the appointment is made by the DTI and government. The Mayor made a very persuasive argument—to be honest, he was pushing at an open door here—that we should redefine learning skills so it is London wide. The Mayor is responsible for operating the strategy and the policies that are set by government but to give him more control over that

in terms of the way that money is spent and the way that strategy is implemented in London was absolute common sense.

**Q212 Fiona Mactaggart:** Do you think it is a model that other regions might be attracted by to put some public/political force around developing a skills strategy rather than the present rather anonymous Learning and Skills Council approach?

**Alan Johnson:** The Learning and Skills Council is going through a big change anyway because they are moving away from their 47 areas and becoming much more localised. You can reach out and touch it, rather than it seeming fairly remote at the moment.

**Q213 Chairman:** That is not true. You are going the other way, are you not? We have gone from the 43 to regional centres.

**Alan Johnson:** We put a regional dimension there. God knows why it was not there in the first place. There were 47 councils and a headquarters in Coventry introduced at exactly the time we were setting up nine RDAs across the country. The absence of a regional focus was just palpable. Several years ago when I was in the junior minister job in education we put the regional tier there to the LSC. Now there is a regional tier and there are 47 local councils as there have been since 1999. If you keep the regional level there, it is not huge; there is a regional link with the Learning and Skills Councils. These 47 which have not been seen to work become much more localised. There is one at the moment in my patch that covers both sides of the River Humber. That would be a much more whole focus Learning and Skills Council. Do I think it is going to be replicated elsewhere? I doubt it. The RDAs are already different in London.

**Q214 Chairman:** Why on earth should London get this special treatment? In our region of Yorkshire and Humber, why should we not have more independence in the way that the London area is going to get? It does seem to many of us who are in Yorkshire, Members outside London, that not only did London get the Olympics and so much more investment; they get the special privileges that other regions do not get. This is why I was elected to Parliament and so were you, Secretary of State, to stick up for our region.

**Alan Johnson:** London is different. Every region could have been in this situation had the north east voted a different way. We came in in 1997 looking to decentralise. Part of that was a GLA; the rest of it were Regional Development Agencies which were decentralisation rather than devolution. It could have gone to a much more devolutionary route. It did not. If you are asking me are there ways in which your region could become much more focused on skills, it is the number one issue on the agenda of every RDA in the country. London has the structure there; it has a Mayor, a GLA and an autonomous system. As far as RDAs are concerned, it is in a different place because the Mayor appoints the RDA. They are self-contained in that respect. I am

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certainly up for an argument and a discussion about how we can improve the regional position on skills. We do not want to hog all of this. I am a great believer in decentralisation but Ken Livingstone is not making up his skills policy. It is the skills policy decided by government. He just has much more freedom over how he implements that.

**Q215 Chairman:** There will not be a shift. You know the difficulty now on any issue in the Greater London areas that Members of Parliament cannot ask questions directly on a number of issues like transport, for example. That will not mean that Members of Parliament in this House cannot ask questions about skills because they are a deferred responsibility?

*Alan Johnson:* No.

**Q216 Chairman:** There will be none of that?

*Alan Johnson:* Of course not.

**Chairman:** We will come back to this issue because we are about to start a major inquiry into skills. You know we finished our FE inquiry. That will be published in September. We then start a major inquiry into skills so we will join that discussion again.

**Q217 Mr Chaytor:** Are you saying that, following the publication of the Local Government White Paper which may well put the case for the concept of city regions rather than geographical regions as we have known them so far, if city regions have the powers of establishing their own directly elected mayor, what will be the logic of denying to the city region of Greater Manchester the same powers that apply in London?

*Alan Johnson:* You are a few steps ahead of me. If we get to that position, if the Local Government White Paper does come out heavily on city regions and if city regions have a city mayor, there is an argument to say we want to replicate what is happening in London.

**Q218 Chairman:** You are rather enthused about city regions, are you?

*Alan Johnson:* I am very enthusiastic. When I was at the DTI responsible for RDAs, so were the RDAs. It was not seen as a threat to Regional Development Agencies; it was seen as an enhancement. The David Miliband idea of city regions was very exciting.

**Q219 Fiona Mactaggart:** I was going to move on to the new Ofsted inspection regime. This links back to the issue that I raised before about the tendency in some schools to focus on children who are just below an achieving boundary and improve their results by pushing them over that relatively narrow distance between one level of achievement and the next. I have seen some things which suggest that the new Ofsted inspection regime that has been proposed by a local national association of head teachers representative, because it focused very much on short information prepared before a visit to the school and so on, is encouraging teaching to the test

rather than education and learning. Have you had any evidence about that and what would you think about the new regime if that was true?

*Alan Johnson:* I feel ill equipped to answer. I have not had any evidence on that. I would like to look at that and the earlier question you asked because it is not something that has registered on my Richter scale over the last eight weeks. Let me look into it.

**Q220 Fiona Mactaggart:** Do you have any particular views about the new inspection regime? Have you had time to reflect?

*Alan Johnson:* It seems to me to be eminently sensible and of course it is part of a reduction of 500 posts in Ofsted in this whole concentration, which has been very difficult to implement but it is going remarkably successfully. I am going to make a general point on the point you raise because this comes up a lot: are you pushing kids to get through a test at the expense of some of the wider issues around education?

**Q221 Fiona Mactaggart:** I am not so worried about pushing kids to get through tests. I think it is wonderful getting through tests. I am very worried about focusing on that group of children who do not achieve it at the moment, who have a relatively short gap of achievement, because I think it misses out the group of youngsters who have a longer distance to travel to achieve and get through a gateway.

*Alan Johnson:* Because they are not low hanging fruit, so to speak?

**Q222 Fiona Mactaggart:** Exactly.

*Alan Johnson:* Let me look into that.<sup>6</sup>

**Q223 Mr Marsden:** I would like to ask you about demand and funding for apprenticeships, a major plank of the Government's re-election promises in education. The good news is that the completion rates on them are going very well indeed. Every success brings its problems and I want to raise an issue that has been raised by the chief executive of the Association of Learning Providers who gave, together with his colleagues, some very useful evidence to this select committee as part of its FE inquiry back in January. What they are concerned about is what this is doing further down the line to funding. If I can quote two things that they have said in a letter to us, the figure for completion of apprenticeships may be going to be as high as 53%. I do not know whether you are able to confirm that or not. The side effect of that is that one major national provider, they say, has had to postpone starting over 2,500 apprentices until well into 2006–07 because the funding for 2005–06 is exhausted. They have also said that they have heard lots of stories of small providers—obviously that is a key area as well—turning away employers and youngsters, saying, “We cannot deal with you” and they are worried that these people are going to drop out of the system. Have you had concerns about that expressed to you?

<sup>6</sup> Ev 54–55

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**Alan Johnson:** Yes. There has been a huge improvement in the staying on rate of apprenticeships. It was pretty poor and now it is at the figure of 53%. I am doing a lot of thinking about this. So is Sandy Leitch and the Leitch Report on skills will have something to say about apprenticeships. I would like to dwell on this with a view to doing something later in the year about apprenticeships. It seems to me that apprenticeships are the brand that everyone knows in this whole skills area that is rather complex and you have lots of things happening. The one thing that everyone understands is apprenticeships and it is a respected brand. Firstly, I think we could be doing more on apprenticeships. Secondly, as part of the 14–19 agenda, apprenticeships are a really important part and will have a renewed emphasis. Thirdly, some of the problems you quite rightly identify are problems of success rates now around the funding and we are going to have to look at them. It is great to be in that area but it means we have to have a complete relook at apprenticeships because I think we could be doing more.

**Q224 Mr Marsden:** Could you, because it would be very useful not least with the Committee's forthcoming skills inquiry, and your Department give us in writing as soon as possible the latest figures on that, that we can quote chapter and verse on? Secondly, can we take it that you will make a maximum plug for some of these areas in terms of the comprehensive spending review because obviously, as you know, if we will the end we need to will the means.

**Alan Johnson:** Yes to the first question and a straight bat on the second one because it involves those magic words "comprehensive spending review".<sup>7</sup>

**Q225 Chairman:** The Committee went to the Republic of Ireland recently. One of the things that we found there was a very interesting focus on technician skills. You, as well as anyone on this Committee, know that people will tell you in industry all the time, especially having just come from the DTI, that technician level skills are seen as something we need to concentrate on. In Ireland they seem to have this ability. They have kept more of a kind of polytechnic structure, very focused on providing technician level skills, a pretty sophisticated level. We saw one example in Dublin that was focused on technician skills for the pharmaceutical industry, and a very impressive outfit it was. They also have an apprentice scheme there. I wondered whether you thought we were having enough joined up thinking in terms of the relationship between apprentices, what we do in technician training in this country and whether you see that as something that we could do a lot better.

**Alan Johnson:** Like you, I have heard a lot of good things about what is happening in the Republic of Ireland. Yesterday I had a discussion about this and decided I should go to Dublin and see it for myself. That is very interesting. Secondly, foundation

degrees have been enormously important in meeting that demand for technician level skills. They are very successful and I am pleased two years on to come back to the Department and find how well on course we are with foundation degrees. I think you are absolutely right. The linking up of apprenticeships, foundation degrees, how you go through NVQ levels and take your choice about whether you choose to add another year onto a foundation degree, for instance, and do an honours degree we have not quite achieved yet.

**Q226 Chairman:** Is that not another area you should be championing? You have come up the hard way without going through conventional higher education and you have achieved a great deal. The other thing you could surely put your mark on is getting back to the stage where you do not have to go to university to be successful, to be an entrepreneur, to be a valued member of our society. Could we persuade you to start a bit of a campaign on this?

**Alan Johnson:** You do not have to persuade me. Again, it is not me; it is part of that 14–19 agenda and lots of the other things we are doing to get rid of this curious snobbery about vocational qualifications. You cannot lumber the Scots, the Irish and the Welsh with this. It is an English snobbery about vocational degrees and qualifications being inferior to academic qualifications. It is something we really have to change. It is a culture issue as well. It is holding us back as a nation. I would certainly hope I am already championing that cause but I will make sure I champion it even more.

**Q227 Mr Chaytor:** The first five 14–19 vocational diplomas will come on stream in 2008. Now that we are moving to a unified 14–19 curriculum, do you think you can sustain that without a unified 14–19 funding system?

**Alan Johnson:** I do not know because in terms of this new agenda of 14–19 I do not think we are yet at the point where we can say that the current funding system is going to be okay because we are still feeling our way through. The first five are going to be very important and we have the other nine to come on stream. There is an awful lot of thought to go into this and the funding mechanisms. The carry over here where you have local authority funding, learning and skills funding and HEFCE funding becomes messy at that level. We did a bit of work a couple of years ago on that but I do not think we are at the level yet where we can say we are at a final position.

**Q228 Mr Chaytor:** In terms of your previous point about parity between vocational and academic courses, how can you justify the differential between student funding in schools, 16–19, as against student funding in colleges, 16–19?

**Alan Johnson:** We cannot, which is why the funding gap has to close. It will have come down by 8% next year which will still leave a 5% funding gap and we are committed to closing it. My predecessor announced that when we had the Foster Report and I re-emphasised that.

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<sup>7</sup> Ev 55–56

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**Q229 Mr Chaytor:** Will this be a specific priority in the Department's CSR bid?

**Alan Johnson:** I am not going to talk about the CSR bid. It is a priority to close that funding gap.

**Q230 Mr Chaytor:** Could I move back to the opening questions about the presentation of information because the Department and the Committee is now agreed that standardisation of information, particularly over the share of the budget to different sectors, is important. In the tables that the Department has presented and the tables that appear in previous annual reports, we have the total budget divided into schools, HE, admin, FE and adult and community learning. Is there not a case for separating out the FE budget from the adult and community learning budget, because that would give us a better understanding of how the trend is progressing? We can see year on year that schools funding is going up significantly. We can see year on year the changes to HE funding, but we cannot disaggregate the trend in FE from the trend in adult and community. Is this something that you could go away and think about, to see if there is an advantage in separating these two budget lines?

**Alan Johnson:** Let me have a look at that in relation to the whole debate about how we can make sure that you get adequate statistics and that you can be confident that they match up with previous years.

**Q231 Mr Chaytor:** When you do that could you look at footnote nine to table B that the Department has presented because it does say there that adult and community learning has been removed from the FE line, but it still seems to be there.<sup>8</sup>

**Alan Johnson:** Okay.<sup>9</sup>

**Q232 Chairman:** Before we lose focus on the new 14–19 vocational diplomas, this Committee has had a lot of discussion around this because of the FE report that we have just concluded. It is absolutely crucial that this starts right. Start it wrong and it will give it a reputation that will take a long time to retrieve. We do hope that you will really put your personal reputation into making it right because 14–19 will do exactly what we were discussing earlier, but raising not only the profile but the status of vocational training in this country and also the ability to mix vocational and academic learning. That will need resource and training of staff.

**Alan Johnson:** I agree. It is absolutely essential to get it right. It is something that will be at the top of my priority list.

**Q233 Chairman:** If you talk to the most senior people in the skills area, they have concerns and I do urge you to canvas them quickly.

**Alan Johnson:** Sure.

**Q234 Mrs Dorries:** Can I ask about the three tier/two tier system of education that we have in this country? In my particular area we have three tier which I am very supportive of because socially deprived

children benefit from it, from small, secure schools that you tend to have in the three tier system, as well as the rural villages. Does the Government ever see a position where, with initiatives like the 14–19 agenda coming on board, the funding would not be able to support the three tier system?

**Alan Johnson:** I have not seen anything which suggests that there is any move not to support the three tier system where it exists. I know where it exists it is very much appreciated. Whilst I would not like to say there will never be a time when we will look at that under the 14–19 or whatever, there is nothing I have seen that has crossed my desk that suggests anything other than we would continue to support it.

**Q235 Mrs Dorries:** The Government does support the three tier system? You do see the benefits of the three tier system? It is a difficult situation for you to answer. It looks as though you are contradicting the other. However, I suppose what I am looking for is your support for the three tier system really.

**Alan Johnson:** I am not trying to prevaricate. I am not aware of any part of the DfES anywhere that is looking at this with a view other than to support it. I will be able to give you a categorical answer when I am absolutely clear that there is no piece of work going on somewhere.

**Q236 Mrs Dorries:** How do you think the 14–19 agenda will fit within that system? This is a question I am being asked at the moment by councillors and local people. I think it will fit fine and be okay because the three breaks as they are moving to upper school at 13–18, I do not see any reason why it cannot come in there the same way as it does because it starts at 14 anyway, but do you see any reasons why there would be a problem?

**Alan Johnson:** No, I cannot see a problem with it. I think it would lend itself very well to 14–19, but we are in this area doing a lot of work with ministerial colleagues, with Jim Knight and Phil Hope about these first five. It is making us concentrate wonderfully on how it will operate in practice rather than in theory, which is terrific. I will be in a better position to answer both of those questions more fully when we have done a bit more work.

**Q237 Mrs Dorries:** Just in case there is not anything on your desk about three tier, I will just pass you this piece of information. There was a slight threat locally to the three tier system in my county just recently. I had 3,000 e-mails in four days from constituents who wanted to keep the three tier system. Perhaps just as a useful piece of information you might take that away. Where three tier exists, it is very much valued by local people.

**Alan Johnson:** Okay.<sup>10</sup>

**Q238 Paul Holmes:** Returning to the 14–19 vocational diplomas, when I made my maiden speech in

<sup>8</sup> Ev 44

<sup>9</sup> Ev 56–57

<sup>10</sup> Ev 57–58

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Parliament in June 2001 one of the things I referred to was the disaster of the introduction of Curriculum 2000 for the first year of AS level teachers. We started teaching the course without the text books because they had not been written yet. We were two-thirds of the way through the course. Kids had done two-thirds of their exams and course work because I went on an exam board course that told us how they were going to assess these things. The way it was introduced was an absolute disaster. It was so rushed. The Association of Colleges have pointed out that the first five vocational diplomas start teaching in 2008. Schools and colleges that want to deliver those have to register interest by the end of June and yet there are absolutely no details so far about what will be involved, how will it be taught, will there be available training for staff. Can you assure us that we are not going to repeat the disaster of the introduction of AS levels?

**Alan Johnson:** I am hardly likely to say we intend to repeat the disaster of Curriculum 2000. Of course we do not want to. You are quite right. That was not our finest hour. We will have to make sure that this is.

**Q239 Paul Holmes:** You said you were not aware of any criticism or feeling that schools had some kids who were on the border line, going from a three to a four or a D to a C at GCSE and focused their attention on those at the cost of other people, very bright children or very weak children, because they wanted to get those test results. I am quite staggered that you are not aware of that. You have only been in post a couple of months but this is a major thing that people throughout all levels of education talk about. There was an article in *The Guardian* on 4 July which I will let you have my copy of when you leave, if you wish, which gave some very good examples of this from a head who resigned in Nottinghamshire. It says that Jim Green wasn't prepared to do the things that would have helped him get a good Ofsted result. He knew the tactics. He could boost test scores by abandoning a broad and balanced curriculum and teaching to the test, withdrawing special needs staff from the vulnerable pupils to use for border line level four pupils instead. He could run booster classes and revision sessions. He was not prepared to do it. This is something you hear, as I say, at every level of education, so I suppose the question is that you have already said that you are going to go away and look at this, so if, in the first two months of the job, your Department is not giving you a briefing on the concerns about this, can you guarantee that you are going to make this a number one reading priority of all the commitments that you have given that you are going to read up on?

**Alan Johnson:** Maybe there has been. I have read so much in such a short period of time. All I said to Fiona is that it has not really registered with me and that is probably my fault. It is a big issue that is knocking around.<sup>11</sup>

**Chairman:** We like it when people recognise that they have faults.

**Q240 Fiona Mactaggart:** I welcomed your initial commitment to closing the social class gap, but I wondered what you were doing about other chronic gaps like, for example, the under-achievement at most skill levels of people within certain ethnic communities and so on.

**Alan Johnson:** Well, there are an awful lot of initiatives going on here. I am going to have a meeting in terms of Afro-Caribbean boys with the family of Stephen Lawrence because Jack Straw has asked me to and also with Valerie Amos who has got some ideas, but there is an awful lot going on here, and with Bangladeshi communities. There is an initiative, I forget the name of it, but it is one that Valerie Amos was talking to me about particularly focusing on black boys, looking for our support, so yes, that is one of the areas we need to look at.

**Chairman:** This Committee has looked at under-achievement fairly recently. It is still an interesting Report if you would like to have a look at it.

**Q241 Mr Wilson:** Secretary of State, I would be very interested in that information you have on the Bangladeshi communities, by the way, so if you could let me have anything, I would be extremely interested. I am very keen to pursue this targeting of individual disadvantaged children to improve their life chances, and you suggested you are sympathetic to the velcroing of money on to the back of poor children. Has your Department done any work on this or analysed this in any way? Have you got any trials in mind?

