



House of Commons

Children, Schools and Families
Committee

**Public Expenditure:
Government Response
to the Committee's
First Report of
Session 2008–09**

**Second Special Report of
Session 2008–09**

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The Children, Schools and Families Committee

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

Membership at time Special Report agreed

Mr Barry Sheerman MP (*Labour, Huddersfield*) (Chairman)
Annette Brooke MP (*Liberal Democrat, Mid Dorset & Poole North*)
Mr Douglas Carswell MP (*Conservative, Harwich*)
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Mr Andrew Pelling MP (*Independent, Croydon Central*)
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Mr Edward Timpson MP (*Conservative, Crewe & Nantwich*)
Derek Twigg MP (*Labour, Halton*)
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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/csf/

Committee staff

The current staff of the Committee are Kenneth Fox (Clerk), Sarah Thatcher, (Second Clerk), Emma Wisby (Committee Specialist), Judith Boyce (Committee Specialist), Jenny Nelson (Senior Committee Assistant), Kathryn Smith (Committee Assistant), and Jim Lawford (Committee Support Assistant).

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Second Special Report

On 7 January 2009 the Children, Schools and Families Committee published its First Report of Session 2008–09, *Public Expenditure* (HC 46).¹ The Government's response was received on 24 March 2009 and is published as Appendix 1 to this Report.

Appendix 1

Government's response to the First Report from the Children, Schools and Families Committee, Session 2008–09

The Select Committee's conclusions and recommendations are in bold text.

The Government's response is in plain text.

Some of the recommendations and responses have been grouped.

Expenditure trends and plans

1. The prospect for the services which are funded via the Department is that at best the funding provided from it will be much tighter than it is at present and that, come the next Spending Review, the likelihood is that, to put it no higher, the rate of growth in expenditure will be minimal. Those in charge of schools and children's services more widely need to be planning now for ways of coping with a much more austere future. (Paragraph 12)

The timing of the next Spending Review is yet to be announced, but we are liaising closely with local authorities and our delivery partners in considering the needs of the sector over the next few years.

2. Capital investment in education, particularly in Building Schools for the Future and in further education, has had a significant positive impact, and we are pleased to see the Government reaffirming its commitment to its capital plans, both from an educational perspective and for the wider economic benefits. (Paragraph 13)

3. For the avoidance of doubt, it would be helpful for the DCSF to make a clear statement about its view of the future of the BSF programme in response to this report. (Paragraph 14)

The Department remains committed to its aims for Building Schools for the Future to provide 21st century teaching and learning facilities for all secondary pupils and staff in England. This programme has wide support across government including from the Prime Minister, who emphasized its importance and the Government's commitment to keeping it properly funded and on track despite the economic climate, in his evidence to the Liaison Committee on 12 February. Departmental Ministers have clearly stated that reviews of the programme, including the Public Value Programme review, are not aimed at curtailing the

¹ First Report from the Children, Schools and Families Committee, Session 2008–09, *Public Expenditure*, HC 46.

programme, but rightly will ensure that taxpayers get value for money from this major investment.

DCSF Annual Report

4. If the Department for Children, Schools and Families is to continue with its Departmental Strategic Objectives, having information about expenditure on each objective is extremely useful, and we ask that it be included in the Departmental Annual Report from next year on. (Paragraph 22)

The Department has worked hard to align its expenditure with its Departmental Strategic Objectives, and will be presenting that information in an additional table in its Departmental Annual Report for 2009. That information will also be reflected in Table 8.3 which we have revised in order to allow the Committee to clearly understand how our expenditure delivers the objectives set out in Table 1. The new table is closely aligned to recognisable delivery units, but exact correlation, given the department's current organisational structure and our 'arms length' relationship with local authorities, will not be possible.

This is because of the way in which local authorities themselves are funded. Their funding partly flows from the Department of Communities and Local Government in the form of non-ring fenced Area Based Grants to which several government departments will have contributed; their activities are also funded through council tax revenues. They have the authority to flex funding so as to best meet the needs of the local community, and would find it very onerous to track exactly the source of funding for every expenditure decision.

5. There is an argument that in the Departmental Annual Report for each lead Department on a Public Service Agreement there should be clear financial information listing the amount of money each Department has committed to the objective in the previous financial year and that which it plans to spend in coming financial years. This is another issue which we will wish to discuss with the Department in advance of next year's Departmental Annual Report. It is also an issue which we shall ask the Treasury to examine. (Paragraph 25)

Although we will be able to apportion the Department's expenditure to our DSOs, it is more complicated for PSAs. We will be unable to apportion budgets and expenditure to each PSA target, particularly as more than one department contributes to each PSA. These difficulties were explored at a meeting with officials of the Committee.

