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Capital funding for schools

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to the report*

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The Committee of Public Accounts

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Summary

The system for funding new schools and new places in existing schools is increasingly incoherent and too often poor value for money. The Department for Education (the Department) is spending well over the odds in its bid to create 500 more free schools while other schools are in poor condition. Many free schools are in inadequate premises, including many without on-site playgrounds or sports facilities. The Department believes it is acceptable to appropriate community facilities and parks for routine school use. Add to this that local authorities are legally responsible for ensuring that there are enough school places for all children to attend good schools, even though they have no direct control of free school or academy places or admissions policies. All this made us question how much of a grip the Department really has in providing school places where they are needed. Having enough school places in safe, high-quality buildings in the areas where places are needed is a crucial part of an effective education system. Without this, parents may have less choice, pupils may have inconvenient journeys to school and the learning environment may be less effective, putting educational outcomes at risk.

The Department provides capital funding, totalling £4.5 billion in 2015–16, to maintain and improve the quality and capacity of the school estate. It faces significant challenges over the next few years in this regard. Many school buildings are old and in poor condition, and the condition of the estate is deteriorating. Poorly maintained buildings can affect the quality of children's education, and in extreme cases schools may have to close while buildings are made safe. In addition, a further 420,000 new school places will need to be created by 2021 to cater for the growing school-age population. Some of these places will be in new free schools.

We are concerned that there is a tension between setting up new free schools and supporting existing schools. Free schools are helping to meet the need for new school places in some areas but are also creating spare capacity elsewhere. Some localities have spare capacity of over 20%, which has financial implications—schools with unfilled places have less income than if they were full because funding is linked to the number of pupils. In the context of severe financial constraints it is vital that the Department uses its funding in a more coherent and cost-effective way. The Department indicated that its priority is to meet the Government's target of creating 500 more free schools by 2020, but we remain to be convinced that this represents the best use of the limited funds available.

Introduction

In England there are around 21,200 schools, educating 7.9 million pupils aged between four and 19. Local authorities are legally responsible for ensuring that there are enough places for all children to attend good schools. The Department for Education (the Department) allocates capital funding and oversees the provision of school places. In 2015–16 it provided £4.5 billion, around half to create places in new or existing schools and half to maintain and improve school buildings. The Department also uses capital funding to support its wider reform agenda, by opening new schools as part of the expanding Free Schools Programme, which aims to increase choice, encourage innovation and promote competition, and thereby raise educational standards. The Department expects to open 883 free schools by 2020—this total includes the 500 free schools that the Government promised in 2015. The Government has committed to provide funding for a further 110 free schools beyond 2020. There is no automatic link between a new school being granted permission to open and the need for a new school in an area.

The Department sets the policy and statutory framework for spending capital funding and is accountable for securing value for money from this funding. The Education Funding Agency is responsible for implementing the Department's capital policy, in some cases directly and in other cases through local authorities, academy trusts or individual schools.

Conclusions and recommendations

1. **We are not convinced that the Department for Education is using its funding in the most coherent and cost-effective way to provide the right number of school places in the right areas at the right time.** Between 2010 and 2015, the Department for Education (the Department) and local authorities created 600,000 new school places at a cost of £7.5 billion, mostly in good or outstanding schools. A further 420,000 places will be needed between 2016 and 2021, and there will be more emphasis on secondary schools where places are more costly and complicated to provide. There is pressure on school places in some local areas, with large amounts of spare capacity elsewhere. Some local planning areas have fewer than 2% of their places unfilled (the level that the Department funds, to allow a margin for operational flexibility), while others have spare capacity of over 20%. Spare capacity can have an impact on the financial sustainability of schools as a school's funding is linked to the number of pupils it has. The Department could not explain to us how it would judge whether an area has too many places or its plan to make sure that places are being created in the right areas. It said that it would expect local authorities to take action if there was too much spare capacity, even though local authorities have no control over the opening of free schools or the number of places in academies or free schools in their area. While the Department is spending significant funds in creating 500 more free schools, even in areas with no shortage of places, existing schools struggle to live within their budgets and carry out routine maintenance.

Recommendation: *The Department should demonstrate to us how it will work effectively with local authorities to understand local demand for school places. It should also define more clearly the range of surplus places that local authorities should seek to maintain, how the Department will fund these, and the circumstances where higher or lower levels of spare capacity would be tolerated.*

2. **It is not clear precisely what the Department means when it says it aims to provide parents with choice and whether it is creating choice fairly and cost-effectively.** Free schools are helping to meet the need for new school places but are also creating spare capacity. The Department estimates that 57,500 of the 113,500 new places in mainstream free schools opening between 2015 and 2021 will create spare capacity in the surrounding area. It is not clear how much spare capacity is needed to provide parents with meaningful choice or how choice is being provided in those parts of the country that need it most. This is particularly important because free school places are more expensive—on average a place in a secondary free school costs 51% more than places provided by local authorities and a place in a primary free school costs 33% more. The higher cost is mainly because free schools tend to involve the purchase of land. In addition, the Department does not yet know whether the greater choice and competition created by free schools is improving educational standards.

Recommendation: *For each successful application, the Department should quantify and publish the extent to which the proposed free school aims to meet local needs for new school places, greater parental choice and improved educational standards. The Department should also set out how it weighs up the costs and benefits of choice in assessing applications, and how it makes sure that it creates choice in a cost-effective and fair way across the country.*

3. **On average, the Department has paid nearly 20% more for land for free schools than official valuations.** The Department often buys sites for free schools but land is often scarce and costly in the areas where new schools are wanted, especially in London. The Department spent £863 million on 175 sites for free schools between 2011 and 2016. The average cost of these sites was £4.9 million, but 24 sites cost more than £10 million each, including four that cost more than £30 million. Landowners are able to push up prices in the knowledge that the Department has few, if any, sites to choose from. The Department is in a weak negotiating position and commonly pays well in excess of the official valuation. On average it has paid 19% over the official valuation, with 20 sites costing over 60% more. The Department said this was because the official valuation for each site was based on past deals for similar premises and on the site's existing use, and did not equate to the true market value. It expects to spend a further £2.5 billion on land from 2016 to 2022, putting it in the same spending bracket as the top five homebuilders in the UK. To help manage these land purchases more effectively the Department has set up a company called LocatED. It expects the company will be able to attract staff with specialist property expertise by paying them at a higher rate than civil service rates.

Recommendation: *By the end of December 2017, the Department should set out how it will assess the performance of LocatED, including whether it is able to recruit and retain staff with the specialist skills it requires and the metrics it will use to judge whether LocatED is securing value for money in acquiring sites for free schools.*

4. **The current arrangements mean that housing developers may not be paying their fair share towards the cost of school places.** Local authorities rely on contributions from housing developers, who have to help fund the cost of school places for children living in new housing developments. Local authorities were expected to spend £174 million in 2015–16 on school places using 'section 106 contributions' from developers. In April 2015 the Department for Communities and Local Government introduced a restriction on the number of section 106 contributions that can be pooled towards a single infrastructure project like a school. The way that the new arrangements work is reducing the amounts that local authorities receive from developers. The Department told us that government departments are discussing the question of pooling contributions and that it expects the Department for Communities and Local Government to make a policy statement in summer 2017.

Recommendation: *The Department for Education should work with the Department for Communities and Local Government to crack down on loopholes that may allow some developers to contribute less than they should to the cost of new school places.*

5. **The Department still does not know enough about the state of the school estate, meaning that it cannot make well-informed decisions about how best to use its limited resources.** The Department now has a better understanding of the condition of school buildings after completing a survey of the estate in 2014. This property data survey estimated that it would cost £6.7 billion to return all school buildings to satisfactory or better condition, and a further £7.1 billion to bring parts of school buildings from satisfactory to good condition. Much of the school estate is over 40 years old, with 60% built before 1976. The Department estimates that the cost of

dealing with major defects will double between 2015–16 and 2020–21, even with current levels of investment, as many buildings near the end of their useful lives. The property data survey did not assess the safety or suitability of school buildings or the extent of asbestos. Over 80% of schools responding to a separate survey by the Department had asbestos, with 19% reporting that they were not complying with asbestos management guidance. However, only a quarter of schools responded to the survey, meaning that the Department does not have a complete picture. The Department estimates that it would cost at least £100 billion to replace the entire school estate which it believes would be the only way to eradicate asbestos from school buildings. The Department is undertaking a second property data survey but, until this is complete, it cannot assess reliably how the school estate is changing and does not know the extent to which its funding is helping to improve the condition of school buildings.