**Alan Johnson:** They have done some work to try and get this factor, this figure of how we could better discern where disadvantaged children are. It has not been tremendously successful yet because it is very difficult to do, and that was the inference of my answer earlier on.<sup>12</sup>

**Q242 Mr Wilson:** But it is something you are obviously looking at and, if you are able to do it, would you let the parents of those poor children choose any school to spend their money on, whether it be a public or a private school?

**Alan Johnson:** I see an education vouchers question looming. No, we would not.

**Q243 Mr Wilson:** So independent schools would not be able to benefit disadvantaged children?

**Alan Johnson:** There is a very good report by Peter Lampl—I am his greatest fan—and the Sutton Trust, but this is an area where I do not agree with the Sutton Trust. Indeed Belvedere College which they mention is becoming an academy, so it will be in the state sector, but I do not agree with taking state money to give to state pupils to go off into the private sector. There are the areas I talked about earlier on about the Charities Bill, how the independent sector,

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<sup>11</sup> Ev 54–55

<sup>12</sup> Ev 58–59

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if they have charitable status, can actually help the state sector with their facilities, et cetera, but we are not going back to assisted places.

**Q244 Mr Wilson:** Even though doing that might be of massive benefit to those disadvantaged children and to the parents of those disadvantaged children?

**Alan Johnson:** Well, I think it is questionable whether it would be, really questionable whether it would be.

**Q245 Stephen Williams:** I want to follow up what David Chaytor was asking you earlier about the split between 16–19-year-olds and then adult education because in fact your Department gave us that breakdown. We might be able to see why it was skewed because 16–18 FE expenditure from 2001–08 projected has gone from £1.7 billion to £3 billion, whereas post-19 has gone from £1.6 billion to £1.8 billion, so there is a £1.3 billion increase for 16–19, but only a £200 million increase for 19 plus and for adult education skills separately it is actually a fall from £241 million to £207 million. Now, you did not like the quote I put to you earlier about variable fees, but I did read yesterday that you want more plumbing and less Pilates. Does that sum up your attitude to adult education?

**Alan Johnson:** There is a lot in there. No, what sums up my attitude to adult education is that our priority must be those 15 million adults who are functionally illiterate and 17 million who are functionally innumerate because of education failures of the past, to give them an NVQ Level 2 entitlement and to introduce a Level 3 entitlement for 19–24-year-olds which we will introduce from, I think, 2010. That is where we have to go. Pilates is fine and learning conversational Italian and the Spanish guitar is great, but there needs to be a contribution, not pay for all of it, but a contribution to it because we need to focus taxpayers' money on where we believe the priority is.

**Q246 Chairman:** There is a big difference, Secretary of State, between that, Pilates, all those things you have just mentioned and the ones that we have been particularly worried about, the kind of community education which gives that first step on the ladder.

**Alan Johnson:** I agree and you raised this point very rightly at Questions and I agree that is why the new foundation tier is very important. There was always a presumption that they would charge 25% of the fee and that was very rarely used. The presumption is that it is going to go up to 50% and it is a very important way of ensuring that FE is really brought out of the Cinderella stage and—

**Q247 Chairman:** You really are hooked on the Dearing principles?

**Alan Johnson:** I am, I am indeed.

**Q248 Mr Chaytor:** On the 14–19 diplomas, do we have a date for their publication yet?

**Alan Johnson:** I am not sure, but I will let you know.<sup>13</sup>

**Q249 Mr Chaytor:** Last year we had the Higher Education Bill and this year we have had the Education and Inspections Bill. Do you envisage another education bill next year?

**Alan Johnson:** Yes.

**Q250 Mr Chaytor:** What will be the main thrust of it?

**Alan Johnson:** We would be very keen, if we could, to get an FE bill.

**Q251 Chairman:** Would we be able to do a pre-legislative inquiry into it?

**Alan Johnson:** I am going for a stage to see whether we can get one and I think once I get to that stage, it is a good idea.

**Q252 Mr Marsden:** Transience in schools, pupil mobility, Secretary of State, is a big issue in some of the inner-city areas, as Fiona was talking about, and a big issue in seaside coastal towns, Blackpool included, with a 50% turnover. We have had two big reports by Sally Dobson in the Department in the last five years emphasising it. When are we going to see some financial support to address the issue?

**Alan Johnson:** I saw your questions on that to my colleagues and the very interesting answer that they gave, which I forget, but I will stick by that. It is an important issue, particularly looked-after children where the Education and Inspections Bill had an element that said even if schools were full, they had to take in looked-after children to stop them being dumped in the worst-performing schools, so it is an issue with us. I cannot give you an immediate answer, but perhaps I will write to you.<sup>14</sup>

**Q253 Chairman:** We are going to pull stumps except for one thing from me. Is the Academies programme on course?

**Alan Johnson:** Yes, absolutely on course and yesterday in Nottingham I sat in a room with head teachers, the local authority, a major employer/entrepreneur, the University of Nottingham, a Royal Society and a charity, all of them keen to put money into the three new academies that are going to come in to Nottingham and also very keen to get involved in trust schools.

**Q254 Chairman:** So there is no shortage of sponsors?

**Alan Johnson:** No. If anything, it has increased.

**Q255 Chairman:** How does that fit with what seems to be coming out from Sir Cyril Taylor, this early identification of bright pupils and following them right through? What is that all about? Is that you or is that Sir Cyril or who is it? Where is that coming from?

<sup>13</sup> Ev 59

<sup>14</sup> Ev 59

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**Alan Johnson:** Is that in relation to academies?

**Q256 Chairman:** I am asking you, how does this all fit together? What is this programme to identify the brightest children from whatever background and then follow them through? Where is that coming from?

**Alan Johnson:** The gifted and talented?

**Q257 Chairman:** Well, I do not know. Is it?

**Alan Johnson:** I do not know which. Sir Cyril is a marvellous man and I—

**Q258 Chairman:** And you pay his salary and he keeps on about tracking every gifted child in this country through to see what happens to them and to give them special educational help. Is that something that you are fully involved in?

**Alan Johnson:** I think we ought to recognise that there is a problem with gifted and talented children who are not being stretched enough and we need to ensure that we recognise their needs. Just in this personalised learning issue, they have got different needs from the disadvantaged child's needs, but the disadvantaged child could be a gifted and talented child. I think Sir Cyril is on to something, but how we actually map it through, I am not sure.<sup>15</sup>

**Q259 Chairman:** Secretary of State, it has been a good session. Welcome back to the Department and welcome back to the Committee and we hope to see you for quite a long time.

**Alan Johnson:** Thank you, Chairman.

<sup>15</sup> Ev 60–61

### Replies to questions sent by the Committee to the Department for Education and Skills on 5 June

#### 1. NEW SCHOOL FUNDING ARRANGEMENTS FROM 2006–07

*Question 1—In last year's (and earlier years') Departmental Report, there was a table entitled "Table 12.3 Education Expenditure by Central and Local Government by Sector in Real Terms in England 1999–00 to 2004–05 (£ million)". Without explanation, this table has been dropped from the 2006 Report. It would assist the Committee enormously if the Department could resurrect this table, and run data for the full period from 1997–98 to 2007–08. The transfer of schools' funding from local to central government control means the Department's previously-deployed argument for not including spending plans for future years is no longer valid. This table should be presented (in line with 2005 Table 12.3) as £ million numbers. But we would also like to be provided (as a separate table) with the same information expressed as indexed changes, ie, "1997–98 = 100" for each sub-head.*

Table A below shows Education Expenditure by Central and Local Government by Sector in Real Terms in England in £ millions. Table B shows the same information expressed as indexed changes with 1997–08 = 100 for each subhead. The figures are based on historical Local Authority Capital Outturn Returns and Section 52 returns on current expenditure. Figures for 2005–06 are estimated using historical data. Despite the creation of the dedicated schools grant, we do not think it is possible to include figures for future years with any accuracy for two reasons. First, the precise split of school funding between age phases will depend on the application of local authority funding formulae. Second, a significant amount of funding (over £3 billion in 2005–06) has remained with Local Authority FSS to support LA delivered services to schools such as transport. Actual amounts spent in the two years concerned will depend on decisions by individual Authorities.

**Table A—Education Expenditure (1) (2) by Central and Local Government (3) by Sector in Real Terms (4) in England 1997–98 to 2005–06, excluding Ofsted expenditure**

	<i>£ million</i>								
	<i>1997–98 outturn</i>	<i>1998–99 outturn</i>	<i>1999–00 outturn</i>	<i>2000–01 outturn</i>	<i>2001–02 outturn</i>	<i>2002–03 outturn</i>	<i>2003–04 outturn</i>	<i>2004–05 Provisional outturn</i>	<i>2005–06 estimated outturn</i>
<b>Schools</b>									
<b>Capital (5)</b>	1,260	1,378	1,494	1,821	2,075	2,260	2,590	2,815	3,017
<b>Current (6)</b>	<b>21,430</b>	<b>21,868</b>	<b>23,476</b>	<b>25,521</b>	<b>27,961</b>	<b>28,915</b>	<b>31,926</b>	<b>33,224</b>	<b>34,355</b>
<i>of which</i>									
Under fives (7)	2,057	2,098	2,336	2,614	3,147	3,201	3,570	3,847	3,928
Primary	7,687	7,794	8,102	8,789	9,483	9,901	10,516	10,698	10,980
Secondary	9,581	9,761	10,291	11,058	12,142	12,648	14,075	14,806	15,327
Other (8)	2,105	2,215	2,748	3,060	3,189	3,165	3,766	3,873	4,120
<b>Further education and Adult and Community Learning (9)</b>	3,924	3,943	4,015	4,277	5,088	5,469	6,011	6,143	6,540

	<i>£ million</i>								
	1997–98 <i>outturn</i>	1998–99 <i>outturn</i>	1999–00 <i>outturn</i>	2000–01 <i>outturn</i>	2001–02 <i>outturn</i>	2002–03 <i>outturn</i>	2003–04 <i>outturn</i>	2004–05 <i>Provis- ional outturn</i>	2005–06 <i>estimated outturn</i>
<b>Higher education (10)</b>	5,283	5,236	5,573	5,172	5,423	5,579	5,852	6,064	6,509
<b>Higher education Student Support (11) (12)</b>	1,507	1,519	1,300	1,235	1,026	963	940	977	899
<b>Administration, inspection costs and miscellaneous services (13)</b>	1,503	1,591	1,055	1,110	1,255	1,522	1,578	1,690	1,764
<b>Total</b>									
<b>Real terms</b>	34,907	35,536	36,912	39,136	42,828	44,707	48,897	50,912	53,083
<b>Cash</b>	29,704	31,023	32,860	35,295	39,579	42,628	47,847	50,912	54,193

**Table B—Education Expenditure (1) (2) by Central and Local Government (3) by Sector in Real Terms in England 1997–98 to 2005–06, excluding Ofsted expenditure**

	<i>Setting 1997–98 as 100</i>								
	1997–98 <i>outturn</i>	1998–99 <i>outturn</i>	1999–00 <i>outturn</i>	2000–01 <i>outturn</i>	2001–02 <i>outturn</i>	2002–03 <i>outturn</i>	2003–04 <i>outturn</i>	2004–05 <i>Provis- ional outturn</i>	2005–06 <i>estimated outturn</i>
<b>Schools</b>									
<b>Capital (5)</b>	100.0	109.4	118.5	144.5	164.7	179.3	205.6	223.4	239.4
<b>Current (6)</b>	<b>100.0</b>	<b>102.0</b>	<b>109.5</b>	<b>119.1</b>	<b>130.5</b>	<b>134.9</b>	<b>149.0</b>	<b>155.0</b>	<b>160.3</b>
<i>of which</i>									
Under fives (7)	100.0	102.0	113.5	127.1	152.9	155.6	173.5	187.0	190.9
Primary	100.0	101.4	105.4	114.3	123.4	128.8	136.8	139.2	142.8
Secondary	100.0	101.9	107.4	115.4	126.7	132.0	146.9	154.5	160.0
Other (8)	100.0	105.2	130.5	145.4	151.5	150.4	178.9	184.0	195.7
<b>Further education and Adult and Community Learning (9)</b>	100.0	100.5	102.3	109.0	129.7	139.4	153.2	156.6	166.7
<b>Higher education (10)</b>	100.0	99.1	105.5	97.9	102.6	105.6	110.8	114.8	123.2
<b>Higher education Student Support (11) (12)</b>	100.0	100.8	86.2	81.9	68.1	63.9	62.4	64.8	59.7
<b>Administration, inspection costs and miscellaneous services (13)</b>	100.0	105.9	70.2	73.9	83.5	101.3	105.0	112.4	117.4
<b>Total</b>									
<b>Real terms(4)</b>	100.0	101.8	105.7	112.1	122.7	128.1	140.1	145.9	152.1
<b>Cash</b>	100.0	104.4	110.6	118.8	133.2	143.5	161.1	171.4	182.4

## NOTES

- (1) Figures within Departmental Expenditure Limits (DEL). Excludes DfES administration costs and expenditure on other areas than education, for instance on children and families and on skills. Figures for 1998–99 onwards are resource-based. Central government figures for 1997–98 are cash-based.
- (2) Differences between the totals above and the figures for education spending published in Table 8.1 of the Departmental Annual Report are the result of (a) data coverage: the exclusion of AME items in the above table, (b) definitional differences: Departmental administration costs and Ofsted spending on education are both classified as education spending under UN Classification of Functions of Government (COFOG) international definitions—the above table excludes these, (c) reclassifications made since Budget 2006 of Connexions spending to social protection and Adult Education spend to training in line with UN COFOG definitions. The next scheduled HMT National Statistics release in July will update education spending to take account of these reclassifications, (d) further minor data coverage and timing differences.
- (3) The recurrent local authority figures in this table are drawn from Table 8.3 of the DAR; the footnotes to that table set out the underlying data sources. The dotted lines denote the changes from the Department of Environment, Transport and the Regions education Revenue Outturn return (the “ROI”) to Section 52 Outturn Statements in 1999–2000 and arising from the review of the Section 52 categories in 2002–03 following the introduction of Consistent Financial Reporting to schools.
- (4) All figures have been converted to 2004–05 price levels using the 29 March 2006 Gross Domestic Product (GDP) deflators.

- (5) Excludes Private Finance Initiative (PFI) credits (£35 million in 1997–98, £130 million in 1998–99, £350 million in each of 1999–2000 and 2000–01, £450 million in 2001–02, £850 million in 2002–03 and 2003–04, £1,050 million in 2004–05 and £1,200 million in 2005–06).
- (6) Figures from 2003–04 onwards reflect the transfer of responsibility from the Department to LAs of costs relating to teachers' pensions.
- (7) Under five figures include education expenditure on Sure Start (Sure Start figures exclude current grant).
- (8) Includes local authority services to schools, expenditure on City Academies, small remodelling programmes and on teacher training.
- (9) This line now includes FE Student Support (previously a separate line). Includes expenditure on adult and community learning by LAs, and, up to 2000–01, by the Further Education Funding Council (FEFC) and, from 2001–02, the estimated element of funding on education by the Learning and Skills Council excluding school sixth forms. The figures include Education Maintenance Allowances (EMAs) between 1999–2000 and 2002–03 and other support for students in further education and school sixth forms. The figures exclude EMAs from 2003–04 following their reclassification from DEL to AME. Adult and Community Learning has been removed from the FE line.
- (10) The expenditure data in this table and those used in the calculation of funding per student in FE in table 8.7 and HE in table 8.8 are not directly comparable.
- (11) HE Support includes Student Loans RAB charge; Access Funds; Postgraduate Awards; EUI Bursaries; Discretionary Awards; Mandatory and Student Support Awards and all SLC-paid student support grants. Tuition Fee Grants are included in the HE total. From 2004–05 this line also includes HE Grant and Part Time Grant Support Package.
- (12) The Student Loans RAB Charge estimates the future cost to government of subsidising and writing off the student loans issued in that year. From 2005–06 the Student Loans RAB Charge outturn is predicted to fall as a result of the change in the discount rate from 3.5% to 2.2%. It does not represent the amount of cash lent to students, which has risen each year since the introduction of student loans.
- (13) From 1999–2000, a portion of local authority administration and inspection costs is delegated to schools and is included within the school current expenditure lines. These figures in part reflect the transfer of responsibilities for early years inspection from local authorities to Ofsted.

*Question 2—In Departmental Report 2006, Annex A provides a table of “Public Spending” showing a transfer of £34 billion from “Local Authority Current” to “Schools, including Sixth Forms”—a move from local to central government. No effort is made to provide a stepped, overlapping, series of numbers that would make it possible to read across the change in control. We therefore ask you to provide a new version of the table with at least one stepped, overlapping, year of data. We note that HM Treasury, can, in Table 1.15 of their publication Public Expenditure Statistical Analyses 2006 (Cm 6811), attribute central and local education expenditure for 2006–07 and 2007–08 on a consistent basis with the figures for earlier years.*

The increase in the schools including sixth forms line between 2005–06 and 2006–07 reflects the transfer of £26.5 billion of money into the Departments DEL originally distributed by the Department of Communities and Local Government (DCLG) to local authorities as part of the local government settlement. This money will be distributed through the Dedicated Schools Grant. The change was made so that funding previously provided to local authorities and intended for schools is now certain to be spent on schools.

The Local Authority Spending on England lines in Annex A of the Departmental Report reflect what local authorities spend in a given year on education and youth related services rather than the funding they will receive. Spending in a particular year on current and capital projects will depend on both the level of direct grants that local authorities choose to make and the amount of money they choose to allocate education from the local government finance settlement. The latter is a local decision and we have no means of knowing what that decision is until outturn data are collected at the end of the year. Whilst Table 1.15 of the *Public Expenditure Statistical Analyses 2006* (Cm 6811) estimates central and local expenditure for 2006–07 and 2007–08 it does not provide any breakdowns for education spending.

*Question 3—In Departmental Report 2006, the possibility of comparing real expenditure per student from sector to sector has been made significantly more difficult because of presentational changes and inconsistencies. Table 8.4 (funding per school pupil) covers the period 1999–00 to 2007–08, while Tables 8.7 and 8.8 only run from 2001–02. We would like an explanation of why this has been changed. We would also like all three tables to be re-presented to run from 1997–98. Furthermore, Table 8.4 shows a money total for year-on-year change, whereas Tables 8.7 and 8.8 show a real terms index. We would like to see all three tables with a real terms index starting with 1997–98 = 100.*

The three tables requested are attached below. As requested they are all presented over the period 1997–98 to 2007–08 with real time indices.