6. There is no real accountability in a target that is set 12 years ahead, so staging points along the way are essential. Targets must also be allowed to stand until the point at which they are due to be met, otherwise the goalposts will be changing constantly. If the targets are set 10 or 12 years ahead, but are changed at every three-yearly spending review, no target will be attained or missed, but all will be superseded. (Paragraph 26)

The 2009 Departmental Report will include all of the Department's Public Service Agreement targets for 2011 (including those for any 2020 ambitions such as the levels of childhood obesity). A 2011 milestone for childhood obesity was included in the 2008 Autumn Performance Report and is "To meet the target ambition in the CSR period, the prevalence of obesity in 2- to 10-year-olds needs to be a maximum of 18.1% by 2011".

Deprivation funding

7. One of the DCSF's strategic objectives is to 'close the gap in educational achievement for children from disadvantaged backgrounds', and one of the main levers to try to achieve that is undoubtedly increased funding. We would also wish attention to be paid to authorities and schools with sharply rising needs arising from population increases. We will monitor the review process to see how the Government intends to address this perennial problem. (Paragraph 30)

We want all children to have an equal chance to reach their potential and succeed. Children from disadvantaged backgrounds are more likely to need extra support from their school to make that a reality, which is why the Government has made unprecedented investment in schools overall, and in particular ensures that areas and schools with higher numbers of deprived children receive significantly more funding.

The distribution of Dedicated Schools Grant (DSG) for local authorities already takes into account the relative disadvantage in each area, high area costs and sparsely populated areas. The uplift per deprived child is a significant proportion of the average unit of funding. In total about £3 billion of the DSG in 2008–09 was for deprivation.

To distribute these sums, local authorities are required by regulations to have a deprivation factor in their local school funding formulae. The Department is working with local authorities to ascertain how much of the funding delegated to authorities in recognition of their deprivation need is being used to support deprived pupils via their funding formulae. The result of this work will be to create a benchmark that we can use to work with local authorities to address how they target and use their deprivation funding. It also enables greater transparency in the use of the funding provided nationally for supporting deprived pupils. We will monitor the progress of local authorities on how they work towards achieving the Government's aim to target a minimum of 80% of their deprivation funding to support deprived pupils by 2010–11.

The Department is nearing completion of the compilation and analysis of the figures from local authorities for 2007–08, and we expect to publish these figures in March.

We have also sought to address the issue of authorities experiencing a sharp in-year rise in pupil numbers. Increases from one January to the next are already recognised, in that funding for a given financial year is based on pupil numbers in the preceding January census. But in recognition that some local authorities can experience a significant increase in pupil numbers between January and September, in 2008–09 we introduced an Exceptional Circumstances Grant (ECG). This is effectively a top-up to their DSG. The grant is triggered where there is a 2.5% or larger increase in pupil numbers in a local authority; or where their proportion of pupils with English as an Additional Language (EAL) increases by more than 2.5%. This year four authorities are eligible for ECG, receiving a total of £264,000.

The DSG Formula Review that was launched at the end of January 2008 has been looking at the elements that make up the national DSG formula. To assist the Department to develop our proposals, we have commissioned PricewaterhouseCoopers to conduct further research into four areas:

- funding for Additional Educational Needs (particularly looking at deprivation and low achievement);
- high cost pupils (including those with special educational needs);
- activity-led funding; and
- area cost issues.

This work commenced in early 2009 and the findings will inform our proposals for the new DSG formula. We have also established a DSG Formula Review Group with representation from central and local government, teaching associations, unions representing support staff and governors' organisations. Papers and minutes from the group are published on the TeacherNet website at:

<http://www.teachernet.gov.uk/dsgformulareview/>.

All stakeholders, including schools, have the opportunity to contribute to the review and a dedicated email address has been set up at

schoolfunding.dsgformulareview@dcsf.gsi.gov.uk.

Gershon targets

8. Presented in this way, the information [in the *2004 Spending Review: final report on the efficiency programme, on savings in education*] tells us almost nothing, and we will look for much more of the promised detail on the achievement of the Gershon targets in the 2009 Departmental Annual Report. (Paragraph 35)

The *2004 Spending Review: final report on the efficiency programme* published on 24 November as part of HM Treasury's Pre-Budget Report 2008 documents gave a summary of performance across Government for the Gershon efficiency targets. Against Education and Skills it reported efficiency savings at March 2008 of £4.46 billion against a target of £4.35 billion, and staff reductions of 2,208 at March 2008 against a target reduction of 1,960 posts during the period April 2004–April 2008.

Full details of the savings achieved for the Efficiency Target of the 2004 Spending Review are contained in Chapter 3 (pages 109–119) of the Autumn Performance Report 2008 published on 17 December 2008, after the Committee agreed its report. This later assessment showed that a revised annual efficiency gain of £4.57 billion had been achieved for 2007–08.