Recommendation: *The Department should set out a plan by December 2017 for how it will fill gaps in its knowledge about the school estate in areas not covered by the property data survey. Specifically it needs to understand the prevalence, condition and management of asbestos, and know more about the general suitability and safety of school buildings.*

6. **There is insufficient focus on routine maintenance to keep school buildings in good condition and prevent more costly problems in the future.** The Department uses its capital funding to address urgent needs, rather than to undertake preventative work, and prioritises repairing, refurbishing or rebuilding schools in the worst condition. Meanwhile, schools have to meet the cost of preventative maintenance and repairing smaller defects from their revenue budgets. Revenue budgets are under significant and increasing pressure, with schools needing to make efficiency savings of £8 billion per year by 2019–20, on which we recently published a separate report. This all means that school leaders may not be incentivised or able to maintain their buildings and prevent more costly damage from deterioration. The Department has had limited mechanisms and a lack of information to hold local authorities and academy trusts to account for the state of their school buildings.

Recommendation: *The Department should use information, including from the property data survey, to develop a robust approach for holding local authorities and academy trusts to account for maintaining their school buildings, including how it will intervene if they are not doing so effectively. It should also assess whether schools can afford the level of maintenance necessary given the real-terms reductions in funding per pupil.*

7. **The Department does not know enough about the quality and suitability of new school buildings, provided under the Priority School Building Programme and the Free Schools Programme, to demonstrate value for money.** The Department funds new school buildings through two central programmes—the Priority School Building Programme (PSBP) and the Free Schools Programme. So far, the PSBP has delivered 178 new schools, although it took a long time for the programme to get started. Some schools were left to deteriorate when the Government cancelled the previous programme, Building Schools for the Future, and had to wait a long time for their new buildings. PSBP schools appear to be one-third cheaper per square metre than Building Schools for the Future schools, but the comparison is not on a

like-for-like basis. For example, some costs have been shunted to local authorities who may pay for access roads, security and new furniture. This approach may not be sustainable given the pressure on local authorities' budgets. PSBP schools are based on standard designs and may not meet schools' needs in full. They are smaller than Building Schools for the Future schools with less communal space. We were concerned about the evidence provided of schools built without adequate on-site outdoor space and that the Department defended this as an acceptable compromise. In our view setting up new primary schools without a playground or secondary schools without sports facilities is storing up problems for the future and limits the effectiveness of schools to deliver the full curriculum. In addition, when the Department opens free schools it sometimes uses properties that were previously used for other purposes, such as office accommodation and police stations. It does this when suitable land is in short supply, and 233 free schools have opened in temporary accommodation for the same reason. The Department has not fully evaluated the quality and suitability of new PSPB and free school buildings after they have opened.

Recommendations:

The Department should report back to us by the end of December 2017 on the quality and suitability of new school buildings provided under the Priority School Building Programme and Free Schools Programme, including the temporary accommodation that is being used for some free schools.

The Department should review its criteria for new schools and consider setting tougher standards for facilities so that these schools stand the test of time. Value for money in educating children needs to be measured in a longer timescale. The fact that the Department is frequently paying over the odds for sites and at the same time building schools without the full suite of facilities concerns us.

1 School places and free schools

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Education (the Department) and the Education Funding Agency (the Agency) on capital funding for schools.¹ The Agency is an executive agency of the Department. We also took evidence from the Chairman of the Education and Building Development Officers' Group (EBDOG) and the former and acting head teachers of Hetton School, a secondary school in Sunderland.

2. There are about 21,200 state-funded schools in England, educating 7.9 million pupils aged between four and 19. The school estate comprises an estimated 62 million square metres of internal floor space. The Department provided £4.5 billion of capital funding for schools in 2015–16. Its aims are to improve the condition of existing school buildings and to provide more school places, both to meet demand and to increase choice. An increasing amount of funding is being channelled through the Free Schools Programme. The Government has committed to open 500 more free schools between 2015 and 2020, with the aim of increasing choice and raising educational standards.² It has also announced funding for a further 110 free schools beyond 2020.³

3. The Department is responsible for setting the policy and statutory framework for capital funding and securing value for money from this funding. The Agency is responsible for implementing the Department's policy, in some cases directly and in other cases through local authorities, academy trusts or individual schools. Local authorities are legally responsible for ensuring that there are enough school places for all children in their area. Academy trusts and local authorities are responsible for making sure that their school buildings are well maintained.⁴

Meeting the demand for places

4. Between 2010 and 2015, the Department and local authorities created 599,000 new school places at a cost of £7.5 billion, mostly in good or outstanding schools. The school age population is continuing to grow and the Department has calculated that a further 420,000 school places will be needed between 2016 and 2021, 232,000 in primary schools and 189,000 in secondary schools. Places in secondary schools are more costly and complicated to provide as they require specialised facilities such as science laboratories.⁵

5. School places are not spread evenly across the country—there is pressure on places in some areas, with large amounts of spare capacity elsewhere. In 2015 some local planning areas had fewer than 2% of their places unfilled (the level that the Department funds to allow a margin for operational flexibility), while others had spare capacity of over 20%.⁶ Spare capacity may have an impact on the financial sustainability of schools because the amount of funding they receive is dependent on how many pupils they have.⁷

1 C&AG's Report, *Capital funding for schools*, Session 2016–17, HC 1014, 22 February 2017

2 C&AG's Report, paras 1–3, 1.24

3 HM Treasury, *Spring Budget 2017*, HC 1025, 8 March 2017, para 4.14

4 C&AG's Report, paras 4, 5, Figure 1

5 C&AG's Report, paras 1.3, 1.5–1.7, 1.14, 1.15

6 C&AG's Report, para 1.9, Figure 5

7 Q108

6. We asked the Department to explain in what circumstances spare capacity would become a problem. It told us that, in some cases, spare places did not affect schools' financial sustainability because they had no cost to the school.⁸ The Department also explained that what was an appropriate amount of spare capacity varied from one area to another so it would be necessary to have a detailed conversation with individual local authorities to understand their approach. It would expect local authorities to take action if high levels of spare capacity continued over a long period. The Department said that it was not currently focusing on challenging high levels of spare capacity because the school age population was still increasing. Its priority was to make sure that it met this need without spending money unnecessarily on surplus places. Over time, however, it expected it would increasingly focus on reducing spare capacity.⁹

7. The Department said that its formula for distributing capital funding to local authorities was based on their forecast level of need and local authorities were responsible for spending this money well.¹⁰ However, we note that an increasing proportion of capital funding is being spent on creating places in free schools.¹¹

Free schools and choice

8. Free schools are independent of local authority control and can open only when an organisation applies to set one up.¹² The Department told us that it is increasingly working to make sure that free schools are in the areas where they are most needed.¹³ However, free schools can be created in places where extra school places are not required—the Department estimates that 57,500 of the 113,500 new places in mainstream free schools opening between 2015 and 2021 will create spare capacity in their local area. It highlighted that it was creating these places to provide parents with additional choice, thereby fulfilling the Government's manifesto commitment.¹⁴

9. We are aware that parents have much greater choice about where to send their children to schools in some local areas than others.¹⁵ The Department could not quantify the amount of spare capacity needed to provide parents with meaningful choice, and told us that this would depend on local circumstances. It explained that it approved free schools with the objective of improving choice where the standards of existing schools in the area were not high enough or where there was evidence of demand from parents. However, from what we heard, the Department does not seem to systematically identify and then target areas of the country where choice is currently poor.¹⁶

8 Q128

9 Qq125–129

10 Qq102, 108

11 [C&AG's Report](#), Figure 7

12 [C&AG's Report](#), paras 1.15, 1.25

13 Qq110, 181

14 Qq10, 109; [C&AG's Report](#), para 1.25

15 Qq113, 114

16 Qq130–133; [C&AG's Report](#), para 1.25

10. The Department expects free schools to improve educational standards by increasing competition between schools for pupils and funding. It does not yet know whether this is happening.¹⁷ The Department told us that it was pleased with the proportion of free schools that have been assessed as good or outstanding and that it expected to be able to evaluate the extent to which free schools improve attainment in three to four years time.¹⁸