As indicated in the Committee's hearing with officials on 14 June, the different presentation of tables was not intended to mislead. The intention was to produce a helpful summary of the Department's work over the last year, with tables and graphs added to illustrate the point over an appropriate length of time. The longer the time series shown will make the tables more complicated and lead to more footnotes being required over time.

Extended Table 8.4

<b>Revenue Funding (1), (2), (4), (6) per School Pupil (3) 1997–98 to 2007–08 (excluding Teachers Pension transfers (5))</b>											
	<i>£ million</i>										
	97–98	98–99	99–2000	2000–01	01–02	02–03	03–04	04–05	05–06	06–07	07–08
<b>Funding per pupil (7)</b>											
Real terms (£)	2,970	3,040	3,120	3,390	3,550	3,680	3,870	4,020	4,250	4,390	4,590
Real terms index	100	102	105	114	120	124	130	135	143	148	155

## NOTES

- (1) Figures are rounded to nearest £10.
- (2) Funding consistent with Education Standard Spending/ Education Formula Spending and Dedicated Schools Grant from 2006–07 plus all schools-related revenue grants in DFES's Departmental Expenditure Limit which are relevant to pupils aged 3–19. Funding excludes Childcare and Sure Start.
- (3) Calculations are based on full-time equivalent pupils aged 3–19 in maintained schools in England taken from the PLASC dataset as at Jan 2006, Form 8B and Early Years census. This includes estimated numbers of 3-year-olds funded through state support in maintained and other educational establishments.
- (4) Includes funding for Academies and Specialist schools but excludes City Technology Colleges.
- (5) Pensions transfers to Education Formula Spending and the Learning and Skills Council have been deducted from 2003–04 onwards, with notional transfers for the final two years.
- (6) The funding series above excludes capital funding and is therefore different from the per pupil funding series announced in the March 2006 Budget. The March 2006 Budget funding series was calculated on a total of revenue and capital funding and using full-time equivalent pupils aged 3–19 from the PLASC dataset only.
- (7) Real terms figures have been calculated using the March 2006 gross domestic product deflators with 04–05 as the base year.

Extended Table 8.7

<b>Funding per Full Time Equivalent Student in Further Education, 1997–98 to 2007–08</b>											
	<i>£ million</i>										
	97–98	98–99	99–2000	2000–01	01–02	02–03	03–04	04–05(8)	05–06(9)	06–07(9)	07–08(9)
<b>Funding per full-time equivalent student (1)</b>											
Funding for participation (£)	3,070	3,090	3,290	3,470	3,810	3,940	4,360				
(2),(7), (10)	(3)		(4)		(3)						
Real terms index (6)	100	98	102	107	114	115	124				
<b>Total funding per full-time equivalent student rebased in 2003–04 (5), (6)</b>											
Funding for participation (£)							4,310	4,320	4,890	4,970	5,160
Real terms index							100	98	109	108	109

## NOTES

- (1) Full time equivalent (FTE) students funded by the LSC in further education sector colleges, external institutions, specialist designated institutions, dance and drama institutions or higher education institutions.
- (2) Rounded to the nearest £10.
- (3) 1997–98 only, includes assumed additional employer contributions.
- (4) From 1999–2000 onwards, excludes 18,500 FTE Higher National Certificate/Diploma students and associated funding which was transferred to HEFCE.
- (5) A break in the series shown in 2003–04. This follows a change in the method of measurement, meaning that learners leaving between October and November are now captured by the data source, resulting in a larger estimate of full-time equivalents.
- (6) The real terms funding index has been based with 2000–01 as 100, and rebased in 2003–04 as 100 due to the break in the series, and has been calculated using March 2006 GDP deflators.
- (7) Unit funding figures for 2001–02 and 2003–04 are based on the actual expenditure by the LSC and actual full-time equivalent volumes.

- (8) The provisional unit funding figures in 2004–05 are based on outturn expenditure in 2004–05. This is divided by the estimates of full-time equivalent students for the 2004–05 financial year using actual full-time equivalents in 2003–04 academic year and planned full-time equivalents in the 2004–05 academic year.
- (9) The planned participation funding figures are consistent with the 2005–06 Grant Letter and Priorities for Success
- (10) From 2001–02 onwards, Total participation funding includes: Teachers’ Pension Scheme (TPS), Teacher Pay Initiative (TPI) and some Standards Fund resources, which were consolidated in 2003–04; and UfI/learnirect or Personal Community Development learning/ Adult Community Learning.

**Extended Table 8.8**

<b>Funding per Full Time Equivalent Student in Further Education, 1997–98 to 2007–08 (1), (2)</b>										<i>£ million</i>		
	97–98	98–99	99–2000	2000–01	01–02	02–03	03–04	04–05	05–06(10)	06–07	07–08	
<b>Total funding per planned student (3), (4)</b>												
Real terms (£)	5,380	5,380	5,400	5,390	5,400	5,400	5,500	5,530	5,670			
Real terms index (6)	100	100	100	100	101	101	102	103	105			
<b>Total funding per planned student (6), (7)</b>												
Real terms (£) (8)										4,820	4,880	4,910
Real terms index										100	101	102

## NOTES

- (1) There are two series of unit funding to reflect the changes in HE funding that will occur after 2005–06 when tuition fees for full-time undergraduates will no longer be regulated as now and to demonstrate that, in addition to fee income, DFES grant per student for institutions will be maintained in real terms.
- (2) All figures are at 2004–05 prices, rounded to the nearest £10, and consistent with the plans set out in the annual grant letter to the Higher Education Funding Council for England (HEFCE).
- (3) “Total funding” means all DFES revenue grants to support Higher Education in Higher Education Institutions (HEIs), Further Education Colleges (FECs) and The Training and Development Agency for Schools, and public and private contributions towards the cost of regulated tuition fees for full-time undergraduates.
- (4) The planned student numbers used in the “total funding” series are taken from a snapshot count and cover students of Home and EU domiciles studying at HEIs and FECs in England.
- (5) The Real-Terms index for this series has been based with 1997–98 set as 100 and using the March 2006 GDP deflators. Real terms indices calculated from unrounded units of funding.
- (6) “Funding” covers the same grants as “total funding” but excludes income from tuition fees. From 2006–07 institutions will have discretion to set fees ranging from £0 to £3,000 depending on student demand.
- (7) The planned student numbers used in the “funding” series are taken from a whole-year count which replaces the previous snapshot count method because it is more accurate.
- (8) Figures are higher than those published in last year’s report as they take into account revised planned student numbers as published in the January 2006 grant letter to HEFCE.
- (9) Real-Terms index has been based with 2005–06 set as 100 and using the March 2006 GDP deflators. Real terms indices calculated from unrounded units of funding.
- (10) In 2005–06 the difference between the two series is due to two factors:
- excluding tuition fee income which accounts for about £700 (the difference is less than the standard fee as figures are on an FTE basis) and
  - the move to the whole year count method which accounts for the residual.

*Question 4—Moreover, changes in the presentation of data occur in Tables 8.7 and 8.8, creating the need for “steps”. In each case, the footnotes explaining the table are longer than the table itself. What the Committee needs in each case is a table showing government expenditure (resources deriving from the Consolidated Fund) per student and we ask you provide this. In the text on page 87, it is stated that “publicly planned funding for higher education in 2005–06 was £7.7 billion, an increase of around £500 million above 2004–05 funding levels”. Yet Annex A of the same volume (page 100) shows “higher education” “consumption of resources” as £6.9 billion in 2005–06, an increase of £110 million above 2004–05 levels. The casual use of different terms and concepts makes it impossible to follow the Department’s use of data, which makes the Committee’s job very difficult. Just as an example, we would like a full explanation of how each line of data in Table 8.8 was calculated.*

The table requested for further education will be the same as Table 8.7 in Question 3 because all the resources for further education derive from the Consolidated Fund.

For higher education the table below shows total government expenditure per student in higher education. This builds on Table 8.8 of the Departmental Report where the unit of funding only incorporates government expenditure on teaching in the numerator.

In the time period covered by the table, changes were made to the treatment of student loans in resource accounts, and to the balance of support between grants and loans. Thus, from 1998–99, income contingent loans replaced the Mandatory Award Scheme grants and Mortgage Style loans. Although the new loans continued to provide significant cash support to students, only the resource cost of the loans is shown in the table and hence the real terms index falls in 2000–01. Similarly, between 2004–05 and 2005–06, the amount of cash lent to students increased slightly, yet a technical accounting change (reducing the discount rate from 3.5% to 2.2%) reduced the resource cost of the loans to government even though the cash cost increased.

Of course, the table does not reflect the additional income to institutions from private contributions to tuition fees either since 1998 (the introduction of the fixed rate tuition fee) or from 2006 (the introduction of variable fees).

### Government Higher Education (HE) Expenditure per Student

£ million

	97–98	98–99	99–2000	2000–01	01–02	02–03	03–04	04–05	05–06	06–07	07–08	
Government HE Expenditure (£m) (1) — as per DAR table 8.2	5,934	5,956	6,250	5,898	6,049	6,368	6,809	7,191	7,690	8,499	9,060	
Number of students (thousands) (2) consistent with DAR table 8.8	989	1,007	1,019	1,064	1,087	1,101	1,115	1,137	1,165	1,178	1,203	1,223
Real terms expenditure per student (to nearest £10, 2004–05 prices)	7,050	6,770	6,890	6,140	6,020	6,060	6,240	6,330	6,470	6,390	6,760	6,900
Real terms index (1997–98 = 100) (3)	100	96	98	87	85	86	89	90	92			
Real terms index (2005–06 = 100) (4)										100	106	108

#### NOTES

- (1) Government expenditure includes the cost of student loans on a resource basis.
- (2) The first series of student numbers are taken from a snapshot count and cover students of Home and EU domiciles studying at Higher Education institutions and FE colleges in England. The student numbers used in the second series are taken from a whole-year count which replaces the previous snapshot count method as it is more accurate.
- (3) The Real-terms index for this series has been based with 1997–98 set as 100 and using the March 2006 GDP deflators.
- (4) The Real-terms index for this series has been based with 2005–06 set as 100 and using the March 2006 GDP deflators.

Concerning the complexity of tables generally, while it may be desirable to show information in a simple table without the need for extensive footnotes it is not always possible to do this. In addition to improvements in the collection of data, there are changes in definitions and Machinery of Government changes which need to be explained. The longer the period covered by the table the greater will be the likely footnotes needed to fully explain what the data represents. If changes are so fundamental the only way to show the data in a fair way may be to produce a “stepped” table.

The £7.7 billion in the text on page 87 of the Departmental report includes both recurrent and capital funding (see Table 8.2) whereas the £6.9 billion in Annex A (page 100) covers recurrent funding only.

Concerning Table 8.8, the unit of funding used has been changed in two ways:

- Firstly, the numerator for the new unit excludes tuition fee income. This is because the income from the fixed tuition fee (eg the £1,175 fee in 2005–06) could be forecast reliably, whereas income from the new, variable tuition fees (ie up to £3,000 in 2006–07) is, by its very nature, uncertain and thus cannot be included in “planned” funding.
- Secondly, the planned student numbers used as the denominator have been redefined. The old unit uses a snapshot count whereas the new unit uses a whole-year count that is more accurate.

By presenting both the old and the new units for 2005–06, the table shows that Departmental funding per student for institutions will be maintained in real terms and thus the variable fee income will be genuinely additional.

*Question 5—In the Department’s Response to the Committee’s Second Report of Session 2005–06, it is stated that the Department would “welcome the Committee’s views” on the Government’s plans for the new schools funding system. Perhaps you could now send the Committee a full set of all papers issued to “national partners” on the proposed new system. Because your reply will be received after the end of the comment period (ie after 31 May), the Committee would welcome a clear written analysis of the views offered by the national partners. In particular, we would like to see a list of all the national partners included in the consultation and also an analysis of which ones actually responded formally to the consultation process. We would also welcome a detailed timetable for the Department’s programme of consultation and planning of the schools funding system during the period after 1 June 2006, including a clear indication of when a final scheme will be published.*

As the Permanent Secretary and Director General, Finance explained at the hearing on 14 June the Department apologises for not consulting the Committee appropriately. The Department wrote to local authorities, Schools Forums and a range of organisations on 6 April 2006, setting out how we intend to take forward the review of the school funding arrangements. The letter, organisations consulted and terms of reference were published on the TeacherNet website and are at the end of this note.

The responses are currently being analysed and it is our intention to publish a summary report on the TeacherNet Website in the summer.

The timetable for the review has been published on TeacherNet and is:

- Phase 1—Spring/summer 2006— collection and analysis of evidence about how the new arrangements are working.
- Phase 2—Autumn 2006— analysis of options in consultation with national education partners.
- Phase 3—Spring 2007— wide consultation with local authorities, schools and other education partners.
- Phase 4—Summer/autumn 2007—Ministers take decisions in the light of the consultation, and also the outcome of the Comprehensive Spending Review, and announce allocations for 2008–09, 2009–10 and 2010–11 in late autumn.

*Question 6—The lay-out and contents of the Departmental Report 2006 is different from that in 2005. We would like an explanation of what changes have been made and also why the Department believes they were necessary. Were any outside institutions consulted on the changes?*

HM Treasury provide guidance for Departmental Reports in November/December prior to publication in the following April/May. This guidance includes the minimum core contents that should be included in all Departmental Reports. Following publication of the 2005 Departmental Reports, Treasury carried out a review of Departmental Report common core tables. A questionnaire was published on the Treasury public website. Treasury also directly consulted the House of Commons’ Scrutiny Unit and through the Scrutiny Unit, Committee Clerks. The Department will be taking forward the majority of the conclusions from the review through to the 2007 Departmental Report and will keep the Committee informed of the changes.

In addition to minimum core contents as set out in HM Treasury guidance, Departments have flexibility to organise their reports in the way that makes most sense in terms of their objectives, organisation and business processes. This ensures effective reporting and full accountability. Following publication of the Departmental Report each year, DfES carries out an internal evaluation and benchmarks against the Reports of other Departments. This has enabled the Department to build on best practice in performance reporting. The recommendations from a PriceWaterhouseCoopers report *Public Sector—Building Public Trust* which looked at the Departmental Report 2004, 5 Year Strategy for Children and Learners and the Resource Accounts 2002–03, with the objective of improving openness and transparency in the Department’s reporting, also led to changes in the 2005 and 2006 Departmental Reports. The Department also ensures that any comments by the Education and Skills Select Committee on the format and content are taken fully into account. A number of tables/annexes in the DfES Departmental Report have been included as a result of requests by the Committee, most notably Annex K (List of Select Committee Reports).

As a result of these exercises, changes were made to the 2006 Departmental Report to more accurately reflect the Department's current organisation and objectives, with a particular focus reflecting the connections between objectives, PSA targets and aspects of the Department's work. The Department believes the changes, whilst not fundamental, have improved the clarity of the Departmental Report. They reflect the Department's strong engagement with, and understanding of, its stakeholders. No outside institutions were formally consulted on the changes, beyond the consultation undertaken as part of the HM Treasury review. As in previous years, the Department welcomes feedback from contributors and recipients, including the Education and Skills Committee, in order to continue to make further improvements to the Departmental Report.

In future we will keep the Committee informed of changes that we are proposing to make to the Departmental Report.

July 2006

### Replies to question sent by the Committee to the Department for Education and Skills on 20 June

Tables 8.1 and 8.2 of the Departmental Report give aggregate figures for Further Education, Adult Learning, Skills and Lifelong Learning. This is broken down into different components in 8.2. Is it possible to break it down to show how much of this funding is for 16–19 education and how much is for post-19 education?

The attached table provides a breakdown of FE budgets between 16–19 education and post-19 education. Some budgets are allocated to both 16–19 and post-19 learners and it is not possible to break them down further. These are shown separately.

Figures are not available for 2000–01 because FEFC budget figures for that year did not make an equivalent differentiation between expenditure on young people and expenditure on adults as has been made available through the LSC from 2001–02 onwards.

Small differences between the bottom line totals shown in this table and the Further Education, Adult Learning, Skills and Lifelong Learning line in Table 8.2 are due to small transfers to and from sub-budgets which could not be reflected at the time of the Departmental Report, and the exclusion of LSC receipts from figures set out in the FE White Paper from which some of these figures are drawn.

Analysis of DAR 2006 Table 8.2—Youth/Adult breakdown							£ million
	01–02	02–03	03–04	04–05	05–06	06–07	07–08
	Spend	Spend	Spend	Spend	Estimated Outturn	Plans	Plans
<b>Expenditure supporting young people</b>							
LSC 16–18 FE	1,764.6	1,854.8	2,210.7	2,296.6	2,666.7	2,863.2	3,026.8
14–19 Development	0.0	0.0	11.0	13.0	20.0	133.0	238.0
LSC Work Based Learning	684.6	816.8	984.4	1,104.7	1,094.8	1,080.3	1,108.2
<b>Sub Total</b>	<b>2,449.2</b>	<b>2,671.6</b>	<b>3,206.1</b>	<b>3,414.3</b>	<b>3,781.5</b>	<b>4,076.5</b>	<b>4,373.0</b>
<b>Expenditure supporting adults</b>							
LSC 19+ FE	1,692.3	1,694.8	1,882.2	1,902.2	2,009.8	1,928.4	1,893.8
LSC ETP/Train to Gain	0.0	7.1	32.7	89.0	161.0	260.0	429.0
LSC PCDL	153.5	193.5	227.5	236.8	210.0	214.5	214.5
LSC UfI/learn direct	97.0	114.7	194.2	169.4	201.2	176.3	175.3
Adult Education and Skills Strategy	241.0	245.0	169.0	177.0	186.0	197.0	207.0
Adult Learning Inspectorate	19.0	25.0	28.0	27.0	22.0	18.0	18.0
Career Development Loans	14.0	14.0	14.0	16.0	2.0	2.0	2.0
Union Learning Fund	6.0	7.0	2.0	2.0	2.0	3.0	14.0
Non LSC ETP/Train to Gain	0.0	3.0	1.0	0.0	0.0	30.0	45.0
Non LSC UfI/learn direct	57.0	50.0	45.0	13.0	0.0	0.0	0.0
Offenders Education	57.0	70.0	114.0	119.0	111.0	57.0	32.0
<b>Sub-Total</b>	<b>2,336.8</b>	<b>2,424.1</b>	<b>2,709.6</b>	<b>2,751.4</b>	<b>2,905.0</b>	<b>2,886.2</b>	<b>3,030.6</b>

	<i>01–02 Spend</i>	<i>02–03 Spend</i>	<i>03–04 Spend</i>	<i>04–05 Spend</i>	<i>05–06 Estimated Outturn</i>	<i>06–07 Plans</i>	<i>07–08 Plans</i>
<b>Expenditure supporting both young people and adults</b>							
LSC Learners with Learning Difficulties	67.1	78.9	105.1	125.0	138.3	157.7	181.3
LSC Learner Support and Development	512.7	829.4	861.0	751.2	817.5	684.8	715.8
LSC Administration	249.1	236.7	238.1	232.9	254.8	252.2	239.5
LSC Capital Grants	146.8	233.0	299.5	372.3	393.8	468.8	595.8
Educational Qualifications	101.0	94.0	100.0	135.0	154.0	116.0	107.0
Post-16 Standards	13.0	13.0	21.0	55.0	72.0	95.0	162.0
Other Miscellaneous Programmes	189.0	178.0	42.0	70.0	56.0	96.0	147.0
<b>Sub-Total</b>	<b>1,278.7</b>	<b>1,663.0</b>	<b>1,666.7</b>	<b>1,741.4</b>	<b>1,886.4</b>	<b>1,870.5</b>	<b>2,148.4</b>
<b>Grand Total</b>	<b>6,064.7</b>	<b>6,758.7</b>	<b>7,582.4</b>	<b>7,907.1</b>	<b>8,572.9</b>	<b>8,833.2</b>	<b>9,552.0</b>

NB Figures exclude expenditure on school sixth forms

July 2006

#### Further memorandum submitted by the Department for Education and Skills

*Question 135–141 (Mr Chaytor): In the context of efficiency savings, the meaning of the terms cashable, non-cashable, recyclable and non-recyclable.*

The Department has drawn an important distinction between cashable, where the resource freed up is money, and recyclable, where the resource freed up is productive time, to exemplify how the programme is making a difference to the frontline.