Any changes in the Autumn Performance Report assessments will be reported in the 2009 Departmental Report.

9. We ask the DCSF to provide us with more detail on the issues in relation to teaching assistants that the Public Value Programme is examining, and what the potential outcomes might be. We also ask the Department to provide further information about what aspects of Building Schools for the Future will be reviewed under the Public Value Programme. One concern is that BSF contracts at the local level are not transparent,

and we ask that greater transparency is one of the issue that the review addresses. (Paragraph 38)

The Public Value Programme (PVP) review of Teaching Assistants is still in progress and it is too early to say what the outcomes might be. Investment in Teaching Assistants has increased significantly over the last five years to £1.7 billion a year, reflecting their status as a key part of the school infrastructure. Teaching Assistants can make a significant contribution to the success of schools and the development of children inside and outside the classroom. They want to make a difference to the life chances of children and the review is looking at how their contribution can be maximised.

In the course of this project, we have assembled a wide range of information and front line views but we need to develop further the evidence base before we can make progress. We need to ensure that the review is underpinned by reliable and robust data, and we are taking care to do just that.

The PVP review of Building Schools for the Future (BSF) has considered a range of information, which includes the needs of schools not in BSF, the impact of changing key programme assumptions, literature reviews of the impact of schools investment on educational outcomes, and the balance between strategic and non strategic funding. The review along with the findings from the National Audit Office and the Major Project Review Group (MPRG) study of BSF will inform Ministerial decisions on the future roll out of the BSF programme. The MPRG is a scrutiny panel for major central government projects, sponsored by HM Treasury. The responses to the BSF consultation, findings of the taskforce on zero carbon schools and analysis of revised expressions of interest and affordability work will also help inform Ministerial decision.

The Department plans to announce the revised prioritisation of the BSF programme shortly based on the revised expression of interest provided by local authorities in November 2008.

Partnerships for Schools (PFS) recognises the importance of a transparent and effective partnership between local authorities and schools in creating and achieving a shared vision. The Sorrell Foundation has been commissioned to work with schools and local authorities to position students as the client. Likewise, the National College for School Leadership (NCSL) leadership programme is offered to all schools and local authorities, with the aim of providing timely advice to school leaders, enabling them to plan their input to the BSF process at appropriate points to achieve maximum impact.

PFS produce a suite of documents which describe how local authorities should engage with schools throughout their BSF project, including School Strategy for Change Guidance; Change Management Guidance, and Consultation Guidance. Entry to the BSF programme is conditional upon a local authority being able to demonstrate that it has fully consulted with schools on its BSF investment plans.

Productivity

10. We recommend that the Department undertakes more wide-ranging cost-benefit analyses and puts them in the public domain through the Departmental Annual Report. We also recommend that when the Department makes cost-benefit analyses of

specific sectors those too should be made public in order to provide the best informed debate possible about the effectiveness of expenditure on education and related services. (Paragraph 42)

Although we agree with the principle that Cost Benefit Analyses should be carried out and made readily available, we do not agree that the Departmental Annual Report is the best place for this. The Department is committed to carrying out, and publishing, cost benefit analysis reviews where appropriate and all our research reports are published and available through our website. These include a range of evidence on the effectiveness of our policies, and in some cases cost effectiveness and cost-benefit analysis. All this evidence is actively brought to bear on the department's policy and strategy development.

Undertaking robust cost benefit analyses on the Department's policies is often challenging for a wide variety of reasons. Two key challenges are first: many factors other than Departmental policies contribute to our policy objectives and isolating the contribution of our policies is very difficult. Second, our policies deliver a wide range of outcomes—from better-educated children to improved child safety—and since we do not have the means of converting different outcomes into a common denominator such as into monetary values, it can be difficult to compare value for money between policies producing different outcomes. The Department will continue to look at ways of overcoming these—and other obstacles—as well as employing techniques of cost-effectiveness and break-even analysis where full Cost Benefit Analysis is impractical.

Ensuring value for money (VFM) when implementing policies is a priority for the Department. We carry out and publish Impact Assessments whenever we develop and implement a policy that is likely to create a burden on the public, private, or third sectors. These Impact Assessments are subject to a rigorous internal clearance process, ensuring that the economic case is assessed by the Chief Economist. Impact Assessments are an important tool in enabling us to weigh and present the evidence on the likely effects of our policies.

In addition to work on the value for money of individual policies and programmes, the UK is a world leader in measuring the overall productivity of education. It is a complex issue but we have already made much progress in developing better measures of education output and productivity for use in national accounting, working closely with the Office for National Statistics.