11. Free school places are more expensive than places provided by local authorities—on average a place in a secondary free school opening in 2013–14 or 2014–15 cost 51% more, while a place in a primary free school cost 33% more. The higher cost is mainly because free schools tend to involve the purchase of land.¹⁹

Sites for free schools

12. Where local authorities are unable to provide land for free schools, the Department purchases sites itself. It spent £863 million on 175 sites for free schools between 2011 and 2016. Schools are often needed in areas where land is scarce and in demand for housing. For example, nearly three-quarters of the amount that the Department has spent was for sites in London.²⁰

13. The average cost of free school sites bought by the Department was £4.9 million, but 24 sites cost more than £10 million each, including four that cost more than £30 million.²¹ The Department commonly pays well in excess of official valuations.²² On average it has paid 19% over the official valuation, with 20 sites costing over 60% more. The Department said this was because the official valuations for each site were based on past deals for similar premises and on the site's existing use, and did not equate to the true market value.²³ It highlighted that HM Treasury reviewed, after the event, a sample of purchases made at 20% or more above the official valuation, and prior approval from HM Treasury was needed for purchases made at 60% or more above the official valuation. The Department said that it believed that it had not made any land purchases that represented poor value for money. It added that it would walk away from a site if it thought it was too expensive.²⁴

14. The Department expects to spend £2.5 billion on land from 2016 to 2022, putting it in the same spending bracket as the top five homebuilders in the UK.²⁵ It highlighted that it would need more skills and capacity to handle the increased volume of site purchases. The Department had therefore set up a company (called LocatED) to help manage these transactions more effectively.²⁶ It expected the company would be able to attract more staff with professional property expertise because it would offer standard industry rates, rather than civil service rates.²⁷ It told us that it would be setting LocatED challenging targets to make sure sites were delivered quickly and cost-effectively.²⁸

17 Q11; [C&AG's Report](#), para 1.26–1.27

18 Q117

19 Qq175–183; [C&AG's Report](#), para 3.14

20 [C&AG's Report](#), paras 3.17, 3.19

21 [C&AG's Report](#), para 3.19

22 Qq166, 167

23 Qq160, 164–170; [C&AG's Report](#), para 3.20

24 Qq161, 167

25 [C&AG's Report](#), para 3.19

26 Q165; [C&AG's Report](#), para 3.20

27 Qq170, 196; [C&AG's Report](#), para 3.20

28 Q170, 198

15. To help with the shortage of sites for free schools, the Department sometimes uses buildings previously used for other purposes such as offices, industrial sites or police stations. It has not yet fully evaluated how these buildings are working in practice.²⁹ The Department told us that school sites have to meet minimum standards but it was difficult to find sites with large playing fields in some localities. It said that it would not be acceptable to have a school without access to play facilities of some kind. Ideally these would be on the school site but this was not always possible, particularly in London. Many schools were using local park facilities or amenities such as climbing walls in community facilities.³⁰

16. When permanent sites are not available, the Department allows free schools to open in temporary accommodation—233 free schools were based in temporary premises when they opened.³¹ The Department told us that this added to the cost of the programme but there was little difference in the educational quality of schools in temporary and permanent accommodation. We asked about the significant uncertainty that temporary premises can create for pupils, parents and schools themselves. The Department's view was that it was preferable for schools to open in temporary accommodation if the alternative was that they were delayed or did not open at all.³²

Contributions from housing developers

17. Local authorities rely on contributions from housing developers to help fund the cost of school places for children living in new housing developments. In 2015–16 local authorities expected to spend £174 million on school places using 'section 106 contributions' from developers.³³ The Chairman of EBDOG told us that new regulations, introduced by the Department for Communities and Local Government in April 2015, would reduce local authorities' opportunities to collect this money.³⁴ These regulations restrict the number of contributions local authorities can pool towards a single infrastructure project like a school, and 37% of local authorities responding to the National Audit Office's survey said that the restrictions were a major constraint on providing additional school places.³⁵

18. We asked the Department what it was doing to ensure that housing developers are contributing their fair share to the cost of providing new school places. The Department told us that it had a common interest with local authorities to make progress on addressing the issue, and that government departments were discussing the question of pooling contributions. It added that it expected the Department for Communities and Local Government to make a policy statement in summer 2017.³⁶

29 Qq141, 198; [C&AG's Report](#), para 3.18

30 Qq152–157

31 [C&AG's Report](#), para 3.21

32 Qq134–145; [C&AG's Report](#), para 3.21

33 [C&AG's Report](#), para 1.23

34 Q28

35 [C&AG's Report](#), para 1.23

36 Qq118–120

2 Condition of school buildings

The state of the estate

19. Between 2012 and 2014 the Department for Education (the Department) carried out a property data survey to examine the condition of school buildings. Based on the survey, the Department estimated that it would cost £6.7 billion to return all school buildings to satisfactory or better condition, and a further £7.1 billion to bring parts of school buildings from satisfactory to good condition.³⁷ Common defects include problems with electrics and external walls, windows and doors. The survey was limited to assessing the condition of buildings and did not assess their safety or suitability.³⁸

20. Some 60% of the school estate was built before 1976.³⁹ The Chairman of EBDOG noted that “system” buildings (a method of construction that uses prefabricated components) from this period were definitely coming to the end of their useful lives.⁴⁰ The Department said that it had some concerns about these types of school buildings and so had started “destructive testing” as it knocked down buildings to assess how much life similar buildings had left.⁴¹ It expects that the cost of dealing with major defects will double between 2015–16 and 2020–21, even with current levels of investment, as many buildings near the end of their useful lives.⁴² The Chairman of EBDOG illustrated the scale of the challenge by telling us that his own local authority, Hampshire, needed £370 million to repair its school buildings but received only £18 million from the Department each year.⁴³

21. The former head teacher of Hetton School described the impact of asbestos ceiling tiles at his school. He said that, before the school building was replaced, there were two or three occasions when the school had to be closed and students had to receive “defumigation treatment” following exposure to asbestos dust.⁴⁴ The Department told us that it hoped this type of unsafely maintained asbestos was “reasonably unique” but offered little assurance that this was the case. Its property data survey did not assess the extent of asbestos in school buildings.⁴⁵ The Department explained that it had separately asked schools to complete a voluntary questionnaire about asbestos in their buildings. However, just one in four schools had responded, of which 83% reported that they had asbestos. The Department told us that it had had serious concerns about 2% of schools, which it had subsequently followed up. It estimated that it would cost at least £100 billion to replace the entire school estate, which it believed would be the only way to eradicate asbestos from school buildings completely.⁴⁶

37 Qq47, 49; [C&AG’s Report](#), paras 2.3–2.4

38 Q50

39 Q61; [C&AG’s Report](#), para 2.1

40 Q18; [Peter Colenutt \(EBDOG\)](#) (CFS 07) page 3

41 Q63

42 [C&AG’s Report](#), para 2.10

43 Qq19–21

44 Qq1, 2

45 Qq50–58; [C&AG’s Report](#), para 2.3

46 Qq53–54; Education Funding Agency, [Asbestos Management in Schools](#), February 2017

22. The Department told us that it was undertaking a second property data survey. This would be more detailed than the first survey and would gather more data about asbestos in the school estate.⁴⁷ Until this work is complete, the Department will not be able to assess reliably how the school estate is changing and will not know the extent to which its funding is helping to improve the condition of school buildings.⁴⁸

Maintenance

23. The Department's capital funding to improve the condition of the school estate will average approximately £2 billion between 2013–14 and 2020–21.⁴⁹ It explained what it expected capital funding to be used for by describing four different kinds of building maintenance. The first is planned and preventative work, such as servicing a boiler or painting windows. The second is repair work to fix something that is broken. The third is compliance maintenance, such as electrical testing. And the fourth is capital replacement, which might involve a whole building or a major component such as a new boiler. The Department noted that it expected schools to cover the first three categories of maintenance from their revenue budgets.⁵⁰ As we reported recently, however, these budgets are under increasing pressure with schools needing to make efficiency savings of £3 billion per year by 2019–20.⁵¹ The National Association of Head Teachers told us that the funding position was having a real impact on schools' ability to maintain the school estate.⁵²