The definitions of the terms as they are used in the Department are as follows:

- **Cashable** efficiencies release financial resources whilst maintaining outputs and output quality, thereby enabling the resources that are released to be diverted to other services;
- **Non-cashable** efficiency gains occur when productivity or output quality increases, either for the same resource inputs or a proportionately smaller increase in resource inputs in a way that does not release financial resources that can be deployed elsewhere;
- **Recyclable** efficiencies release resource (although not necessarily financial) whilst maintaining output quality, thereby enabling the resources that are released to be diverted to other services. Clearly if the resource released is not financial it can only be diverted within the system it has been released e.g. teachers time freed up within a school; and
- **Non-recyclable** efficiency gains occur when output quality or quantity increases either without reductions in resources or with a proportionately smaller increase in resource inputs in a way that does not release resources that can be deployed elsewhere.

This means, for instance, that better procurement practices represent a cashable gain as the same products are being bought at reduced costs thereby liberating cash that can be redeployed elsewhere. However, teacher time saved in schools through workforce reform represents a non-cashable efficiency gain as teacher time rather than actual money is freed up and thereby available to be redeployed. This therefore represents a recyclable gain. Reducing drop-out rates in higher education represents a non-cashable and non-recyclable gain as successfully reducing drop out rates increases course completion rates for no extra cost but clearly will not free up any money or time resources for redistribution elsewhere.

*Question 142–143 (Mr Chaytor): How the Office of Government Commerce (OGC) and the National Audit Office (NAO) monitor the efficiency savings*

*The OGC's stated objectives for the Efficiency Programme are:*

- to ensure that annual efficiency gains of £21.5 billion and net civil service headcount reductions of 70,000 are achieved by March 2008, and that there are relocations of public sector posts from London and the South East of at least 20,000 by 2010; and
- to ensure that the annual efficiency gains of £21.5 billion are sustainable, as part of improving the public sector's capability to be efficient.

The OGC does not deliver these targets directly but influences delivery by departments and others through:

- Reporting to Ministers and other stakeholders, notably through John Oughton’s six monthly reports to the Prime Minister and Chancellor; and
- Ensuring areas of concern are identified, challenged, prioritised and solved by working collaboratively with Departments.

The Department works collaboratively with the OGC on the components of the programme and reports to the OGC on a quarterly basis on progress against trajectory. There are public reports on progress in the Pre Budget Report and the Budget. The Department also reports progress on the efficiency programme in the Departmental Report and the Autumn Performance Report.

#### *The Role of the NAO*

The NAO is conducting a series of reports for Parliament on the progress of the Government’s efficiency programme. The first report was published in February 2006 (HC 802 Session 2005–06). It examined how departments were delivering and measuring efficiency savings, how the OGC are coordinating the overall programme and what could be learned from organisations outside the UK public sector which have undergone efficiency initiatives.

The second report, to be published in early 2007, will primarily focus on the robustness of reported efficiency savings and headcount reductions. As in the first report, the Department for Education and Skills is in the sample of departments being reviewed. We will work with the NAO to implement their recommendations.

#### *Question 147 (Chairman): Examples of efficiency savings*

In the Committee’s hearing on 12 October 2005, David Normington described the efficiency savings being made by bulk purchasing school insurance (Q81) and by reducing the use of supply teachers (Q83). In our May 2006 response to the Committee’s report we describe the possible efficiencies from improved school transport arrangements (Recommendation 9) and in our supplementary memorandum following the 14 June hearing with David Bell we provided some ICT examples of efficiencies (Q118).

We are now providing two further examples of how the efficiency programme is making a difference to the frontline in children’s services and the procurement efficiency gains made by local authorities. These have been reported in the Annual Efficiency Statements of the local authorities concerned and have been audited by the Audit Commission.

**The City of York Council** has undertaken a review of their Placement Strategy to try and identify patterns and trends in order to reduce the number of children placed in the independent fostering sector. The strategy has produced savings of £300,000 per annum by reducing the dependence on independent fostering placements by 50% and reducing the overall care population by over 10%. The unit cost for a placement in York is just over £200 compared with £1,200 for an independent agency carer.

**Essex County Council** is moving toward best practice in commissioning. The Council have particularly focussed on improving service quality while reducing costs.

By establishing an “Admissions Panel” with a specialist in procurement as a core member, Essex has been able to ensure, for example: that block purchasing represents value for money; that they know where the best contracts are and which placements they should not use; and have put in place individual contracts for specific children. The Council have achieved some £750,000 savings per annum due to engaging and negotiating with providers to bring down costs and a further £239,000 since April 2005 in cost avoidance in residential care provision.

#### *Question 184 (Mr Wilson): The introduction of synthetic phonics*

The final report of the Rose review of the Teaching of Early Reading, published in March 2006, stressed that greater attention to speaking and learning skills, “high quality phonic work” and “quality first teaching” which minimises the risk of children falling behind are all key to raising standards in early reading.

#### *Defining phonic work*

Jim Rose considered that, above all, phonics should be taught on a systematic basis: that is following a programme that teaches children letter-sound correspondences (the alphabetic code) in a clearly defined sequence which is taught discretely, regularly, and consistently. Jim’s report highlights that, based on research and other evidence, there is an overwhelming case for systematic phonics, and that this is greatly enhanced by the approach commonly understood to be synthetic phonics. (The main defining feature of this is to teach children to read by blending together the individual phonemes (sounds) in words in the order in which they occur).

When giving evidence to the Committee on 30 January, Jim noted that positive results will be achieved by using a systematic programme but that “I am suggesting that you will get even better results if you go for a synthetic one [programme] because it is more direct, it offers a better bite on writing as well as reading, and, quite honestly, it is a sharper tool for children to use [ . . .]”. Jim’s final report does, therefore, not rule out other forms of systematic phonics, such as analytic phonics, rather he concludes that based on evidence he considered, a synthetic approach offers the best route for beginner readers to learn to read.

Jim’s report describes the sum of a systematic approach to teaching phonics, enhanced by synthetic phonics, as “high quality phonic work” and it is this term he uses throughout his report. The term also embraces other features of best practice, such as using multi-sensory approaches which utilise to a full range of activities to reinforce the learning and engage children. In other words, the report confirms that a synthetic phonics approach, while key to an effective phonics programme, is not the only defining characteristic.

The Department’s response to the Committee’s recommendations, contained in the Government response published on 21 July 2005 explained that we believed that the most effective and timely way to clarify best practice was to draw on a comprehensive range of evidence gathered by Jim Rose’s review which included a bespoke HMI survey of what works in practice. We explained that we would combine this with further evidence from practice from the Primary National Strategy’s pilots in early years settings and schools which explored new approaches to securing effective phonics teaching.

In his own evidence to Committee, Jim did not agree that trials of the kind suggested by the Committee were necessary for identifying best practice in view of the fact that there is plenty of evidence to be gathered from what works in the classroom. The recommendations from the review, and the lessons from the pilot about how best to implement them, form the bedrock for the strengthened early reading support we are offering settings and schools from the autumn term.

#### *Good practice goes wider than Clackmannanshire*

The Committee’s Report *Teaching Children to Read*, published on 5 April 2005, gave prominence to evidence from Clackmannanshire so Jim also gave Clackmannanshire careful consideration in his review. However, while much of the commentary at the time centred on the merits of the research, Jim was keen that lessons from practice should form a significant part of the evidence for his review. He therefore visited Clackmannanshire to observe the teaching first hand. While Jim judged that the evidence seen there supported the case for synthetic phonics, this formed only part of the evidence on which he based his conclusions. For example, his report confirms that work of comparable quality was seen by HMI in English schools. In his evidence to the Committee, Jim said that the broad range of evidence he saw from practice was compelling. His report states that the principles of a systematic approach using synthetic phonics “featured consistently in the best work seen including the visits undertaken by HMI for the review”.

#### *The need to purchase commercial reading programmes*

In the hearing it was suggested that as a consequence of adopting a “synthetic phonics” approach, schools will be obliged to purchase commercial schemes which will entail significant costs.

We are committed to implementing all the recommendations from the Rose Review through a comprehensive and strengthened programme of support for early years settings and schools. We will achieve this through introducing a revised literacy framework, the new Early Years Foundation Stage, training and robust local support structures to build and spread early reading expertise through the system. As part of the support provided, the Primary National Strategy will be encouraging settings and schools to consider to what extent phonics programmes they use match the principles of high quality phonic work as defined by Jim Rose’s review.

While schools will be free to choose a commercial programme if they wish they equally can draw on the extensive materials and training that will be offered by the Strategy, or use their own programmes for phonic work. To help settings and schools further in choosing a phonics programme we will help schools identify programmes which meet criteria based on the principles of high quality phonic work. We will also make available in the spring term a new phonics programme available free to schools through the Primary National Strategy which will meet these criteria and replace the Primary National Strategy’s current materials, “Playing with Sounds”.

#### *Teacher training*

Also mentioned in the hearing was the Committee’s recommendation that initial teacher training should ensure that prospective teachers receive high quality training in early reading. The review’s recommendations support strongly your conclusion that this is fundamental to raising standards in early reading. Jim Rose noted that there are inconsistencies in present training standards and recommended a series of steps for the Training and Development Agency for Schools (TDA) to strengthen the quality of training for staff working at all levels. The Department and the TDA accepted this recommendation. The Primary National Strategy and the Department is currently working with the TDA on implementing the

steps through a new programme of work. A major part of this will be ensuring that training providers understand the principles of high quality phonic work as reflected in the revised literacy framework and the Early Years Foundation Stage, and ensure that these are reflected in initial training and professional development for practitioners and school support staff.

*Question 188 (Chairman): Ensuring teachers are up-to-date with modern innovations in ICT*

This Department is committed to transforming learning and teaching through the use of ICT in education. ICT is a key component among the tools available to teachers to deliver stimulating and enjoyable lessons and to process and share information about pupils, thereby improving outcomes for children and young people.

We fully recognise the need to support and equip teachers to exploit the potential that technologies offer for their practice. To sustain the momentum in integrating ICT into teaching across the curriculum, we provide a range of training and support packages for school leaders and both trainee and qualified teachers. These include—

- Strategic Leadership of ICT (SLICT)—A comprehensive training programme delivered by the National College for School Leadership (NCSL) for school leaders to build their knowledge and understanding of key issues in ICT and to use technology to enhance and extend learning in and out of schools. To date over 10,000 school leaders have received training from NCSL in the strategic use of ICT.
- Practical Support Pack (PSP)—A website containing over three hundred professional development modules for teachers linked to curriculum topics. In addition the Pack contains an extensive library of ICT skills guidance materials and a library of video case studies exemplifying effective ICT use in the classroom. The website attracts around 10,000 visitors per month.
- ICT Across the Curriculum (ICTAC)—A pack of guidance materials for teachers designed to promote the effective use of ICT across all secondary subjects at Key Stage 3. It builds on the work of the Secondary National Strategy's ICT strand, and the ICT skills that pupils bring to their subject lessons from their ICT lessons. To date over 9,000 packs have been requested and distributed to schools.

By delivering training in a variety of ways including online, face to face, through mentors and formal courses, this blended approach ensures that ICT remains a key part of teachers' professional development.

As a result of the continued investment in ICT infrastructure, practice and training, teachers are increasingly using ICT in new and exciting ways to improve lessons. Examples of these include:

- Schools are using their online networks to provide parents with more information and give them greater involvement in personalising education.
- Teachers are using video cameras to capture and review pupil performance in sport, guiding the pupils to improve techniques and skills.
- Computer aided design has become an integral part of design and technology lessons enabling 3-D modelling and the production of pupil generated concepts.
- Digital cameras and image manipulation software has added a new dimension to the teaching of art, motivating pupils to explore the properties of images and develop new forms of expression.
- Video-conferencing has enabled schools to form links with other schools throughout the world, enabling teachers to bring citizenship to life.
- Use of the Internet is now commonplace in schools, encouraging pupils to undertake independent learning and breaching the traditional boundaries between teaching and research.

*Questions 219–222 (Fiona Mactaggart) and Question 239 (Paul Holmes): Teaching to the test*

At the hearing it was mentioned that some schools coach pupils just below the exam pass mark level so that they pass exams with the main intention of improving the schools position in performance and attainment tables. This means that less effort is spent in teaching good and poor performers.

We make no apologies for emphasising the importance of pupils reaching key attainment thresholds. We have high expectations and aspirations for all children, and are therefore right in setting challenging targets that will get as many children as possible to the levels of attainment that enable them to progress further and faster in the curriculum.

There is a very clear correlation between achieving the target level at the end of Key Stage 2, for example, and further educational success—pupils who achieve Level 4 at age 11 are six times more likely to achieve five or more good GCSEs than those who do not achieve Level 4.

It is right that teachers should support pupils to achieve as well as they can in the tests. The most effective preparation for tests is consistent, excellent teaching throughout a child's learning, not just in Years 5 and 6. Of course, teachers will want to spend a little time making sure that children are familiar with the format

and nature of the tests, but we have stressed that this preparation time should be kept to an absolute minimum and that teachers help children prepare best when they teach the core subjects as fully and effectively as possible.

However, we are also clear that success for some pupils cannot be at the expense of others. We are committed to ensuring that every child makes the best progress possible, which is why personalised learning forms such a critical part of the Schools White Paper. A personalised learning approach means stretching all pupils so that they can fulfil their potential. This includes helping low-attaining pupils, those close to the borderline and those higher-achieving pupils to get the best results they can.

Funding for personalised learning was announced in the Schools White Paper, the schools funding settlement in November 2005 and in the 2006 Budget. By 2007–08 schools will have an extra £990 million to fund personalised learning for all pupils, including interventions for pupils who are below age related expectations, challenging opportunities for the gifted and talented, and providing access to after hours and year-round study support for children from disadvantaged backgrounds.

National and local targets, within the context of a broader accountability system support this ambition. Evidence shows that the current system of national targets has driven improvements across the ability range, not just at the target level. For example at Key Stage 2 the greatest increase in results has actually been in the percentage of pupils achieving Level 5 in mathematics and English, not the target Level 4. In our guidance to schools on setting their own targets we make clear that these should start from an ambitious assessment of what all pupils could achieve.

Recent developments in the accountability system, and the support and challenge offered to schools, further reinforce this focus on the progress made by all pupils. The new Ofsted inspection framework starts from schools' own self-evaluation, and detailed performance data. Inspectors look at how all groups of pupils are performing, and expect schools to show what they are doing to ensure that all pupils make good progress and do well. Additionally, the role of the School Improvement Partner and the use of data to monitor pupil progress are important ways of ensuring that schools are challenged to focus on the performance of all pupils. We are also continuing to take forward our commitment in the Schools White Paper to develop new pupil progress measures to support schools' focus on the potential of all their pupils.

*Question 223–224 (Mr Marsden): The latest figures on apprenticeships*

There are over 200 different Apprenticeship frameworks across 80 industry sectors on offer to potential learners, the responsibility for the content of each framework lies within an appropriate Sector Skills Council's remit.

Having already achieved the Public Service Agreement target for the number of young people starting an Apprenticeship and with achievement rates for full frameworks on the rise, this success means more young people will have the opportunity to learn skills that they need to secure a successful future. It also means that nearly 130,000 employers are growing the skills that their business will need to remain competitive in the face of global competition.

Tables giving the number of people entering, participating and completing apprenticeship courses were contained in the answer to Mr Boswell's Parliamentary Question (Official Record, 18 April 2006, col 169W). The table below up-dates the completion figures to include the final numbers for 2004–05 contained in the Statistical Final Release published on 11 April 2006.

SUCCESS RATES BY PROGRAMME TYPE

**2002–03**

		<i>Advanced apprenticeship</i>	<i>Apprenticeship</i>	<i>All apprenticeships</i>
Framework	x	32%	24%	27%
NVQ only	y	11%	13%	13%
Framework or NVQ	x + y	44%	37%	39%
Total leavers		60,600	104,900	165,600

**2003–04**

Framework	x	32%	30%	31%
NVQ only	y	14%	12%	13%
Framework or NVQ	x + y	46%	43%	44%
Total leavers		51,400	106,800	158,200

		<i>Advanced apprenticeship</i>	<i>Apprenticeship</i>	<i>All apprenticeships</i>
<b>2004–05</b>				
Framework	x	38%	40%	40%
NVQ only	y	14%	11%	11%
Framework or NVQ	x + y	52%	51%	51%
Total leavers		50,200	119,700	170,000

Notes:

Figures are rounded

For 2004–05 are those in the Statistical Final Release (FSR) published on 11 April 2006: *Further Education and Work Based Learning for Young People—Learner Outcomes in England: 2004–05*.

Apprenticeships are Level 2 and Advanced Apprenticeships are Level 3.

*Question 230–231 (Mr Chaytor): Expenditure on Adult Community Learning and Further Education*

In response to the first question asked by the Committee on 5 June we provided Table A which summarised expenditure on education in England and showed all the expenditure on Further Education and Adult Community Learning as one total. As requested the revised Table A has been produced which separates this expenditure into its component parts of *Adult and Community Learning (ACL)* and *FE and Other Lifelong Learning*.