24. In addition, school leaders may not be incentivised to maintain their buildings as the Department prioritises buildings in the worst condition in allocating its capital funding. The Department acknowledged that there are currently limited mechanisms and a lack of information to hold local authorities and academy trusts to account for the state of their school buildings. It explained that its second property data survey of the school estate should provide information to help it hold local authorities and academy trusts to account. It also told us that it was laying the foundations of a stronger accountability system by publishing guidance explaining how school buildings should be maintained.⁵³

Building new schools

25. The Priority School Building Programme (PSBP) is run centrally by the Department and aims to replace school buildings in the worst condition. By February 2017, the first phase of the programme had delivered 178 of 261 new schools.⁵⁴ The Department told us that, from the point at which individual projects were announced, PSBP built schools more quickly than its predecessor programme, Building Schools for the Future. However, it accepted that, from a schools' perspective, the programme had "not been quick". Schools in poor condition that were expected to be replaced under Building Schools for the Future had to wait for their new buildings, during which time their condition continued to deteriorate.⁵⁵

47 Qq53, 59

48 Q64

49 [C&AG's Report](#), para 2.11

50 Qq72–75; [C&AG's Report](#), para 2.22

51 Q72; Committee of Public Accounts, Forty-ninth Report of Session 2016–17, [Financial sustainability of schools](#), HC 890, para 5

52 [National Association of Head Teachers](#) (CFS 02) page 3

53 Qq59, 60, 75

54 [C&AG's Report](#), paras 2.13, 3.7

55 Qq81–86; [C&AG's Report](#), para 2.13

26. PSBP schools are based on standard designs and may not meet schools' needs in full. They are typically smaller than Building Schools for the Future schools (15% smaller for a secondary school and 6% smaller for a primary school) with less communal space. The Department has not yet evaluated the performance of PSBP buildings.⁵⁶

27. On average, PSBP schools are one-third cheaper per square metre than Building Schools for the Future schools. The Department has reduced costs by simplifying designs and taking advantage of economies of scale. However, we heard that it has also moved some costs to local authorities and to schools, who may now have to pay for access routes, security, computer equipment and new furniture themselves.⁵⁷ For example, the former and acting head teachers of Hetton School told us that the new building came networked and cabled but with nothing in it. The local authority had stepped in to help fund additional items and the school itself was also covering some costs. The Department told us that it did not fund new furniture and computer equipment to avoid wasting existing equipment that was still useable.⁵⁸

56 [C&AG's Report](#), paras 3.8, 3.11

57 Qq13–17; [C&AG's Report](#), para 3.8

58 Q77

Formal Minutes

Monday 24 April 2017

Members present:

Meg Hillier, in the Chair

Mr Richard Bacon	Anne Marie Morris
Charlie Elphicke	Bridget Phillipson
Kwasi Kwarteng	Karin Smyth
Nigel Mills	

Draft Report (*Capital funding for schools*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Fifty-seventh of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[The Committee adjourned.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 13 March 2017

Question number

Peter Colenutt, Chairman, the Education Building and Development Officers' Group (EBDOG), **Phil Keay**, Former Headteacher, Hetton School, Sunderland, and **Craig Knowles**, Acting Headteacher, Hetton School

[Q1–46](#)

Mike Green, Director of Capital, Education Funding Agency, **Peter Lauener**, Chief Executive, Education Funding Agency, and **Jonathan Slater**, Permanent Secretary, Department for Education

[Q47–203](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

CFS numbers are generated by the evidence processing system and so may not be complete.

- 1 Association of Colleges (CFS0008)
- 2 Association of Teachers & Lecturers (CFS0003)
- 3 London Councils (CFS0005)
- 4 NAHT (CFS0002)
- 5 New Schools Network (CFS0006)
- 6 Peter Colenutt (EBDOG) (CFS0007)

List of Reports from the Committee during the current session

All publications from the Committee are available on the publications page of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2016–17

First Report	Efficiency in the criminal justice system	HC 72 (Cm 9351)
Second Report	Personal budgets in social care	HC 74 (Cm 9351)
Third Report	Training new teachers	HC 73 (Cm 9351)
Fourth Report	Entitlement to free early education and childcare	HC 224 (Cm 9351)
Fifth Report	Capital investment in science projects	HC 126 (Cm 9351)
Sixth Report	Cities and local growth	HC 296 (Cm 9351)
Seventh Report	Confiscations orders: progress review	HC 124 (Cm 9351)
Eighth Report	BBC critical projects	HC 75 (Cm 9351)
Ninth Report	Service Family Accommodation	HC 77 (Cm 9351)
Tenth Report	NHS specialised services	HC 387 (Cm 9351)
Eleventh Report	Household energy efficiency measures	HC 125 (Cm 9351)
Twelfth Report	Discharging older people from acute hospitals	HC 76 (Cm 9351)
Thirteenth Report	Quality of service to personal taxpayers and replacing the Aspire contract	HC 78 (Cm 9351)
Fourteenth Report	Progress with preparations for High Speed 2	HC 486 (Cm 9389)
Fifteenth Report	BBC World Service	HC 298 (Cm 9389)
Sixteenth Report	Improving access to mental health services	HC 80 (Cm 9389)
Seventeenth Report	Transforming rehabilitation	HC 484 (Cm 9389)

Eighteenth Report	Better Regulation	HC 487 (Cm 9389)
Nineteenth Report	The Government Balance Sheet	HC 485 (Cm 9389)
Twentieth Report	Shared service centres	HC 297 (Cm 9389)
Twenty-first Report	Departments' oversight of arm's-length bodies	HC 488 (Cm 9389)
Twenty-second Report	Progress with the disposal of public land for new homes	HC 634 (Cm 9413)
Twenty-third Report	Universal Credit and fraud and error: progress review	HC 489 (Cm 9413)
Twenty-fourth Report	The sale of former Northern Rock assets	HC 632 (Cm 9413)
Twenty-fifth Report	UnitingCare Partnership contract	HC 633 (Cm 9413)
Twenty-sixth Report	Financial sustainability of local authorities	HC 708 (Cm 9429)
Twenty-seventh Report	Managing government spending and performance	HC 710 (Cm 9429)
Twenty-eighth Report	The apprenticeships programme	HC 709 (Cm 9413)
Twenty-ninth Report	HM Revenue & Customs performance in 2015–16	HC 712 (Cm 9429)
Thirtieth Report	St Helena Airport	HC 767 (Cm 9429)
Thirty-first Report	Child protection	HC 713 (Cm 9429)
Thirty-second Report	Devolution in England: governance, financial accountability and following the taxpayer pound	HC 866 (Cm 9429)
Thirty-third Report	Troubled families: progress review	HC 711 (Cm 9429)
Thirty-fourth Report	The Syrian Vulnerable Persons Resettlement programme	HC 768 (Cm 9429)
Thirty-fifth Report	Upgrading emergency service communications	HC 770 (Cm 9433)
Thirty-sixth Report	Collecting tax from high net worth individuals	HC 774 (Cm 9433)
Thirty-seventh Report	NHS treatment for overseas patients	HC 771 (Cm 9433)
Thirty-eighth Report	Protecting information across government	HC 769 (Cm 9433)
Thirty-ninth Report	Consumer-funded energy policies	HC 773 (Cm 9433)

Fortieth Report	Progress on the Common Agricultural Policy Delivery Programme	HC 766 (Cm 9433)
Forty-first Report	Excess Votes 2015–16	HC 954 (Cm 9433)
Forty-second Report	Benefit sanctions	HC 775
Forty-third Report	Financial sustainability of the NHS	HC 887
Forty-fourth Report	Modernising the Great Western Railway	HC 776
Forty-fifth Report	Delivering Restoration and Renewal	HC 1005
Forty-sixth Report	National Citizen Service	HC 955
Forty-seventh Report	Delivering the defence estate	HC 888
Forty-eighth Report	The Crown Commercial Service	HC 889
Forty-ninth Report	Financial Sustainability of Schools	HC 890
Fiftieth Report	UKTI and the contract with PA Consulting	HC 772
Fifty-first Report	HMRC's contract with Concentrix	HC 998
Fifty-second Report	Upgrading emergency service communications	HC 997
Fifty-third Report	The HMRC Estate	HC 891
Fifty-fourth Report	Department for International Development: investing through CDC	HC 956
Fifty-fifth Report	Tackling overseas expenditure	HC 1034
Fifty-sixth Report	The Defence Equipment Plan	HC 957
First Special Report	Protecting the Public's Money: First Annual Report from Chair of Committee of Public Accounts	HC 835

Public Accounts Committee

Oral evidence: Capital Funding for Schools, HC 961

Monday 13 March 2017

Ordered by the House of Commons to be published on 13 March 2017.