The information on *ACL* covers Learning and Skills Council (LSC) funding from 2001–02, when funding was transferred to the LSC from local authorities. Prior to 2001–02 reliable and consistent disaggregation of expenditure on *ACL* from local authority budgets is not available.

*ACL* includes a wide range of courses run by local authorities under “adult education”. They are largely non vocational and do not lead to qualifications, ranging from parenting to history to Information Technology. Increasingly local authorities funded “outreach” and related courses from this budget to help disadvantaged people back into learning. The figures include the LSC’s expenditure on family learning, family literacy, language and numeracy and its fund for Neighbourhood Learning in Deprived Communities. The capital budgets are used to improve the infrastructure in *ACL*, particularly in deprived areas and to ensure physical access for disabled people.

*Further Education and other Lifelong Learning* covers education expenditure by the Learning and Skills Council and others and includes further education and other lifelong learning. In the same way as Table 12.3 in the 2005 Departmental Report, it excludes expenditure classed as training.

Footnote 9 of the original table we provided stated that “Adult and Community Learning has been removed from the FE line”. This sentence was included in error as Adult and Community Learning is included in the FE line, so this sentence has been removed from the footnotes.

**Table A—Education Expenditure (1) (2) by Central and Local Government (3) by Sector in Real Terms (4) in England 1997–98 to 2005–06, excluding Ofsted expenditure**

	<i>1997–98 Outturn</i>	<i>1998–99 outturn</i>	<i>1999–2000 outturn</i>	<i>2000–01 outturn</i>	<i>2001–02 outturn</i>	<i>2002–03 outturn</i>	<i>2003–04 outturn</i>	<i>2004–05 provisional outturn</i>	<i>2005–06 estimated outturn</i>
<i>£ million</i>									
<b>Schools</b>									
<b>Capital (5)</b>	1,260	1,378	1,494	1,821	2,075	2,260	2,590	2,815	3,017
<b>Current (6)</b>	<b>21,430</b>	<b>21,868</b>	<b>23,476</b>	<b>25,521</b>	<b>27,961</b>	<b>28,915</b>	<b>31,926</b>	<b>33,224</b>	<b>34,355</b>
<i>of which</i>									
Under fives (7)	2,057	2,098	2,336	2,614	3,147	3,201	3,570	3,847	3,928
Primary	7,687	7,794	8,102	8,789	9,483	9,901	10,516	10,698	10,980
Secondary	9,581	9,761	10,291	11,058	12,142	12,648	14,075	14,806	15,327
Other (8)	2,105	2,215	2,748	3,060	3,189	3,165	3,766	3,873	4,120
<b>Further education and Adult and Community Learning (9) (10)</b>	3,924	3,943	4,015	4,277	5,088	5,469	6,011	6,143	6,540
<i>of which</i>									
FE and Other Lifelong Learning	#	#	#	#	4,922	5,246	5,738	5,859	6,274
Adult and Community Learning Recurrent	#	#	#	#	166	203	232	237	223
Adult and Community Learning Capital	#	#	#	#	0	20	41	48	42

	1997–98 Outturn	1998–99 outturn	1999–2000 outturn	2000–01 outturn	2001–02 outturn	2002–03 outturn	2003–04 outturn	2004–05 provisional outturn	2005–06 estimated outturn
<b>Higher education (10)</b>	5,283	5,236	5,573	5,172	5,423	5,579	5,852	6,064	6,509
<b>Higher education Student Support (11) (12)</b>	1,507	1,519	1,300	1,235	1,026	963	940	977	899
<b>Administration, inspection costs and miscellaneous services (13)</b>	1,503	1,591	1,055	1,110	1,255	1,522	1,578	1,690	1,764
<b>Total</b>									
<b>Real terms</b>	34,907	35,536	36,912	39,136	42,828	44,707	48,897	50,912	53,083
<b>Cash</b>	29,704	31,023	32,860	35,295	39,579	42,628	47,847	50,912	54,193

## NOTES

- (1) Figures within Departmental Expenditure Limits (DEL). Excludes DFES administration costs and expenditure on other areas than education, for instance on children and families and on skills. Figures for 1998–99 onwards are resource-based. Central government figures for 1997–98 are cash-based.
- (2) Differences between the totals above and the figures for education spending published in Table 8.1 of the Departmental Report are the result of (a) data coverage: the exclusion of AME items in the above table, (b) definitional differences: Departmental administration costs and Ofsted spending on education are both classified as education spending under UN Classification of Functions of Government (COFOG) international definitions—the above table excludes these, (c) reclassifications made since Budget 2006 of Connexions spending to social protection and Adult Education spend to training in line with UN COFOG definitions. The next scheduled HMT National Statistics release will update education spending to take account of these reclassifications, (d) further minor data coverage and timing differences.
- (3) The recurrent local authority figures in this table are drawn from Table 8.3 of the Departmental Report; the footnotes to that table set out the underlying data sources. The 1997–98 and 1998–99 derive from the Department of Environment, Transport and the Regions education Revenue Outturn return (the “ROI”). Subsequent outturn figures derive from Section 52 Outturn Statements which were changed in 2002–03 arising from the review of the Section 52 categories following the introduction of Consistent Financial Reporting to schools.
- (4) All figures have been converted to 2004–05 price levels using the 29 March 2006 Gross Domestic Product (GDP) deflators.
- (5) Excludes Private Finance Initiative (PFI) credits (£35 million in 1997–98, £130 million in 1998–99, £350 million in each of 1999–2000 and 2000–01, £450 million in 2001–02, £850 million in 2002–03 and 2003–04, £1,050 million in 2004–05 and £1,200 million in 2005–06).
- (6) Figures from 2003–04 onwards reflect the transfer of responsibility from the Department to LEAs of costs relating to teachers’ pensions.
- (7) Under five figures include education expenditure on Sure Start (Sure Start figures exclude current grant).
- (8) Includes local authority services to schools, expenditure on City Academies, small remodelling programmes and on teacher training.
- (9) This line now includes FE Student Support (previously a separate line). Includes expenditure on adult and community learning by local authorities, and, up to 2000–01, by the Further Education Funding Council (FEFC) and, from 2001–02, the estimated element of funding on education by the Learning and Skills Council excluding school sixth forms. The figures include Education Maintenance Allowances (EMAs) between 1999–2000 and 2002–03 and other support for students in further education and school sixth forms. The figures exclude EMAs from 2003–04 following their reclassification from DEL to AME.
- (10) The expenditure data in this table and those used in the calculation of funding per student in FE in table 8.7 and HE in table 8.8 are not directly comparable.
- (11) HE Support includes Student Loans RAB charge; Access Funds; Postgraduate Awards; EUI Bursaries; Discretionary Awards; Mandatory and Student Support Awards and all SLC-paid student support grants. Tuition Fee Grants are included in the HE total. From 2004–05 this line also includes HE Grant and Part Time Grant Support Package.
- (12) The Student Loans RAB Charge estimates the future cost to government of subsidising and writing off the student loans issued in that year. From 2005–06 the Student Loans RAB Charge outturn is predicted to fall as a result of the change in the discount rate from 3.5% to 2.2%. It does not represent the amount of cash lent to students, which has risen each year since the introduction of student loans.
- (13) From 1999–2000, a portion of local authority administration and inspection costs is delegated to schools and is included within the school current expenditure lines. These figures in part reflect the transfer of responsibilities for early years inspection from local authorities to Ofsted.

# Figures are not available

*Question 234–237 (Mrs Dorries): The position of the three-tier system of schools in England and within the 14–19 agenda*

I can confirm that there is no move to withdraw support for the three tier system where it exists, and that the 14–19 agenda lends itself very well to that system. I am aware of the controversy that any proposal to close schools causes in a local community, but in order to reorganise schools, the local authority would need to publish proposals to close schools and establish new ones or expand and change the age-range of existing schools. In the case of foundation and voluntary schools, only the governing body of the school itself would be able to propose to change the age-range of the school (except for adding a sixth form). Anyone proposing to open, close, or make prescribed alterations to schools would first have to consult in the area, and anyone

could comment on the proposals or object to them. In many cases a competition would be required for any new schools. Proposals to move from a three-tier to a two-tier system would therefore be fully discussed in the local area.

On funding, the main driver in any local authority school funding formula, which is used to calculate individual school budgets, is the number of pupils on the school roll. That applies whether the system is two tier or three tier, and we have no plans to change that. Moreover, the condition and suitability of all schools of whatever age-range are included in the data used to allocate capital funding to local authorities, and local authorities should fairly prioritise the needs of all schools in their asset management planning.

*Question 241 (Rob Wilson): Improving the performance of Bangladeshi pupils*

The Department provides helpful information on ethnic minority achievement on its website [www.standards.dfes.gov.uk/ethnicminorities/](http://www.standards.dfes.gov.uk/ethnicminorities/). The site gives support to local authorities and schools by providing an update on the Department's work, sharing successful experiences and signposting useful links and publications.

In 2003, the Department launched its Aiming High national strategy for raising the achievement of ethnic minority pupils. The strategy includes a number of priority areas and projects, including, support for Gypsy, Roma and Traveller pupils; pupils for whom English is an additional language; support for Black pupils; and the Minority Ethnic Achievement Project (MEAP). MEAP focuses support on Somali, Pakistani, Bangladeshi and Turkish pupils at Key Stage 3—Year 8 and 9, around 96% of whom are Muslim.

MEAP—Phase 1 of the MEAP project ran in 12 local authorities (LAs) across the country, and involved a total of 52 schools and was developed in consultation with national Muslim organisations. The project's aims, included ensuring that the educational aspirations of the participating pupils were realised, that there will be a narrowing of the achievement gap between these pupils and other groups, and that suitable, inclusive approaches to teaching and learning are developed. The MEAP project aims to provide support, evaluate and disseminate practical strategies to maximise the progress of pupils by:

- identifying where pupils from Pakistani, Bangladeshi, Somali and Turkish communities are underachieving;
- developing effective teaching and learning approaches and building on recognised good practice;
- ensuring effective whole schools structures and systems;
- Identifying and transferring best practice in challenging Islamophobia and racism;
- ensuring that the curriculum properly engages with the particular interests and concerns of Muslim pupils; and
- engaging with parents and the wider Muslim community.

*Evaluation of MEAP*—Early results from the evaluation of phase 1 of MEAP, show that in LAs,

- MEAP was seen as a stimulus to better target intervention to address aspects of underachievement identified by LAs and schools;
- it was most effective in LAs where collaboration and partnerships were strong; and
- the support provided by the LA as part of MEAP, was highly valued by schools.

For schools:

- the evaluation identified that pupils involved in MEAP reported improvements in their motivation, attitude, engagement and learning;
- parents welcomed increased involvement in their children's education through participation in MEAP; and
- staff involved in the project had increased confidence to better address the needs of underperforming pupils.

The evaluation went on to make several recommendations, which are being incorporated into phase 2 of the project. These included:

- LAs should continue to provide a strong strategic lead to schools, stating clear expectations and outcomes;
- LA advisers, inspectors and school improvement partners (SIPs) should be made fully aware of the potential of MEAP in helping to raise attainment; and
- head teachers should support the take-up of professional development opportunities for staff working on MEAP.

For schools, the evaluation:

- stressed the value in ensuring MEAP is part of a whole-school improvement plan;
- recommended that schools should continue to work closely with parents to support their child; and
- schools should continue to provide clear senior leadership.

*Attainment*—In English schools, the attainment of Pakistani and Bangladeshi pupils has improved markedly. In 2005, 48.4% of Pakistani and 52.7% Bangladeshi pupils achieved 5 A\*–C grades at GCSE, compared with 54.9% of all pupils. Since 2000, this represents an improvement of 19.4 percentage points for Pakistani pupils and 23.7 points for Bangladeshi pupils. This compares with a 5.9 percentage point increase for all pupils.

*Launch of Phase 2*—The launch of phase 2 of the project in June 2006, has resulted in the project almost doubling in size, expanding to include more schools in the participating LAs, and through widening its coverage to a further 6 LAs. Around 85 schools are now involved, with an expectation that this figure will increase further. This delivers on a commitment to strengthen targeted support for under performing Muslim pupils, made in the Schools White Paper.

*Question 248 (Mr Chaytor): The 14–19 diploma roll out timetable will be made public*

The timetable for the roll-out of the 14–19 specialised Diplomas was set out in the 14–19 Education and Skills Implementation Plan last year. The full timetable is shown in the wallchart diagram accessible through the Timetable for Reform link at [www.dfes.gov.uk/14-19/](http://www.dfes.gov.uk/14-19/).

The first five Diplomas, in Construction and the Built Environment, Creative and Media, Engineering, Health and Social Care and ICT, will be available for first teaching in 2008.

The following five Diplomas, in Land-Based and Environment; Manufacturing; Hair and Beauty; Business Administration and Finance and Hospitality and Catering will be available for first teaching in 2009.

The final four Diplomas, in Public Services; Sport and Leisure; Retail; and Travel and Tourism, will be available for first teaching in 2010.

Each Diploma line will be piloted for 3 years from first teaching.

For all 14 Diploma lines, the Diploma qualifications will be accredited and available in schools and colleges that wish to offer them during the pilot 12 months before teaching is due to begin.

A full national entitlement to study a Diploma will be in place from 2013.

*Question 252 (Mr Marsden): The funding of schools with a transient population*

The Government fully accepts that, as the work of Dr Janet Dobson of University College London shows, pupil mobility, especially in the two years before GCSE exams are taken, can have a significant impact on pupil achievement.

There are many pupils who experience high mobility for a range of reasons. There is naturally high pupil turnover in parts of London, and there are many other areas where pupil turnover is high: for example, where there are high numbers of children from service families; and where there is seasonal working in seaside towns and agricultural communities. Pupil mobility presents two issues for schools: how they can best address the additional educational needs these pupils may have; and how schools can manage the turbulence high pupil turnover can bring.

We have considered previously with our national education partners whether there should be a pupil mobility factor in the distribution of funding for schools from central government to local authorities. We have decided against for two reasons. Firstly, pupil mobility is widespread and affects many pupils. A mobility factor would therefore have only a marginal effect on the distribution of resources between authorities. Secondly, it is difficult to produce a consistent definition of mobility which could be matched by data robust enough to be included in a distribution formula which would command widespread support.

The Government considers, therefore, that this issue is best dealt with locally, through each local authority's local funding formula, in consultation with the local Schools Forum. Local formulae can include a factor to mitigate the effects of pupil turnover. In this way, the needs and circumstances of individual schools and their pupils can be taken into account.

The new school funding arrangements introduced for 2006–08 provide greater stability in school funding through the introduction of a single pupil count. This means that school budgets, once set, are no longer subject to re-determination for a sudden reduction in pupil numbers. Conversely, a local authority can help a school with a sudden influx of pupils from its contingency budget. And the emphasis on greater personalisation in learning, backed by additional resources, will help schools meet the additional educational needs of all their pupils.

The future distribution of the Dedicated Schools Grant is a key issue for the current review of the school funding system for 2008–09 and beyond, and we will examine again how the national distribution of resources can most effectively support schools in meeting the needs of all their pupils.

*Question 255–258 (Chairman) The early identification of gifted and talented pupils and their further development*

Chapter 4 of the White Paper *Higher Standards, Better Schools for All* sets out the Government's plans to further improve gifted and talented education, building on the programme that has been progressively developed since 1999. That programme recognises a wide range of abilities, providing support for those with talents in creative arts or sports as well as for those with academic potential. It aims to provide support from primary school through to entry into higher education. It assumes that ability is evenly distributed within the population, so that a school's register of gifted and talented learners should be broadly representative of the whole school population, whether by gender, ethnic or socio-economic background.

The Government sees gifted and talented education as integral to personalising education to meet the needs of all learners, regardless of their backgrounds. Gifted and talented learners need the right blend of challenge and support to achieve their potential—and addressing their needs is not always straightforward for schools. Some gifted and talented learners are hard to identify and there is continuing evidence of underachievement, particularly for those from disadvantaged backgrounds.

Funding for personalised learning was announced in the Schools White Paper, the schools funding settlement in November 2005 and in the 2006 Budget. By 2007–08 schools will have an extra £990 million to fund personalised learning for all pupils, part earmarked within the Dedicated Schools Grant and part provided through the Schools Standards Grant. In calculating the sums available, the Department identified three main priorities for this expenditure, one of which was support for gifted and talented learners.

Government support for gifted and talented education is intended to improve pupil attainment, recognising the impact on attainment of raising pupils' aspirations, motivation and self-esteem. The programme seeks to achieve this through a mix of support for students themselves and action to improve the quality of gifted and talented education in all schools.

The action programme set out in the Schools White Paper depends on two key reforms:

- Improving the identification of gifted and talented pupils and tracking improvements in their attainment and performance through a new National Register, which can also potentially support Universities' widening participation strategies. The Register will be an amalgamation of all school gifted and talented registers: secondary schools have provided these details through the Schools Census for the first time this year and primary schools will do so in 2007. It will support the identification of all those aged 11–19 within the top 5% by ability who are eligible for membership of the National Academy for Gifted and Talented Youth (NAGTY)—slightly over half of these students have so far registered with NAGTY. The Register will be linked to the National Pupil Database, so permitting detailed analysis of performance and providing evidence to inform policy and support functions;
- Improving the quality of gifted and talented education in schools through effective self-evaluation, using new Quality Standards for gifted and talented education at whole school and classroom level. These can also be used as the basis of all professional development and support for those working in schools, as well as providing a common framework for school improvement partners and others to apply in their work with schools. The whole school standard is already in place, with an interactive online tool available to schools. The classroom standard, designed to capture consensus on effective practice in teaching and learning, is currently under development.

Other White Paper commitments provide:

*Additional opportunities for gifted and talented learners including:*

- A new national programme of extended day non-residential summer schools developed through partnership between higher education institutions and specialist schools—a pathfinder programme is currently under development for summer 2007;
- “Goal”—a scheme developed by NAGTY providing an entitlement to learning opportunities and additional support for those of its members who come from the most disadvantaged backgrounds—the Government will be providing up to £1 million per year over two years to match-fund business and philanthropic contributions;

*Additional support for schools and educators including:*

- A trained leading teacher for gifted and talented education in every secondary school and for every primary school (with a group of primary schools allocated to each primary lead teacher). Training will be based on the Quality Standards and will include the preparation of an improvement plan for the school or schools for which the leading teacher is responsible;
- New guidance for schools built around the Quality Standards;
- Development of tools and guidance to help schools to more effectively identify, teach and support gifted and talented learners from black and minority ethnic backgrounds.