[Watch the meeting](#)

Members present: Meg Hillier (Chair); Mr Richard Bacon; Chris Evans; Kevin Foster; Kwasi Kwarteng; Nigel Mills; Bridget Phillipson; John Pugh.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Laura Brackwell, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-203

Witnesses

I: Peter Colenutt, Chairman, the Education Building and Development Officers' Group (EBDOG), Phil Keay, Former Headteacher, Hetton School, Sunderland, and Craig Knowles, Acting Headteacher, Hetton School.

II: Mike Green, Director of Capital, Education Funding Agency, Peter Lauener, Chief Executive, Education Funding Agency, and Jonathan Slater, Permanent Secretary, Department for Education.

Written evidence from witnesses:

– [Peter Colenutt](#)



Report by the Comptroller and Auditor General

Capital Funding for Schools (HC 1014)

Examination of witnesses

Witnesses: Peter Colenutt, Phil Keay and Craig Knowles.

Q1 Chair: Welcome. I should alert everybody in the room that we are expecting votes at about 6 o'clock, but we cannot be sure when they will come so apologies to anyone who may be held up by that—that is democracy in action. Welcome to the Public Accounts Committee on Monday 13 March 2017. We are here to discuss capital funding for schools, based on the National Audit Office's excellent work into the issue.

I would like to welcome our first panel. We have Peter Colenutt, the chairman of EBD OG—I can never get the acronym, so I am going to get you to introduce yourself in a moment, Mr Colenutt—which is the body of officers and councils responsible for the capital funding of schools. We have Craig Knowles, who is the acting headteacher of Hetton School in Sunderland, which is in our friend and colleague Bridget Phillipson's constituency, and Phil Keay, who is the former headteacher of Hetton School in Sunderland—so the before and after, or something like that.

This is a very important issue that we are discussing today. As I said, we are discussing the NAO's Report. The Department has now got a better idea of the stock condition of schools, but is facing a number of significant challenges. The NAO highlights that it would cost nearly £7 billion to get all buildings up to a satisfactory condition and just over another £7 billion to get them to a good condition. There are also another 420,000 school places needed by 2021, many in secondary schools, which is a bit more complicated to provide, as I am sure we will hear from Hetton. Then there is the Government's agenda and policy to focus on setting up 500 more free schools by 2020, with extra money for another 110 announced in the Budget last Wednesday. We will be examining the cost of free schools and what the Department is doing about any spare capacity.

Our hashtag for today is #schoolbuildings. I want to kick off by asking Mr Keay and Mr Knowles what impact school buildings being in a poor condition has on pupils and teachers.

Craig Knowles: I will kick off. The big impact is probably on the amount of time that we have lost in the classroom, in terms of days that our previous building was closed for various structural problems such as gas leaks and asbestos concerns—we had to close various different areas of the school in windy conditions because of the potential asbestos problems.

Q2 Chair: Do you want to explain that a little bit more? Most asbestos is encased; you had loose asbestos in the old building. Sorry, perhaps we have all jumped in a bit. We know your background at Hetton School, but



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perhaps you could start by explaining, to anyone else who may not have picked it up, what Hetton School was like and what the situation is now.

Craig Knowles: Yes. I will pass over to Mr Keay.

Phil Keay: In terms of the asbestos, most of the asbestos is encased, but there are some ceiling tiles that are taped together. They should therefore be fairly secure, but on windy days the wind literally got through the building and would open doors and lift ceilings—when ceilings lift, the dust then falls. We had two or three cases, as Mr Knowles said, where we had to close off schools. In fact, students had to go into the defumigation van—the emergency van—to make sure that they were de-dusted, hosed down and cleaned. It really was that serious. Obviously, parents were informed, and emergency services and so on. It was not a building that was fit to have children in for several years prior to its closure and us moving to the new building.

Q3 **Chair:** Mr Knowles, what has happened since then?

Craig Knowles: In September last year, we moved into our new build, and the comparison that can be made between the old and the new is obviously massive. The impact on the students is that they can now go about their learning with a mental readiness, which previously was not the case. Perhaps before, when they would come in from the rain, they would have to keep their coat on because of the lack of heating. They would have those kinds of issues when they were just trying to go about their daily work to learn. Those are not there anymore. We have a good new building. It is not without its continuing issues, but all the issues that I have mentioned are not there anymore. It is a fantastic environment for young people to go about their work, to progress, to achieve; and it's great for the staff as well, because they can have confidence in their preparation and what they are trying to achieve.

Q4 **Chair:** Mr Colenutt, perhaps first you could explain the initials of your organisation. In your experience, is this common across England?

Peter Colenutt: Yes, thank you. EBD OG is the Educational Building and Development Officers Group. It is a body that represents all local authorities across the country with officers who are involved in capital delivery of these types of project and school-place planning.

I think the issues that have been identified are fairly typical across schools.

Q5 **Chair:** Do you have an idea of how many schools still have asbestos in that sort of condition?

Peter Colenutt: Asbestos is managed differently by different local authorities. In Hampshire, which is the authority that I work for, we keep an asbestos register for every school across the county, so whenever any contractor would visit a school site, there would be an asbestos register that they could access in order to understand what they needed to deal with throughout that building.



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Q6 **Chair:** But you say that is not common across all local authorities.

Peter Colenutt: I would struggle to comment on how all local authorities manage asbestos.

Q7 **Chair:** Okay. We might put that to the Department later.

One of the challenges, of course, in providing new school places is providing them in a cost-effective way. Mr Knowles or Mr Keay, you had an original plan for a school and then the Building Schools for the Future programme finished and you had a different programme. Do you know what the relative costs of both those proposals were and what the benefits and disbenefits of those two approaches were?

Phil Keay: No, we don't, actually. I was discussing this with Peter earlier, and we are not sure what the final build cost was of our current school, nor what it potentially would have been under BSF.

Q8 **Chair:** Are there any things that are different that would have been better under BSF or worse under BSF? You were presumably involved in trying to plan that—

Phil Keay: Yes. It was early days, it was early drafts of architects' plans, before that programme finished. The new building is significantly smaller, in terms of square meterage, and obviously more efficient. It is hard to compare one with the other since we didn't have the other, but certainly what there is—you've said it, Craig—is more than adequate for the needs of the students in the school, to achieve and to learn.

Q9 **John Pugh:** One feature of BSF that made it quite laborious was the massive consultation process beforehand involving hordes of consultants and so on, as well as stakeholders. Presumably you are familiar with that, having gone through the preliminary stages. For the development that you actually have now, were you consulted extensively about what sort of school you would like, or was it just a question of—bang—getting a model off the shelf?

Phil Keay: Probably the latter. The local authority put in the bid on behalf of the school—we are a maintained school—and we were successful in that bid as one of the 260-odd school buildings in the worst condition in the country. So probably the latter—there wasn't an awful lot of consultation of the community or stakeholders, and it was pretty clear that we needed the new building. The time was from there on in—we were a first school in the programme, so I was also working with the companies that were bidding for the contracts, and then there were a lot of meetings with a variety of contractors and subcontractors. That took up a huge proportion of my time, as headteacher, and that of my school business manager colleague as well. But in terms of your original question—

John Pugh: At the design stage, you weren't much involved?

Phil Keay: At the design stage, we were involved, yes.

John Pugh: Oh, right.



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- Q10 **Chair:** May I turn to you, Mr Colenutt, on the overall picture? Obviously, there is a need, as I highlighted, for a number of new school places. The current policy is that free schools will be the only new schools created. What impact is the free schools programme having on delivering those new school places? Is it being successful?

Peter Colenutt: There is a mixed answer to that. Some of the free schools have been delivered, and they have delivered those required places where they have been needed. There are some cases where free schools have been opened in places where they are not needed, which is a challenge when we have the constraints that we have across the school estate.

One of the other issues for us—I don't know whether you had a chance to look at the submission that I made.

Chair: Yes, we did. Thank you for that.