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Key partners engaged in this action programme include:

- NAGTY, the Department's core partner for gifted and talented education, which supports the education of the top 5% of 11–19-year-olds nationally, as well as developing professional development and other services for educators and researchers;
- the National Primary and Secondary Strategies, which will provide the delivery mechanism for much of the support to schools, while also reviewing and updating their own guidance and structures to ensure that the needs of gifted and talented learners are more fully incorporated into the Strategies;
- London Gifted and Talented, part of the London Challenge, which is developing resources to improve gifted and talented education and foster collaboration across all London Boroughs; and
- evolving regional partnerships for gifted and talented education in every other region, built around local authorities and higher education institutions, but also engaging a range of other partners in related fields.

The Department is currently reforming the national support structure for gifted and talented education to provide a clearer, more efficient division of responsibility, so enabling Departmental staff to focus on strategic policy development and system design. A tender is being let to identify a managing contractor who will provide evidence-based policy advice to inform strategic policy-making, manage key central services, contract with delivery partners responsible for providing services of various kinds—including all those currently supported by the Government—and promote the development of the market for such services. The contractor will be in place by early 2007.

*September 2006*

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# Written evidence

## Memorandum submitted by the Institute for Fiscal Studies

### 1. INTRODUCTION

This note begins by providing a very short update of recent trends in education expenditure. It then discusses some key issues in education spending for the Committee to consider.

We begin by examining the significance of the Chancellor's statements in Budget 2006—both regarding school capital expenditure, and the pledge to increase funding per pupil in the state sector to that currently seen in the private sector. We then move on to what the Comprehensive Spending Review in 2007 is likely to mean for education, given commitments in other areas of government spending. The last issue we discuss is the mechanics of the new Higher Education funding system set to begin this year.

### 2. OVERALL TRENDS IN EDUCATION EXPENDITURE

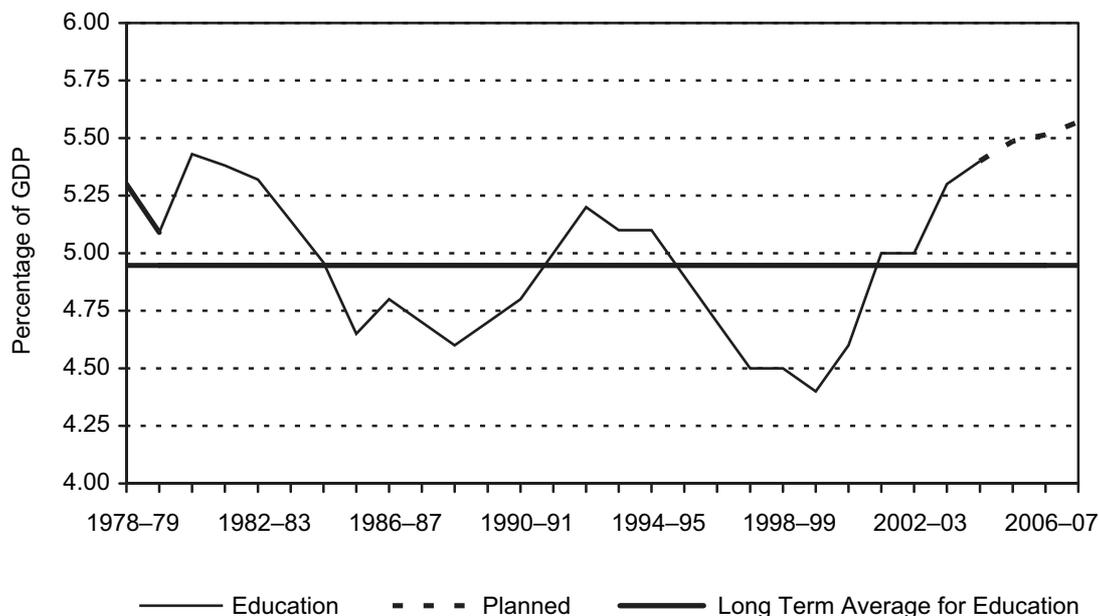
#### *Compared to other areas of public expenditure*

In our note we submitted to the Committee in September 2005, we discussed the growth rates of various elements of public expenditure relative to education spending. This showed that since Labour came to power in 1997, there have been large real increases in education spending (4.8% a year); but perhaps surprisingly this has been only the fourth fastest broad area of spending growth, after spending on the NHS (6.1% a year), Transport (5.1% a year) and Public Order and Safety (4.9% a year). However, Education received much smaller average annual increases during the 18 years of Conservative governments from 1979–97 (1.5%).

#### *As a proportion of GDP*

Since its lowest point for at least 20 years in 1999–2000 (at 4.4% of GDP), education spending has grown rapidly as a share of national income, and in 2004–05 stood at 5.4%. This share is comparable to that last seen in the early 1980s and well above the average between 1977–78 and 2004–05 of 4.9%. By 2007–08, the share is projected to reach 5.6%. Training expenditure accounts for approximately a further 0.2% of GDP.

**Figure 1. Historical and forecast education spending, 1978–79 to 2007–08, as a share of national income**



*International comparisons***Table 1****SPENDING ON EDUCATION IN SELECTED MAJOR ECONOMIES, 2002**

	<i>Total Education Spending, % GDP</i>	<i>Public Education Spending, % GDP</i>	<i>Private Education Spending, % GDP</i>
Japan	4.7	3.5	1.2
Italy	4.9	4.6	0.3
Germany	5.3	4.4	0.9
<b>UK</b>	<b>5.9</b>	<b>5.0</b>	<b>0.9</b>
France	6.1	5.7	0.4
USA	7.2	5.3	1.9

Source: OECD, *Education at a Glance*, Paris, 2005

The UK spent a higher share of national income on education than Japan, Italy and Germany, but a lower share than the USA and France in 2002 (Table 1). This ranking is similar if we just consider public education spending as a proportion of GDP. UK private education spending as a proportion of GDP is lower than the USA and Japan, but higher than that of France and Italy.

### 3. BUDGET 2006

The Chancellor made a number of announcements in Budget 2006 about school spending, including new payments to be made direct to schools for 2006–07 and 2007–08 (worth £270 million and £440 million respectively); new school capital spending for the years 2008–09, 2009–10, and 2010–11, and a new aspiration for spending per pupil in the state sector to match that of the private sector. In this note we discuss the latter two of these. We argue that the new school capital spending announced by the Chancellor is not as large as its presentation suggested, whilst the meaningfulness of the aspiration for state per pupil spending depends on the timetable by which it is achieved, something that the Chancellor did not spell out.

#### 3.1 CAPITAL SPENDING IN SCHOOLS: A “£34 BILLION SCHOOLS BONANZA”?

The Chancellor announced in his Budget statement of 2006 that “In the coming five years investment in schools will rise from £5.6 billion today to reach £8 billion a year—a 50% rise making a total of £34 billion new investment over five years.” This figure was widely quoted in the national press (and was referred to in the *Daily Mirror* as a “£34 Billion Schools Bonanza”).

Commentators would have been forgiven for assuming from the budget speech that there will now be a significant increase in the rate of growth of new public school capital spending. This is not the case. First we set out how much of the spending announced is new spending, and next we show how the projected growth in school capital spending compares with past growth.

How much of it is new public spending? As Tony Travers was quoted in the FT “The way in which announcements are made, particularly at budget time, makes it very difficult to be certain how much in total is planned in new spending compared to [what was previously planned] for the next year and the year after.”<sup>1</sup>

Table 2 sets out the school capital spending figures provided in the Budget speech and statement. A number of points should be noted.

- Before the Budget announcements, there were spending plans for schools already in place up to 2007–08 (the end of the present spending review period). In 2007–08 planned school capital spending was £6.4 billion; adjusting for inflation, this is £6.1 billion in 2005–06 prices.
- The Chancellor announced spending for 2010–11 of £8 billion in nominal terms, which is £7 billion in 2005–06 prices. School capital spending in 2010–11 will therefore be £0.9 billion higher in real terms than in 2007–08, implying an average real increase over the next spending review period of 4.9% per year (or just under 15% over the three years as a whole).
- By contrast the Chancellor’s figure of £34 billion can only be arrived at by adding together total planned capital spending in nominal terms for each of the five years between 2006–07 and 2010–11.<sup>2</sup> This accumulation of total spending is a highly misleading presentational device. It combines the £0.9 billion new planned funds with (i) the total amount of school capital spending already being spent each year, (ii) the new funding already planned before Budget 2006, and

<sup>1</sup> *Financial Times*, 23 March 2006, “Chancellor’s schools pledge could cost £17 billion”.

<sup>2</sup> Assuming a constant rate of spending growth between 2005–06 and 2007–08, and between 2007–08 and 2010–11, the sum £6 billion + £6.4 billion + £6.9 billion + £7.4 billion + £8 billion = £34.7 billion.

- (iii) the effects of inflation. Finally, the total is multiplied up across all five years. An analogy is the following: a worker on approximately full-time average earnings (£25,000) is given a nominal pay freeze, but is told he is being awarded a “total of £125,000 new income over five years”.
- The figures for future spending announced by the Chancellor are inclusive both of “purely public” capital spending and capital spending through the Private Finance Initiative. This leaves room for the plans to be delivered with no new public capital spending at all, if PFI contracts were used to provide all of the additional expenditure.<sup>3</sup>

Table 2

## CAPITAL SPENDING IN SCHOOLS BETWEEN 2005–06 and 2010–11

	<i>Nominal total “publicly-sponsored” school capital spending (PFI + public expenditure) (current prices)</i>	<i>Real total “publicly-sponsored” school capital spending (PFI + public expenditure) (2005–06 prices)</i>
2005–06	£5.6bn	£5.6bn
2006–07		
2007–08 (previous plans)	£6.4bn	£6.1bn
2008–09		
2009–10		
2010–11 (budget announcement)	£8.0bn	£7.0bn
<i>Increase 1996–97 to 2004–05 (public only)</i>		11.9%
<i>Increase 1996–97 to 2004–05 (public + PFI)</i>		17.7%
<i>Increase 2005–06 to 2007–08 (public + PFI)</i>		4.2%
<i>Increase 2007–08 to 2010–11 (public + PFI)</i>		4.9%

*Sources:* Pure public spending on schools capital are the authors’ calculations based on Departmental Reports from various years up to 2005, Department for Education and Skills. The figures for all schools capital spending are taken from the Chancellor’s Budget statement of 2006.

*The evolution of schools capital spending*

It is not straightforward to compare how these (existing and new) plans for school capital spending announced by the Chancellor compare to previous increases in school capital spending. This is because the inclusion of PFI capital spending in the total makes the Budget figures differ from those routinely published by the Department for Education and Skills.

The fact that the Budget presentation of the school spending figures diverged from those publicly available through DfES made independent analysis of the figures in the immediate aftermath of the Budget extremely difficult. It was only through ad hoc communication with our existing contacts at the Treasury in the aftermath of the Budget that we were able to reconcile the Budget and DfES figures enough to assess the significance of the new plans, relative to the recent past.

Looking just at publicly available DfES figures, our calculations suggest that the annualised average growth between 1996–97 and 2004–05 in purely public school capital expenditure was about 11.9% per year. We have also calculated our own series for public capital + PFI school capital spending going back over time (again see Figure 2). The real annual average growth in this series between 1996–97 and 2004–05 was around 17.7% per year.<sup>4</sup>

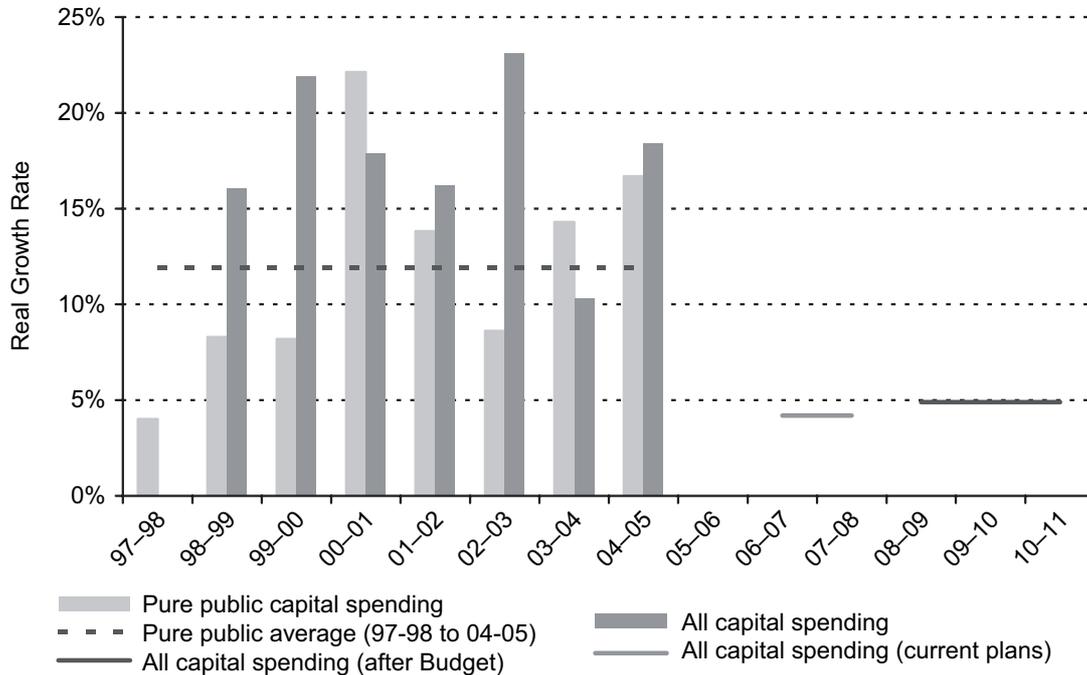
This growth in the recent past is considerably greater than both the 4.9% real annual average planned growth in public + PFI capital spending between 2007–08 and 2010–11, and the 4.2% real terms growth in public + PFI spending between 2005–06 and 2007–08 (see Table 2 and Figure 2).

Looking at Figure 2 in more detail, we can see that public expenditure on school capital grew relatively modestly in the first few years of the Labour Government (whilst Labour kept to the spending plans of the previous Conservative Government). However, from 2000–01 onwards it grew by a substantial amount, with double-digit growth for four out of five years. Including PFI spending in the analysis in most cases considerably increases the annual growth rate.

The plans going forward for school capital spending therefore actually imply a step down in terms of the annualised real growth rate compared to the recent past. However, one should also remember that the growth of schools capital spending began from a small base of about £1.2 billion in 1996–97 (public spend only). Therefore, it is currently growing by a larger amount in absolute terms compared to Labour’s first term, despite the slower growth rate.

<sup>3</sup> Of course such PFI contracts would entail significant future public spending commitments.

<sup>4</sup> See notes to Figure I for discussion of assumptions about PFI spending over time.

**Figure 2. The evolution of school capital spending, 1997–98 to 2010–11**

*Sources:* Pure public spending and all spending, inclusive of PFI spending on schools capital are the authors' calculations based on Departmental Reports from various years up to 2005, Department for Education and Skills. Figures for PFI spending were calculated under the assumption that the figures stated in departmental reports were in the same real terms as those for pure public capital spending—both sets of figures were presented in the same table, making this a reasonable assumption. Making the assumption that the DfES figures for PFI are in nominal terms does not qualitatively change the above figure, with both under and over estimations under one percentage point. The figures for all schools capital spending, inclusive of PFI, are taken from the Chancellor's Budget statement of 2006.

### 3.2 RAISING PER PUPIL EXPENDITURE IN THE STATE SECTOR

The Chancellor also announced in his Budget Statement of 2006 that “Our long-term aim should be to ensure for 100% of our children the educational support now available to just 10%.” He clarified this aim in quantitative terms by pledging to increase spending per pupil in the state sector to that currently being spent per pupil in the private sector. According to Treasury figures, this means increasing funding per pupil in the state sector from around £5,000 per pupil to around £8,000 (the private sector level in 2005–06). Here we set out how much this might cost in new public spending to achieve, how long it could take, before making some general comments about how significant and meaningful the pledge is.

#### *Trends in per pupil expenditure in the public and private sectors*

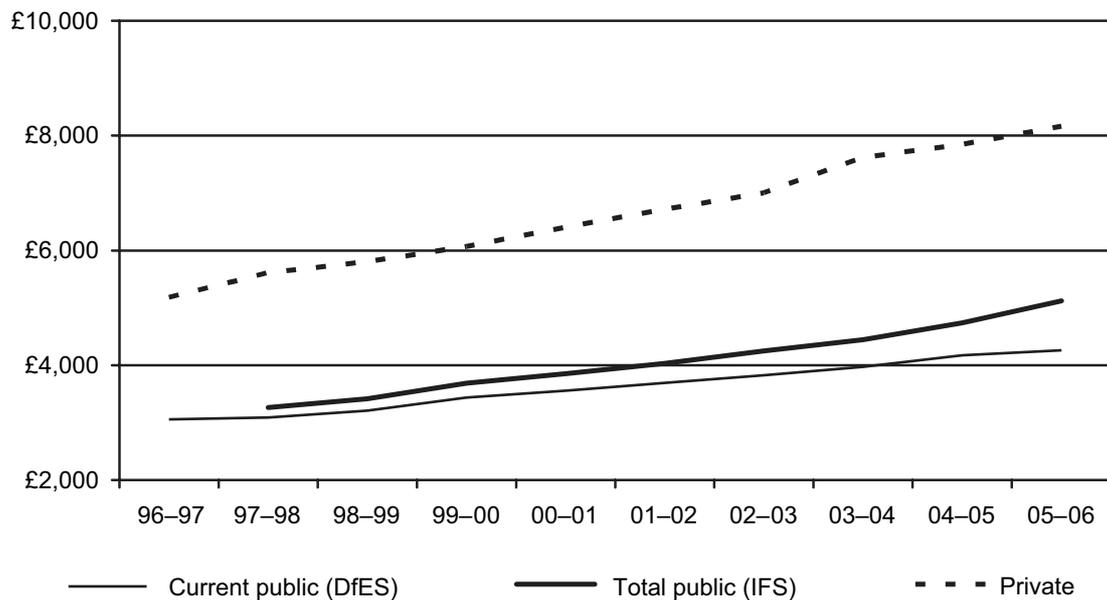
The measure of spending per pupil in the private sector the Chancellor chose to use was the average termly fee (multiplied by three) per pupil in day schools in the UK.<sup>5</sup> The measure of funding per pupil in the state sector chosen by the Chancellor is a total of all schools capital and current expenditure per pupil (inclusive of PFI).

This figure is not available going back in time as the DfES published figures focus on current spending per pupil. The graph below shows the evolution of the series for private day schools and the DfES' current “pure public” spending per pupil (ie excluding both capital and PFI spending) in the state sector.

In addition it shows Treasury's figure for total spending per pupil (current + capital + PFI) for 2005–06 only, and IFS calculations of this series going back in time.

<sup>5</sup> This is taken from the annual census of independent schools conducted by the Independent Schools Council, <http://www.isc.co.uk/index.php/347>

**Figure 3. The evolution of real spending per head in the public and private sectors (2005–06 prices)**

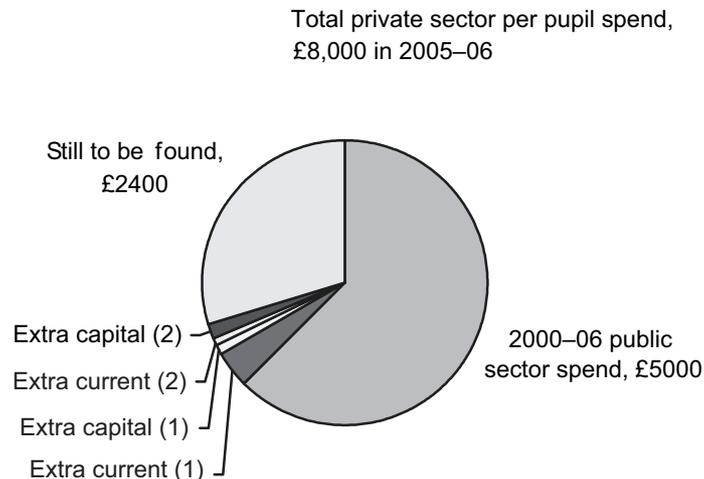


*Sources:* See notes to Figure 2 for public spending per head. Figures for private sector spending per pupil are taken from the annual census of independent schools conducted by the Independent Schools Council from various years, <http://www.isc.co.uk/index.php/1347>

The figure shows an increase in the relative gap between current per pupil spending in the state sector and private sector spending since 1996–97: the private sector spent around 70% more per pupil than current spending in the state sector in 1996–97, whilst this rose to almost 90% by 2005–06. Including capital + PFI spending per head in the public sector series narrows this gap (HMT estimates suggest that capital + PFI spending amounted to around £740 per head in 2005–06). Our calculations suggest that taking into account capital spending means that the per-pupil spending gap has stayed relatively constant over time.

*How much would it cost and how long would it take to achieve?*

The Chancellor said that he wanted to bring per pupil spend in the state sector up to today's level in the private sector, ie about £8,000. This means that it will have to rise by around £3,000 per pupil in real terms to meet this objective. Our calculations suggest that on existing plans going forward to 2007–08, current and capital spending already imply spending per pupil rising by a further £340 and £90 respectively. Also announced in the Budget were a further £60 per pupil in 2007–08 from higher direct payments to schools and a further £150 in capital spending by 2010–11. This leaves a further real terms gap of about £2,400 still to be met. (see Figure 4).

**Figure 4. Matching private school spending**

Source: IFS calculations.

Note: Extra current and capital (1) are those already written into spending plans before Budget 2006, Extra current and capital (2) represents the new allocations announced in the Budget.

How much would this cost in terms of extra public expenditure? Based on constant pupil numbers of about 7.2 million (the Treasury's estimate for pupil numbers in 2010–11), it would cost an extra £17 billion in real terms. Evidently, this does not have to be raised immediately through taxation or borrowing, so it makes sense to try to understand how long it would take to fill this gap based on a series of scenarios for the growth in schools spending.

If school spending were to grow at the underlying rate of growth in the economy (assumed at 2.5% real per year),<sup>6</sup> and thus remain constant as a share of GDP, it would take till 2022 to fill this gap. Alternatively, if schools spending were to grow by the same amount as total per pupil spending in the state sector grew between 1996–97 and 2007–08, 5.3%, it would take until 2014 to fill this gap. Perhaps a more likely scenario (see Section 4 below) is for school spending to grow at the rate we estimate would be feasible for the whole of education spending over the next CSR period, at 3.4% per year. In this case it would be 2018 before the pledge would be met.<sup>7</sup> Since these estimates are based on constant pupil numbers in the state sector, further falls in pupil rolls would also help to fill this gap.

### Significance of Pledge

But is the pledge meaningful?

Some commentators have questioned whether the per-pupil spends in the private sector and state sector are comparing like with like:

- Some private schools may have access to other sources of income, apart from fees, such as rental income or that from capital. On the other hand, some have argued that some private schools may have greater capital expenses (eg old listed buildings). The comparisons also exclude the boarding school population.
- The age-composition of the private and public school populations are quite different, with a greater proportion of older children at school in the private sector. Since it costs more to teach older children, this probably means that directly comparing the average per-pupil spending the private and state sectors overstates the gap in resources between them.

However aside from these measurement issues, there are some other important considerations.

- Achieving this pledge is very unlikely to mean that pupils in state schools will have the same level of funding as those in private schools at any point in time, since private school funding per pupil is also likely to grow in real terms over the future.

<sup>6</sup> This is the central assumption for underlying growth built into HM Treasury's public finance projections.

<sup>7</sup> All of these scenarios are based on the assumption that the additional capital spending announced in Budget 2006 makes up part of the increases of 2.25%, 5.3% and 3.4% per year.

- Moreover, since the Chancellor’s target is to increase spending per pupil in the state sector to £8,000 at some unspecified point in the future, it is when it is achieved that would be able to make it a significant one. Meeting it by 2022 with schools expenditure only growing by 2.5% a year would probably not be consistent with making schools spending a priority. The critical question is therefore how much new public expenditure is allocated towards schools in the Comprehensive Spending Review in 2007. We turn to this subject in the next section.

#### 4. WHAT WILL THE SPENDING REVIEW MEAN FOR EDUCATION?

The 2007 Comprehensive Spending Review (CSR) will set out public spending allocations for the period 2008–09 to 2010–11.

In its post-Budget analysis, IFS set out how much public spending on education might increase in the period 2008–09 to 2010–11, given the overall Total Managed Expenditure (TME) envelope now set out by the Chancellor, and the other spending commitments that have been made. One possible scenario is set out in Figure 5, which we explain below.

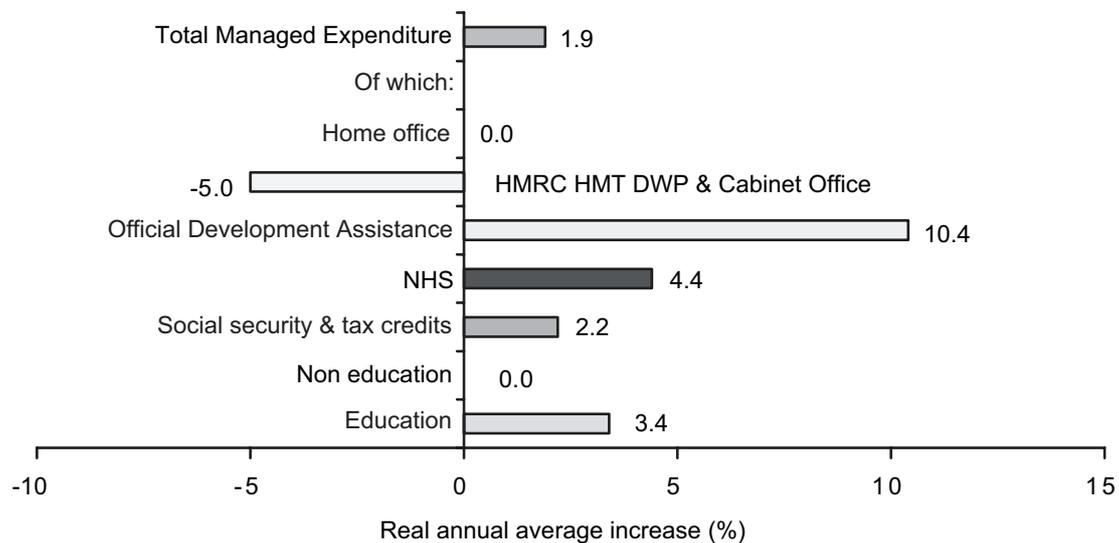
- The Pre-Budget Report of 2005 for the first time set out provisional estimates for the growth of Total Managed Expenditure (TME) over this time, implying a real annual increase in TME of 1.9%. Although it is possible that this envelope will be revised before the CSR, any increases in public spending will have to be found from within the TME envelope.
- Assuming a 1.9% real terms increase in TME each year, we make a number of assumptions about spending in other departments in order to calculate what a plausible increase in education spending might be.
- In the 2006 Budget, it was announced that the Home Office would see a 0% real increase over the next spending review period,<sup>8</sup> whilst HM Treasury, the Cabinet Office, HMRC and DWP would see a 5% real spending cut each year.<sup>9</sup>
- It is not yet known how much will be allocated to health spending, but we have conservatively assumed that it will grow at 4.4% per year, which is the amount which the Wanless Report (2002) suggested would be required for the NHS to become a “world-class health service” in its most optimistic scenario, in which the NHS is “fully engaged” in terms of its efficiency, quality and cost to the tax-payer.<sup>10</sup>
- The Government has also stated its aim to increase Overseas Development Assistance so that it reaches 0.7% of national income by 2007. Achieving this will require constant real increases of 10.4% between 2008–09 and 2012–13. This will further reduce the amount that other public expenditure can grow by.
- Social security and tax credit expenditure is the largest single element of public expenditure and so what the 2007 CSR allocates to them will make a significant impact on what is available for other areas of spending. The Government has explicit targets for child poverty, and strongly stated aims to reduce pensioner poverty, both of which are likely to require significant amounts of public expenditure. One gauge of how much might be required is the growth rate between 1996–97 and 2007–08, which was 2.2% per year—a time of falling expenditure on unemployment-related benefits, but also of rising generosity of benefits and tax credits targeted at poorer households in order to achieve its goals in terms of relative poverty.
- Assuming that all remaining elements of public expenditure (which include amongst others, transport and defence) are subjected to a real terms freeze, this would leave a 3.4% real terms annual increase for the whole of education spending between 2008–09 and 2010–11. This is slower than the average increase seen over the period of the Labour Government, up to 2007–08 (4.6%).

In sum, it appears that there is unlikely to be room in CSR 2007 for substantial increases to education spending, given other commitments and priorities. Alternatively, further cutbacks will need to be found in other spending areas if education is to be given as strong a priority as it has in recent years.

<sup>8</sup> “The Home Secretary has agreed that he can invest more in priorities like policing and security, while making savings in other areas within a three-year budget at its 2007–08 real terms level.” Budget Speech 2006.

<sup>9</sup> “HMRC, HM Treasury, DWP and the Cabinet Office have also agreed that necessary modernisation will be funded from a new innovation fund and, alongside this, the spending review for these four departments will proceed on the basis of minus 5% a year real terms below the base line of 2007–08.” Budget Speech 2006.

<sup>10</sup> The 2002 Wanless report estimated that health spending would need to grow by between 4.4% and 5.7% per year after 2008–09 if the NHS is to become a “world-class health service.” The Government is currently revising the calculations made for the Wanless Report, and so the amount required to maintain a “world-class health service” may change as a result. Note that a growth rate of 4.4% for health spending is also considerably less than that seen between 1996–97 and 2007–08, when it grew by an average of 6.1% per year.

**Figure 5. Possible 2007 CSR allocation under spending commitments made so far**

## 5. HIGHER EDUCATION REFORMS

The reforms to Higher Education funding, which are due to be fully implemented by 2006–07, will require considerable additional funds from the public sector, alongside the increase in graduate contributions through top-up fees. Based on the latest DfES cost estimates, we calculate the additional annual taxpayer costs associated with the reforms to be £1.2 billion per year. Most of this will pay for the extension to student loans, which, it should be noted, are “off balance sheet” expenditures, and will not score as spending when assessing the Chancellor’s fiscal rules. The rest will pay for new student grants.

Some new analysis at IFS has considered different ways in which the Government might choose to consider scaling back the considerable cost of the student loans as it reviews the new funding system in the future. One option would be to remove the interest subsidy: the lowest earners—particularly women who take time out of the labour market—would be protected from paying any more if a positive real interest rate were charged, since they are fully protected by the new provision for debt write off after 25 years. By contrast, allowing students to take a 25% discount on their fees instead of taking out a subsidised loan would penalise all but the highest earning graduates who decided to take this option.

Another important issue we highlighted in our note to the Committee last year relates to the complicated design of the new system of student support comes in as part of the new funding regime. As we set out the new system will involve a combination of five different income tapers, with the maximum amount of maintenance loan of £4,405 advertised by DfES available only to students with family income of exactly £33,560. There are two main problems with this design:

- The unnecessary complexity of the new system could put students off.
- Compared to the system it is replacing, it is students from parental incomes between £22,100 and £26,000 who will be expected to make the biggest additional net contribution to the cost of their tuition and maintenance, taking into account both new fees and student support. This arises simply because of the way that the maintenance loans and grants are due to be tapered, and could easily be avoided if the system were re-designed in a cost-neutral way. It should be noted that the £22,100–£26,000 income range is a particularly dense part of the income distribution with parents largely in the 2nd and 3rd income deciles—arguably it is exactly students from these families that the Government is trying to encourage rather than dissuade from attending university.

June 2006

### Memorandum submitted by Tony Travers, London School of Economics and Political Science

#### 1. AN ANALYSIS OF EDUCATION SPENDING TRENDS, 1997–98 TO 2005–06

##### *Education expenditure as a proportion of gross domestic product (GDP)*

1.1 Public expenditure on education in the United Kingdom was equivalent to 5.7% of GDP in 2005–06, a rise from 4.7% in 1997–98. Table 1 shows education spending as a proportion of GDP for each year since 1997–98. Spending has increased as a share of the economy during a period of economic expansion, so the

resources made available have increased significantly in real terms. It is worth adding that public expenditure on education and skills as a proportion of GDP was also well over 5% in the early 1990s. There is now evidence that the increase in public expenditure on education (as a percentage of GDP) is levelling off. Health expenditure, on the other hand, continues to rise more sharply as a proportion of the economy.

**Table 1**

PUBLIC EXPENDITURE ON EDUCATION AS A % of GDP, 1997–98 TO  
2005–07—UNITED KINGDOM

	1997–98	1998–99	1999–2000	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
Education as % of GDP	4.7	4.6	4.6	4.8	5.1	5.2	5.5	5.6	5.7
Health as % of GDP	5.4	5.4	5.4	5.6	6.0	6.3	6.7	7.0	7.3

(Source: *Public Expenditure Statistical Analyses 2006*, Cm 6811, London: TSO Table 3.4)

1.2 The Institute for Fiscal Studies analysis of Education expenditure shows a table comparing education expenditure in the UK compared with other major OECD countries.<sup>11</sup> The UK figure is now ahead of that in Japan, Italy and Germany, but lower than in France and the USA.

EDUCATION EXPENDITURE, BY SUB-SECTOR, IN REAL TERMS

1.3 Table 1 showed overall UK public education expenditure as a proportion of GDP. Another way of analysing spending is to compare changes adjusted to take account of inflation (ie in real terms). Table 2 shows real terms spending on each phase of education in each year since 2000–01. It is important to note that this table is different from similar ones presented in earlier years because the Departmental Report has dropped the key all-education spending table that has been published in previous departmental reports. That is, the Department no longer publishes a simple, real terms, table of expenditure on each phase of education distinguishing between current and capital expenditure. Table 2 has had to be calculated from a number of other tables published in different volumes. No reason is given for removing the table from the 2006 report, nor is there any obvious reason for starting the time series in 2000–01.

**Table 2**

EDUCATION EXPENDITURE, BY SUB-SECTOR, 2000–01 TO 2005–06—ENGLAND

£ MILLION, IN REAL TERMS

	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	Change 2000–01 to 2005–06
Schools (DfES)	4,918	5,870	8,449	9,344	10,151	10,981	+123%
FE, Adult	5,674	6,587	7,104	7,773	7,927	8,394	+48%
Higher Education	6,541	6,545	6,680	6,959	7,191	7,529	+15%
Other	1,258	1,754	2,339	2,657	2,467	2,801	+123%
TOTAL (DfES)	18,389	20,756	24,572	26,733	27,736	29,705	+62%
TOTAL (All education)	39,837	43,741	45,438	49,686	52,419	55,021	+38%
Schools (Local government)	22,688	23,971	22,434	24,534	25,429	25,717	+13%

*Note:* This table covers revenue and capital. Figures for 2003–04 for “Schools (Local government)” are slightly different from those for previous years because of the move away from Standard Spending Assessments.

(Sources: (i) *Departmental Report 2006*, Cm 6812, London: HMSO, Table 8.1; (ii) *Public Expenditure Statistical Analyses 2006*, Cm 6811, Table 3.1. GDP deflator derived from this table)

1.4 Spending on each phase of education has increased in real terms in the years since 2000–01. The final column of the table shows overall spending changes over the full period up to 2005–06. Overall, DfES’s spending on schools (current and capital) increased by 123%, compared with 48% in further education and only 15% in higher education. Local government’s expenditure on schools rose by just 13% in real terms. The table shows very clearly the shift from local to central funding of schools in the years since 2000–01. From 2006–07, all spending on schools will run through the DfES line of the table.

1.5 Table 3 summarises spending per pupil/student data for the schools, FE and HE sectors in each year since 2001–02. The time series shown runs only from 2001–02 because the Department now provides data over relatively short periods. Spending per pupil/student has increased fastest in schools, followed by further education. Pupil numbers have been falling since 2003–04, though only modestly. By contrast, real terms

<sup>11</sup> Ev 63

higher education spending per student has risen by only around 5%, suggesting a continuing major relative shift of public resources away from universities towards other phases of education. Other university resources, for example from endowments and fees, may have increased.

**Table 3**

REAL TERMS FUNDING PER STUDENT/PUPIL, 2001–02 to 2007–08

(2000–01 = 100)

	2001–02	2002–03	2003–04	2004–05	2005–06 <i>plans</i>	2006–07 <i>plans</i>	2007–08 <i>plans</i>
Schools	100	104	109	113	120	124	129
FE	100	100	108	<i>106</i>	<i>117</i>	<i>116</i>	<i>117</i>
HE	100	100	102	102	105	<i>106</i>	<i>107</i>

(Source: *Departmental Report 2006*, Department for Education and Skills, Cm 6812, London: TSO, Tables 8.4, 8.7 and 8.8. Numbers in italics derived from stepped time series shown in tables)

## 2. THE DFES AND THE REFORM OF SCHOOLS FUNDING

2.1 Last year, the Committee noted the continuing salience of schools funding as a national and local political issue. In particular, the Committee stated that it expected to be “consulted at an early stage on the Government’s plans for the new schools funding system” which is to be implemented by 2008–09. In the Department’s response to the Committee’s Report, it was stated that the Government “had offered national partners the opportunity to comment by 31 May [2006] on the issues set out in the terms of reference for the review of school funding: we would welcome the Committee’s views on these issues too”.