Peter Colenutt: Thank you. We were talking there about the mixed economy that we need in education, because as we are moving forward with the free schools agenda, we are struggling to find good sponsors. That is one of the challenges, and the timescale of the free school process for the delivery of new school places—they are always needed for a September, obviously, at a given point in a year. The opportunity to go back to the time when local authorities could also open schools—91% of LA schools are good or outstanding—would give us a much wider and bigger pool of schools to access, in terms of opening schools. What we are really saying is that there is absolutely a place for academies, free schools and LA-maintained schools, and it would be good if we could still use all three of those as a vehicle for delivering new school places.

- Q11 **Chair:** You talk about some being opened where there are too many new schools opening in one place. What is the impact for your colleagues in the local authority, and the impact on some of the existing schools in terms of their running costs? Is that something that you look at?

Peter Colenutt: The impact of a school that opens and creates surplus places is that, obviously, new schools often appear to be the shiny new penny and are very attractive to parents and therefore that has a negative impact on those other schools, creating surplus places. As we know, revenue-wise, schools are predominantly funded by the number of children on the roll, so that has an impact on the school's budget.

- Q12 **Chair:** And the impact of a lower school roll in a local authority-maintained school presumably has an impact on local authority budgets. Do you want to explain that?

Peter Colenutt: Yes, although the actual revenue budget—the local authority acts very much as a passport for revenue, in that the funding comes in and we pass it straight out to schools, so it is more on the schools forum pool of overall resources that is made available to those schools.

- Q13 **Bridget Phillipson:** In terms of the new programme and the school that



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was built, were additional contributions required from other sources to meet the needs of the school—outwith the original build?

Phil Keay: It is fair to say that there were additional costs. Obviously, the new school building comes as a building that is networked and cabled, but it has nothing in it. We were very reliant on the local authority to help us for the final three or four years of the previous building, with significant additional capital spending that we did not have in school. I think the school got about £17,000 a year, but we're talking about a lot more than that to keep the previous school going. Then we were having to decant all our current equipment, furniture and so on, and to move old desks, old tables, and computers that were four or five years old into a brand-new building was not what we wanted, so again the local authority stepped in and helped us significantly. So there were a lot of additional costs, and I think that ongoing there are as well.

Craig Knowles: Absolutely. These were costs that were not budgeted for, which were down to design inadequacies or for things that just had not been foreseen but in fact are crucial to the successful day-to-day running of the school. An example is access—driveways, gates, secure access to different areas of the school. Those ongoing costs are something that has had to be borne by the school. I liken it to the idea that for any new build, whether it be a private property or not, the design sometimes builds in a contingency for those costs that are not foreseen; yet we seem to be bearing those costs as a school, and that has a direct impact on our ability to deliver. So, for example, we are currently looking at redundancies in the school, which is part of a wider issue, but the costs that we are having to put into the building itself have probably contributed to a number of those, and that is a deep concern for us when we are looking to move teaching and learning on.

Q14 **Chair:** And that is a big cost out of your first year revenue budget, presumably.

Craig Knowles: Absolutely.

Q15 **Chair:** What percentage, roughly—do you know?

Craig Knowles: I do not know the percentage. We are looking at something like two staff redundancies as a result of those ongoing costs.

Q16 **Chair:** Wow, okay. Mr Keay or Mr Knowles, whichever of you can answer, how much did the local authority spend on the new equipment that you have just described?

Phil Keay: From my memory it is £325,000, and that bought us a new computer system; it bought us new desks, chairs, tables, cupboards—the basics, really. The BSF scheme came with that, largely. This scheme, for obvious reasons, doesn't, but the money has still got to be found.

Q17 **Chair:** Can I just ask the NAO, in the figures that you looked at for the total costs of school places, did it include those other items?

Laura Brackwell: No.



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Chair: So that £325,000 looking at the square footage cost is above what was in the Report, just to be clear.

Laura Brackwell: That's right.

Q18 **Chair:** Thanks for clarifying that. Mr Colenutt, one of the concerns about the condition of the school estate is that it is old and deteriorating—much of it built in 1976 or before then—so what are you and your colleagues' biggest concerns when you look at how you manage that estate? We heard that big figure of nearly £6.7 billion to get schools up to satisfactory. How are local authorities and your colleagues managing that spend, and are you confident that with the funding issues coming down the line you will be able to reach that target with the funding available?

Peter Colenutt: In terms of capital maintenance, I think we have a challenge ahead of us and I think the EFA's next condition assessment data will give us some information back, which should tell us how we are moving forward in terms of the work that has taken place and where we are going forward into the future. We would tend to have a view, actually, that there is a lot more to be done and that the liability of the built estate is increasing.

One of the challenges I think we have had as we look through and talk about some of our types of buildings is that there are a number of local authorities that have a number of system buildings that were certainly built with a short lifespan. Those are definitely coming to the end of their useful life, now, and we certainly need to be thinking about how we address those specific types of buildings. I think, certainly, it would be very useful and interesting to see the next round of data that we get from the condition surveys.

Q19 **Chair:** Do you and your colleagues feel you have enough of an idea of the condition of the properties in your local authority area? Is there good and bad practice out there? Obviously the Department relies a lot on that to get its global figure.

Peter Colenutt: Absolutely. I think there are two things that local authorities do. We provide the data and the information in terms of school place planning, and the requirements; and then there is the condition data. The condition data—a lot of that, now, is being led by the EFA in terms of their national assessments, so that they are comparing like for like. The position in Hampshire, if you would like it, is that we receive around about £18 million a year towards our local authority built estate. We have got some 500 schools in Hampshire—70 secondary schools. Our liability is assessed currently to be £370 million.

Q20 **Chair:** Let us just be clear: give us the figures again to be absolutely clear on the contrast there.

Peter Colenutt: Our liability in Hampshire, if we were to put all of our school buildings into a good place, would be £370 million; and we receive £18 million a year.

Q21 **Chair:** Just to be clear for the record, is that one eight?



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Peter Colenutt: One eight: £18 million a year. Obviously what that means is that we have to very carefully prioritise that funding. Obviously we do that, but one of the challenges that we specifically have in Hampshire, if I give you that as an example again, is that 40% of our built estate is in system buildings.

Q22 **Chair:** I grew up in Hampshire so I have an idea. So with that very small amount of money relative to your need, how do you prioritise managing and maintaining those old school buildings?

Peter Colenutt: Literally by assessing: by doing condition and risk assessments as to which are the buildings in the worst state, and which absolutely need—

Q23 **Chair:** Presumably with that amount of money you cannot replace an entire building; you are patching up.

Peter Colenutt: No—correct.

Q24 **Chair:** Is that common across your colleagues?

Peter Colenutt: It is. What we have developed across local authorities is an ability to put new jackets, if you like—new exterior cladding—on some of these buildings, which saves replacing the whole building. That is an economic way of addressing some of this liability that we have ahead of us.

Q25 **Bridget Phillipson:** I want to ask about the format under which the school was built and whether that is typical of other schools in the programme. What is the nature of the financial model under which the school was built, and what is the ongoing relationship?

Phil Keay: We are a private finance build—PF2, which I think everybody will be relieved to know is very much simpler than its predecessor but does come with its challenges. Obviously, we have an annual bill, which gets charged on the square meterage. For my former school of 900 places, it was around £80,000 a year. That is our bill for maintaining. From my point of view, it was a difficult dynamic to manage, certainly in the first term of running, because the EFA were working on behalf of the school—the EFA were, if you like, the customer—and the service was provided by the contractor, and we lay somewhere in the middle, as the daily user for whom things came up that needed correcting or altering or seeing to fairly quickly. It was quite a difficult process, really, to settle in. I guess you can speak a little bit more about whether that has settled, Craig.

Craig Knowles: I think it is fair to say that we have worked very hard to maintain a good relationship with the EFA. One of the issues that has made things more difficult is changes of contact at the EFA and whether previous communication is passed on so that everyone is as confident in dealing with our individual school's issues, or with our batch issues, as the people who originally had those discussions. But not being able to talk directly to the contractors in most cases and having to go through various procedures before we can actually get some basic day-to-day running



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alterations made does cause—it is probably going too far to call it a bureaucratic problem, but it certainly causes a delay.

Q26 **Chair:** So, basically, you are not in control of the process.

Craig Knowles: That is exactly how it feels, yes.