2.2 It is not clear that the Department actually consulted Committee members on its proposed review of schools funding. Perhaps officials thought sharp-eyed MPs would become aware of the document from one of the consultees listed in the letter accompanying the Terms of Reference sent to Directors of Children’s Services and others.

2.3 The Terms of Reference document discussed a number of possibilities:

- Dedicated Schools Grant (DSG) could be retained (ie to base the next year’s allocation of DSG on the previous year’s, making marginal changes to allow for inflation and/or new priorities) or, alternatively, it would be possible to move to a new formula.
- Specific grants could in some cases be merged into DSG, though this might need transitional protection for some areas or schools.
- Deprivation measures within the DSG (at school level) will be considered in the context of a technical review of indicators and an analysis of “deprivation statements” local authorities were required to produce by May 2006.
- The nationally-determined Minimum Funding Guarantee (MFG) may or may not continue. Also, it might be possible to change the MFG in such a way as to allow a greater degree of redistribution between schools.
- Ministers are prepared to consider academic year budgets, though not academic year accounting.
- The detailed operation of multi-year budgets will be examined, in particular, the need to achieve predictability yet also ensuring schools are aware of coming pressures on budgets (eg pay settlements).
- The effectiveness of Schools Forums will be reviewed to see if their powers should be extended to embrace capital funding issues, possible changes to decision-making powers, possible changes to constitutional arrangements and the need for guidance and advice.

2.4 A package of measures will be put forward during the early months of 2007 and the Department has stated it would also welcome the Committee’s views on this package.

2.5 It is impossible to know what the new funding arrangement will look like, though it is unlikely it will move radically away from the existing school-by-school allocation of resources. There is very great pressure on the Department to ensure that schools’ funding is “flat” from year to year. Any sharp redistribution of money produces gainers and losers—and only losing institutions react. The problem created by such pressure for stability is that it makes it difficult for the Government to shift resources towards schools with rapidly-increasing spending needs.

2.6 The possibility of a national funding formula for schools is not ruled out. The Committee’s predecessors argued for such a reform, though successive governments have resisted demands for a single national formula. But now there is a national allocation of resources for schools (the Dedicated Schools Grant) the logic of a single national formula is significantly greater than before.

2.7 There is a choice to be made between, on the one hand, broadly freezing per capita allocations where they are today and, on the other, allowing for possible redistributions of money between schools in different circumstances.

### 3. GERSHON AND PRODUCTIVITY

3.1 The Departmental Report states on page 96 that “some £875 million worth of efficiency gains have now been realised” in the period from 1 April 2005, though the DfES can “only report on some £578 million from 2005–06”. These totals are part of the £4.3 billion in annual efficiency gains to be delivered by 31 March 2008. Thus, even using the larger number, the Department appears to have delivered 20% of the required efficiencies within 33.3% of the time (ie in the first year).

3.2 Schools have never been directly approached about the delivery of Gershon savings. The Department is attributing savings to the schools sector on the basis of “grossing up” information about performance based on surveys. There is little information in the annual report about the use to which the efficiency savings have been put. Instead, there are descriptions of what is to be achieved in future. It would be interesting to know what items and services schools and other institutions have been able to purchase with the £875 million so far released for new uses.

3.3 Productivity is an issue the Committee has considered previously. In recent years, official measures of productivity in public services have been subject to significant attention. The Office for National Statistics (ONS) commissioned a major inquiry, undertaken by Sir Tony Atkinson, to improve the measurement of public service productivity. Subsequently, a UK Centre for the Measurement of Government Activity has been created to move forward work on productivity in services such as education.

3.4 In preparation for the Committee’s annual expenditure scrutiny, a letter was sent to the ONS asking for up-to-date and historic information about productivity in public sector education. To date, there has been no reply. It remains clear that establishing a credible statistical measure of productivity in British education has—and continues to prove—very difficult.

### 4. PRESENTATION OF THE DEPARTMENTAL REPORT

The Departmental Report is the DfES’s annual opportunity to explain its objectives and achievements. For some reason, the form and layout of the document is subject to regular change and re-presentation. A comparison of this year’s “Contents” page with that for last year (published as recently as October 2005) suggests a complete re-design and reform of contents. By contrast, the Department of Health (DH) has kept a very similar layout for at least the last three of its departmental reports.

Moreover, many of the key statistical tables have been changed, with a number of important tables dropped altogether. The removal of last year’s Table 12.3 (which had been included in the equivalent document for many years) showing education spending by central and local government by sector in real terms is a serious loss for those wishing to understand the overall nature of provision over time in England.

Tables have different starting points (1999–2000, 2000–01, 2001–02, 2003–04 or 2005–06) and there is no explanation of why so many different ones are used. The very first table in the volume is an organisational chart of officials, while the first chart shows the “Growth in Ofsted Registered Childcare Places”. The second chart looks at “England under 18 and under-16 conception rate”. While the subjects covered by these charts are important, it might be thought to be more logical to start a document of this kind with overall facts and figures about expenditure, inputs and outputs. The DH does precisely this.

The report also includes some curious uses of language. On page 8, for example, the Department lists “The Behaviours” it is seeking to promote. While there is nothing objectionable in the statements that follow, the use of English is perhaps unusual.

It would be interesting to know whom the Department imagines will use the Departmental Report and how they annually determine its content and lay-out. The Committee is not, it would appear, consulted about such matters.

June 2006

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#### Memorandum submitted by the Office for National Statistics

The National Statistician has asked me to reply to your letter of 26 May, asking about the measurement of education productivity, in my capacity as head of the UK Centre for the Measurement of Government Activity within the ONS.

In July 2005 the then National Statistician accepted the broad recommendations from the Atkinson Review Final Report *Measurement of Government Output and Productivity in the National Accounts* (published in January 2005). At the same time, the Office for National Statistics (ONS) created the UK Centre for Measurement of Government Activity (UKCeMGA) to take forward the programme of work.

ONS's current best estimate of Education productivity in the UK over the period 1995–2004 is contained in the Public Service Productivity Article on Education published in October 2005. While the article is published solely as an ONS document, it takes full account of DfES's latest work in developing better measures of Education output, published on 14 October.

Estimates of productivity back to 1992–93 are currently unavailable and estimates for 2005–06 will be published in the next productivity article which is anticipated sometime in 2007.

UKCeMGA is currently carrying forward a research program to investigate alternative methods for measuring Education inputs, the strands of work include improving the current expenditure input measure by employing more suitable deflators and possibly constructing a volume measure of Education Inputs which weights the expenditure figures (increase in labour costs) with the actual increase in the Education staff. This work has just started and is not possible at the moment to provide a time for estimates to be available.

The article published in October 2005 provides a snapshot of the productivity analysis to date. UKCeMGA are of course progressing this work, in collaboration with DfES. Productivity analysis is very complex and it is difficult for any estimate of productivity to fully capture all the outputs from education spending, but there are some obvious alternatives based on attainment output which are being considered.

UKCeMGA are taking this work forward by undertaking an extensive consultation programme on these various methodologies put forward by the UKCeMGA Productivity Article. These consultation exercises are necessary to ensure that experts—analysts and practitioners—are consulted in the delivery of the public services to try to establish a consensus on the methodology. Alongside the consultation exercise on Education Productivity, UKCeMGA will also be consulting on the key methodological issues which underpin productivity measurement more generally. This programme of consultation is likely to start in September 2006.

Measurement of the productivity of the public services is not simple and once the consultation period is complete there will be many issues to decide. The further step of including any changes for measurement of Education Inputs and outputs into the National Accounts, will need to be put through their own (ONS) rigorous procedures.

International comparisons of achievement can also be used to produce more meaningful comparisons of GDP (and its components) between countries. This requires co-operation between countries and facilitation by international organisations. UKCeMGA is working with a recently created Eurostat Task Force to take forward the necessary development work. One of the options being considered is to make greater use of the OECD's Programme for International Student Assessment (PISA), which aims to make international comparisons of pupil achievement. One issue worth considering is whether something similar might help us in measuring the UK's own performance over time.

June 2006

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**Supplementary memorandum submitted by Tony Travers, London School of Economics and Political Science**

1. EDUCATION SPENDING TRENDS, 1997–98 TO 2005–06

1.1 In a memorandum produced for the Committee in advance of David Bell's evidence session, I included a table that showed real terms spending on each phase of education in each year since 2000–01. This table was different from the one made available to the Committee in previous years because the 2006 *Departmental Report* had dropped the key all-education spending table that had been published in departmental reports. The omission of this table was particularly problematic for the Committee as it meant there was no simple presentation of real terms expenditure, showing different parts of the education system, current and capital, for the full period since 1997–98.

1.2 In response to a series of questions from the Chairman, the Department has now re-created the lost table, which is included in a DfES letter to the Committee.<sup>12</sup> Table A of the DfES document shows, for central and local government together, real terms spending on different parts of the education system for each year from 1997–98 to 2005–06. To make analysis easier, this information is also presented (as Table B) indexed to 1997–98.

1.3 It is now relatively easy to see where expenditure has risen fastest and slowest. Schools' capital has seen the largest real terms increases, while higher education support has fallen sharply. Under fives have received relatively larger increases in current spending than primary or secondary, while further education has had bigger increases than higher education. There has been significant overall real terms rise in education expenditure since 1997–98, though the Government has clearly given priority to some phases.

1.4 With the Committee's encouragement, there must be a good chance this key table will be included in next year's departmental report.

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<sup>12</sup> Ev 43–50

1.5 The Department has also, at the request of the Committee, re-presented figures for real terms spending per pupil/student to cover the whole period from 1997–98 to 2007–08. See “Extended Table 8.4”, “Extended Table 8.7” and “Extended Table 8.8” in the DfES’s response to the Chairman.<sup>13</sup>

1.6 It is clear the Department has had to work very hard to produce these consistent, longer-term, time-series. There are many notes and footnotes to qualify the tables, which suggest problems arising because of changes in responsibilities and other reforms to the structure, functions and finance of public provision. However, unless the Committee is presented with consistent and comprehensible numbers, it will be hard (if not impossible) for Parliament to fulfil its role of holding the Executive to account. This is an issue with wider implications for all select committees.

## 2. PRESENTATION OF THE DEPARTMENTAL REPORT

2.1 The Department has also attempted to explain why so much of the 2006 *Departmental Report* had been changed in comparison to those published in previous years. Content, lay-out, tables and much else had been altered compared with the 2005 report. The DfES states it “believes the changes, whilst not fundamental, have improved the clarity of the Departmental Report. They reflect the Department’s strong engagement with, and understanding of, its stakeholders”. However, “No outside institutions were formally consulted on the changes”.

2.2 The Committee, as the key user of the report, was not consulted. The Department has altered the chapter headings, lay-out and contents of the report in 2003, 2004, 2005 and 2006. Some of the contents are kept from one year to the next, but others are dropped. The regularity of change makes it virtually impossible to follow the thread of policy and funding. The previous section discussed the removal, in 2006, of the key expenditure table. Other items come and go as new initiatives wax and wane.

2.3 It would greatly assist the Committee if the Department could keep broadly the same lay-out and contents in its departmental reports from 2007 onwards. When changes are made, they should be explained. Key tables should be retained. Crucially, the Committee should be consulted on any major changes proposed.

## 3. THE INCREASING COMPLEXITY OF GOVERNMENT

3.1 The Secretary of State, in his covering letter to the Chairman, describes the questions posed to his Department as “rather complicated”. In reality, the questions were not, in themselves, complicated. They asked for comprehensible and consistent information to allow the Committee to be able to understand broad trends in public expenditure on education.

3.2 Government itself is now so complex that even the DfES finds it difficult to present tables and text that make such understanding possible. The key barriers to Parliamentary scrutiny are as follows:

- changes of responsibility from local to central government, eg, ring-fencing of schools’ spending;
- changes of responsibility from one phase of education to another, eg, transfer of Sixth Forms from schools to FE;
- new institutions set up to run services (possibly outside the public sector), eg, academies;
- new accounting rules, eg, the move to resource accounting;
- new Treasury guidance on lay-out of publications, eg, this year’s *Departmental Report*;
- PFI/PPP projects that blur the border between current and capital expenditure, eg, a part of schools’ capital programme;
- changes in the treatment of pensions, eg, FE from 2001–02; and
- different ways of measuring student numbers, eg, in HE in 2005–06.

3.3 There is a risk that public trust will be undermined if the DfES programme becomes so “complicated” that no one can understand what is happening to government expenditure over time.

July 2006

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### Memorandum submitted by the National Union of Students (NUS)

NUS is a voluntary membership organisation comprising a confederation of affiliated local student representative organisations in colleges and universities throughout the United Kingdom. The organisation has nearly 750 constituent members—virtually every college and university in the UK—and represents the interests of around five million students. It provides research, representation, campaign work, training and expert advice for individual students and students’ unions.

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<sup>13</sup> Ev 46–47

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## JUMPING THE GUN ON FEES?

In an interview with *The Sunday Times* on 14 March 2006, Alan Johnson MP stated that “students will learn to love top-up fees” and suggested that attitudes will swing in favour of top up fees by 2010 when the cap is due to be reviewed.

During the passage of the Higher Education Bill, Alan Johnson MP assured the House that the Government would appoint an independent commission, which would review the effect of top-up fees on the higher education system. In addition, the Government has frequently assured us that no decision on lifting the cap will be made until this independent commission has reported back to Parliament in 2009.

Despite the evidence not yet being in, the Secretary of State seems to have pre-empted the findings of this independent commission, and decided that students will welcome top-up fees. In fact, recent evidence indicates that individuals considering university are being negatively influenced by the introduction of fees and the fear of debt:

- *February 2006*. Figures from UCAS revealed that the number of people applying to university had fallen for the first time in six years. The figures showed an average 3.7% decrease in applications to English universities. Meanwhile, applications to Scottish and Welsh institutions—where they have not yet introduced top-up fees—have increased by 1.6% and 0.5% respectively.
- *June 2006*. A national study commissioned by the Universities Marketing Forum showed that 48% of teenagers considering going to university said that they were “very likely” or “quite likely” not to go because they could not afford the cost of living. Of the 2,225 sixth-formers questioned, nearly half (47%) said that an inability to afford the fees was very or quite likely to put them off pursuing a degree.
- *June 2006*. Target 10,000, an independent campaign group which aims to increase access to university, conducted a study based on a poll of state school students who had been predicted three B grades or above at A level. The study showed that of the 7,000 year 12 (lower sixth) students surveyed, 27% were less likely to go to university following the introduction of the £3,000 fees.
- *July 2006*. In the Guardian’s Grad Facts 2006 survey 34% of the final year undergraduates in the survey said they would not have gone into higher education with top-up fees as high as £3,000. It also suggested that low salary expectations, combined with the prospect of student loan repayments, mean most graduates fear they will be unable to buy a property within the first years after graduation, especially in London.

## QUESTIONS

- The Secretary of State recently suggested that “students will learn to love top-up fees.” On what evidence did he base that statement? Emerging reports indicate that top-up fees are putting young people off going to university. Would that make the Secretary of State retract his statement?
- Do the Secretary of State’s comments about top-up fees indicate that lifting the cap in 2009–10 is inevitable? Will he assure the Committee that he will not pre-empt the findings of the independent commission, and that no decision will be taken on the cap until the commission has reported to Parliament?

*July 2006*

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## Memorandum submitted by the University and College Union (UCU)

### INTRODUCTION

The University and College Union (UCU) represents further and higher education lecturers, managers, researchers and many academic-related staff such as librarians, administrators and computing professionals across the UK. The union was formed by the amalgamation of the Association of University Teachers and NATFHE—The University and College Lecturers’ Union on 1 June 2006.

The UCU is about to embark upon a major consultation exercise with our members about the future of research funding and assessment. We are keen to hear members’ views on wider issues such as the concentration of funding, the role of the research councils and the relationship between research and teaching, as well as their comments on metrics. However, in terms of the Government’s consultation exercise, we would like to focus on two main areas.

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## 1. WHAT IS DRIVING THE REVIEW OF RESEARCH ASSESSMENT IN THE DIRECTION OF METRICS?

The Government's answer is that it is intended to save universities and funders both "time and cost". However, the report from the Higher Education Policy Institute (HEPI) makes it clear that savings could be more easily made elsewhere, and indeed costs may be driven up by encouraging more unsuccessful grant applications. Like HEPI, we are particularly concerned about the potentially negative impact on longer-term "unfashionable" research and on research that doesn't chime with the interests of major research funders.

*Qn: Has there been a detailed "impact assessment" of the proposed shift to research income metrics?*

There is speculation that the real impulse behind this exercise is the need to demonstrate "value for money" to HM Treasury, and/or to provide an easy mechanism for the further concentration of research funding in a small number of universities. The UCU believes that the RAE has already led to an over-concentration of research funding in a small number of departments and institutions. In the last two decades the degree of concentration in UK university research funding has increased significantly. This contrasts with research funding in the US university system, where the trend has been in the opposite direction, and which is now less concentrated than its UK equivalent.<sup>14</sup>

*Qn: Do we really want to see further concentration of research funding in UK universities?*

Whilst the metrics under consideration might have been expected to produce an "RAE similar" outcome, in fact a very different league table has been thrown up in which a number of post-92 universities with small amounts of RAE-linked funding are clearly punching well above their weight in terms of attracting grant income.

*Qn: Is this the main aim of the review to redistribute funding to departments and universities that specialise in applied research?*

## 2. A FUNDAMENTAL REVIEW OF RESEARCH FUNDING AND ASSESSMENT

The Government is currently consulting the higher education sector over its reform proposals. Unfortunately, the consultation questions are narrowly focused on different forms of research income metrics. Although we welcome the inclusion of a final question on possible alternative forms of research assessment, we are sceptical about the open-ended nature of the current consultation exercise.

In fact, the UCU believes that the consultation on metrics is getting in the way of the broader debate about how we fund research and its relationship to other activities in higher education—particularly teaching and "third stream" activity such as knowledge transfer, local and regional collaboration and income generation. The current debate is based on premises we might want to question—the assumption that we fund past performance rather than potential and capacity building, the assumption that the economy is best served through concentrated centres of excellence, and the assumption that the benefits of stability outweigh the dangers of ossification.

Past debates in both the AUT and NATFHE have made clear that we want a system where multiple kinds of research, and related activity, are encouraged and funded, including speculative and long term research, user-focused, small scale applied research, collaborative and inter-disciplinary research and forms of scholarship that concentrate on creating synergy between research and teaching. If we want some evaluation of these activities—whether or not it then drives funding—then we need to explore the balance between capturing the full range of those things we want to recognise and value, yet doing so with minimum bureaucracy. Unfortunately, the Government's brief consultation document on research income metrics fails to deliver the type of broad-based discussion that is needed.

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<sup>14</sup> Higher Education Funding Council for England, Review of research (00/37), HEFCE: Bristol, 2000, Table G5, p 62.