Q27 **Chair:** Would you have preferred to be? I know that a lot of headteachers have become, effectively, development managers as they have had to rebuild a school. Would that have been preferable, even though that would have been quite a lot of work?

Phil Keay: Certainly in the lead-up to the opening, the headteacher does want that control on behalf of the governors and the community, and he is usually assisted by a school business manager. One of the biggest challenges—we cannot just call it communication; we have to drill down a little further. One of the biggest challenges was the various design stages we went through and the version control of those designs. I attended meetings and took notes, and I believed that we had agreed A, but we never really saw or had the chance to confirm that A was what we had all agreed in the meeting, and then B was the final outcome. I am not talking about something completely different, but I am talking about some quite subtle and important differences. We are now having to manage those and say, “But that’s not what we agreed at that meeting.” We can date it—we can say when that meeting was. We know it involved the EFA; we know it involved the contractor—and the subcontractors are key to this. The subcontractors did not always provide the value for money—this is a forum about value for money—or the quality of service and assurance of quality that we expected. That is my personal view.

Q28 **Chair:** That is very interesting. I want to ask you all whether you think the Department is providing enough support to local bodies to maintain schools well. If you had a wish list of two or three things to ask of the people who will be on the next panel—what would make life easier? We got a bit of a clue from you there, Mr Keay. Perhaps we will start with Peter Colenutt and work across.

Peter Colenutt: If I had the opportunity to say what we could improve upon—what we could do better that would make things move more easily—I would certainly make that point about LAs being able to set up schools, because I think that would help us with our school places problem. A really significant point that I would ask you to help us with is the pooling of developer contributions.

In Hampshire, we will bring in £80 million over the next three years to support our school places demand. That money from developers is not stopping house building in Hampshire; it is solely money to mitigate the school places demand from their housing. The pooling of five will reduce our opportunity to collect that money. Developers are getting clever at how to play that game, by putting forward smaller developments until they get to the sixth, and then putting in bigger developments. We have tried to make a number of representations, and I know the DFE is also



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supporting us, on trying to reduce or abolish the pooling under CIL. That is a really significant factor.

This comes back to the point that my two colleagues made about the fact that local authorities are contributing to a significant number of these projects. The audit Report identified that as key. With the budgetary pressures we have in terms of a revenue position on LAs, that will get harder and harder as we move forward. We need to recognise that there is an important place for the local authority in school place planning, because it works out what the local requirements are. It can also work out specific local needs in specific schools. Also you want those officers there to try to negotiate some developer contributions to support the public cost of schools.

Q29 Chair: So you can help to get it right, for relatively little cost.

Peter Colenutt: Absolutely. We are there to try to minimise the call on the public purse and to ensure we get the right school places at the right time.

Chair: Mr Knowles?

Craig Knowles: I will pass to Mr Keay.

Phil Keay: More widely, beyond the school that I led, for me it is about being receptive to the feedback process, in quite a quick feedback loop. Rather than going through priority schools, building one, getting the feedback and that then informing the next batch, there are so many stages of school design and build that at each stage, feedback is available to get it right for the other schools lagging by three or six months in that same programme. There are simple things—call them mistakes, design faults or procedural ways to tighten up—that, if fed back into the system a little quicker, would mean the overall output of that batch was of a better quality for all. I would focus on the feedback loop for all the schools involved in it.

Q30 Chair: Mr Colenutt, we have had quite a lot of evidence about the cost of free school sites from some of your local government colleagues and from MPs. Do you have an overview of whether sites for free schools have been purchased at an appropriate level and whether it could have been better value if the local authority had done it? That is one of the things that has been put to us.

Peter Colenutt: I do not have specific knowledge of individual prices and costs of land. I have heard the news stories and read the press. Again, in negotiations with developers to serve new housing, the LA can play an important role. That negotiation starts maybe four or five years before you ever think about a school being opened. In those very early discussions with the local planning authority, we must ensure we get land reserved. In some cases where you have to buy land—one assumes that land costs will be very high in the City of London, but I cannot answer more than that.

Q31 Chair: This is perhaps not your specific area of professional responsibility,



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but are there any issues for local authorities as a whole when any school—not just a free school—fails, and the local authority has to pick up the pieces? There is one in Southwark, for instance, that did not get to capacity, so the council had to find those 56 children a school place. Are there any issues around the costs to a local authority in time and money of picking up the pieces when something goes wrong?

Peter Colenutt: Absolutely. If free schools do not open on time, are not delivered or close, the local authority has a statutory responsibility to find school places. We will therefore have to find a solution, whether that be by a local school, hopefully, maybe modular buildings as a quick solution or transport costs if you have to transport pupils to different areas.

- Q32 **John Pugh:** In your remark about planning gain, were you suggesting that were local authorities to purchase the land, whether for free schools or their own school, given that they understand planning gain, they could significantly defray the costs, rather than the Education Funding Agency or the Department finding the land?

Peter Colenutt: In a situation where land is required to serve a new development, to mitigate that new development, the local authority can play a very important role in those very early planning stages when negotiations start with developers and the local planning officers. In a situation where you have increased demand that is not to do with new housing but to an increase in births and suchlike, that is completely different.

- Q33 **John Pugh:** Where the free school is thought to be necessary because there is a new development, you are saying that the local authority can conduct the process of capital purchase a bit more efficiently.

Peter Colenutt: Absolutely. We have some sites in Hampshire for our first free schools that will be opened. We have identified the land and we have negotiated it from the developer, if not for free, as in some sites, then with an educational land value rather than a residential land value.

John Pugh: Okay.

- Q34 **Chair:** You named three schools where you have bought it—you have presumably then been hand in glove with the free school sponsors to develop the idea, the timetable and the build out.

Peter Colenutt: Absolutely right.

- Q35 **Chair:** One of the other interesting things is that local authorities have a statutory duty to be responsible for places. When a free school arises, or any new school or academy—well, perhaps no longer academies—how well are free schools, academies and local authorities working together? How much influence do you have over the provision of school places given the plethora of providers now, a number of which report directly to the Department?

Peter Colenutt: I am very lucky to work for an authority that, as with many of the authorities that I have dealings with, looks at all schools and



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thinks, “They are all Hampshire children”—or whatever authority’s children—“and therefore we treat them all in the same way”. We absolutely accept that you can have a mixed economy of delivery of education, as I said earlier. We work equally with academies, free schools or LA-maintained schools. On top of that—we must not forget this in any of our discussions about new school places—there are special educational needs schools, but maybe that is another field.

- Q36 **Chair:** Do they work well with you? You represent a wider body. Theoretically there could be a mad, bad and dangerous organisation that decides to go its own way and expand or contract without any consultation with the local authority. Is that just a fear or is it a reality? Or is it just never happening?

Peter Colenutt: It happens. Some schools expand of their own wishes to the detriment of other schools. In Hampshire we have a good relationship with all our schools. We agree and talk to them about any increases that they might make to their admission numbers or in their size. Of late we have seen more work from the DFE—certainly when free schools are being proposed—in that people come to talk to us and ask us what sort of impact that new school would have on the other schools in the immediate area.

- Q37 **Chair:** So you have a good dialogue with the DFE in Hampshire?

Peter Colenutt: Yes.

- Q38 **Chair:** Is that the same across the board?

Peter Colenutt: It has certainly improved. The free school proposals expressions of interest that local authorities were asked to make for SEN schools—we have recently done that—certainly clearly states in the guidance and documentation that the local authority will be a key partner in understanding the need for those school places. I can only hope that that continues, because it is really important.

- Q39 **Kevin Foster:** In my experience, there can be differences between planning in a local plan, which is supposed to look forward many years, and the free school system, which is based on demand from parents to set up a school. How well do you think the information is working between predictions for the long term, in terms of the local plan to have a site, versus the demand from people for a school? Do you think that the information that local authorities get when they are setting a local plan is appropriate? How has it worked?

Peter Colenutt: Most local authorities produce a five-year plan for the new school places that they will need. Those are generally published documents, so the public can see and identify where new schools are needed and when. They can come forward with free school proposals, which is happening.

- Q40 **Kevin Foster:** I question it because, with housing developments, sometimes the land can be first suggested for housing development 10 or 15 years before it actually pans out, and ditto, you can have changes or a



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sudden windfall when a factory converts to housing, where you would not have envisaged that happening initially. Is there any evidence that the process is working well? In the past, the local authority would set the local plan and have a site effectively reserved within a site for housing or whatever, and then deliver the school. Do you have evidence that the process is working well or badly, or is it still too early to tell because the free school programme has not been running as long as perhaps the local plans have?

Q41 **Peter Colenutt:** We absolutely still work in that way and identify land, as do most local authorities. Your point is absolutely right that the housing development can sometimes take a number of years to come to fruition, but as and when it does, providing you have a site reserved in the early days for that new school, then whether it is a free school or any other school, you have the land for it.

Q42 **Kevin Foster:** And do free schools tend to go to those sites? I am conscious that, in the old days, you could assign and then do the school. Of course, the free school programme could see someone decide to actually go somewhere else.

Peter Colenutt: As at a couple of years ago, when we identified that free schools would be a good route for securing basic need, there was much more engagement from the Department to work with local authorities to try to ensure that we use those as a vehicle to address some of these school place pressures. Where that was the case, we would try to identify and offer up land that we had already negotiated with developers.

Q43 **John Pugh:** You mentioned the word “redundancy” at some point. Obviously you are struggling to cope with your budget, as a lot of headteachers are at the moment. This development is a PFI, is it?

Craig Knowles: Yes.

Q44 **John Pugh:** So you have a fixed standing charge.

Craig Knowles: Yes.

Q45 **John Pugh:** Clearly you cannot do a great deal about that, in terms of efficiency savings—it is what it is, really. But you must have had a look at the new formula, as all heads have, and seen that in it there is an element for PFI in some form or other. Is that going to provide you with significant amelioration of your situation? Will it make things less taxing?

Craig Knowles: Not significantly, no. I will pass over to Mr Keay for a bit more detail.

Phil Keay: To my knowledge, the local authority makes a contribution to our overall bill based on what we would have been paying for repairs and maintenance in the old building, but it is detached from the point you make. We know that perhaps £20,000 or £30,000 out of £80,000 could potentially come from the local authority, so it helps a little bit.

Q46 **John Pugh:** They are not obliged to, presumably.



Phil Keay: No. It does seem to be common practice, certainly amongst north-east local authorities, to make some sort of contribution, regardless of the type of school. That is a schools forum decision; whether the school is a maintained school, an academy or a free school, the schools forum can make that decision to contribute to the school's PFI bill. Obviously, with the original PFI, some of those annual bills are absolutely huge—for us, but not for you.

Chair: Thank you very much indeed for your clear evidence, and for travelling from Sunderland to see us. The transcript of this hearing will be available on the website and corrected in the next of couple of days; you will also be sent a copy. You are very welcome to stay for the next panel, if you want to see if they answer the questions you have posed and if we can help that along a bit—but if you need to leave, that is fine too. Thank you very much indeed.

Examination of witnesses

Witnesses: Mike Green, Peter Lauener and Jonathan Slater.

Chair: Apologies, once again, that we are running behind, but we have had democracy in action today with some votes before the hearing. The witnesses in our second panel are Mike Green, director of capital at the Education Funding Agency; Jonathan Slater, permanent secretary for the Department for Education; and Peter Lauener, chief executive of the Education Funding Agency. I remind people who are following on Twitter that the hashtag is #schoolbuildings. I will hand straight over to Dr John Pugh to kick off.

Q47 **John Pugh:** My initial questions are on the subject of the maintenance of the existing estate. You have done two surveys of the estate—is that right?

Jonathan Slater: We did a detailed property data survey between 2012 and 2014, and we are just kicking off the next condition data survey.

Q48 **John Pugh:** Three surveys in all.

Jonathan Slater: Two surveys: one completed, one just starting.

Q49 **John Pugh:** I see; that's what I thought it was. You judge—these are your figures as much as anybody else's—that nearly £6 billion is needed, which is about the same price as it will take to do up the House of Commons, to bring all of the education estate up to a satisfactory condition. Is that right?

Jonathan Slater: I have no wish to comment on the cost of refurbishing the Houses of Parliament. The property data survey that was carried out between 2012 and 2014 identified that spending about £6.7 billion would have brought the estate up to a satisfactory condition at that moment in time. By the end of this Parliament, we will have spent about £14 billion since then on improving the estate. At the same time, of course, the estate does not stand still; it depreciates over time.



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Q50 John Pugh: Okay. In terms of what that assessment measures, I think you are talking largely about the structural condition of buildings, aren't you? As recollection has it—

Jonathan Slater: The overall condition.

John Pugh: The overall condition. I think the Department used to have two ways of valuating the unworthiness of buildings. One was in terms of their condition, and the other was a case of their suitability as a teaching environment, wasn't it?

Jonathan Slater: This is an assessment of what is required to bring the whole of the estate up to a satisfactory condition to—

Q51 John Pugh: Yes, but the point I am making is that, historically, when we did the Building Schools for the Future report, there were two different sorts of categories of shortcomings, as it were. The building might be falling down, or it might be a wholly inappropriate or out-of-date environment for teaching children. The £6.7 billion doesn't capture that, does it? There might be a lot of buildings outside that that are structurally okay but are outdated, outmoded or are inappropriate modern teaching environments.

Jonathan Slater: I can ask Mike to give you more detail on the property data survey if that would be helpful. It is simply seeking to address the condition of the estate.

Q52 John Pugh: Condition. I think in the report it says that it doesn't take into account safety factors, either. The school could be in good condition but not a particularly safe environment, and it would still not feature in that £6.7 billion.

Jonathan Slater: It is important to recognise what the property data survey sought to do.

John Pugh: That is what I am trying to do.

Jonathan Slater: Absolutely. As you say, it is important to distinguish between those two things. For example, on something that you were discussing earlier, the responsibilities on the occupier or owner of a building in respect of the wiring or the management of asbestos go beyond what an overall condition survey like the property data survey would demonstrate. We need to do things over and above that to get into the question of asbestos and so on.

Q53 John Pugh: And the Department has done further work on asbestos, is that right?

Jonathan Slater: What we did in 2015 was to issue updated policy advice on how asbestos should be managed. We followed that up with a survey of asbestos in schools. Of the 25% of schools that replied, about 83% said they had asbestos, of which 98% said that they had the survey register and so on that you heard about from the local government colleague that you saw earlier. We followed up with the remaining 2% accordingly, but



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that is only 25% of schools. We need to get to the other 75% of schools, which we will be doing in the next round of survey work that we do.

- Q54 **John Pugh:** As something of a guesstimate, which we certainly won't hold you to, could you give some sort of figure for what it might possibly cost to address asbestos as well as all of the other problems outside the £6.7 billion? Have you any idea?

Jonathan Slater: That is not the basis on which we did the survey. Mike, do you want to explain in a bit more detail about how we do it?

Mike Green: Addressing asbestos is a very interesting question. The only way to truly address asbestos is to rebuild the building. The cost of rebuilding the estate is roughly £100 billion. Around 85% of schools in the survey had asbestos in them.

- Q55 **Chair:** So it would be £100 million to rebuild the whole English school estate?

Mike Green: Billion.

Chair: I was going to say it seemed a bit low to me.

- Q56 **John Pugh:** There was £55 billion for Building Schools for the Future; that was half of the estate.

Mike Green: The clear advice of the Health and Safety Executive is to leave asbestos where it is and manage it, because it is difficult to take out safely.

- Q57 **Chair:** Can I just chip in there? We heard quite compelling and scary evidence from Craig about asbestos that is in situ and not damaged, but because of wind—

Mike Green: Agreed. I hope that is a reasonably unique situation. With asbestos like that, you would attempt to remove it or do something better with it. The majority of asbestos is within the structure of the building and best left alone. Where it becomes dangerous, of course you must deal with it.

- Q58 **Chair:** Would you say that what we heard earlier is a rare thing? Or do you have an analysis of how frequent that happens, with asbestos tiles flapping loose?

Mike Green: As central Government, no we don't. The management of asbestos is the responsibility of the building manager.

Jonathan Slater: As I was saying a little while ago, we got information back from 25% of schools—I will not repeat the figures—but we thought that it was important in the next survey that we do to get more detailed information about all schools, although, as you have heard, the Health and Safety Executive says this is a relatively low risk, because in most cases the best thing to do is to leave it alone.

- Q59 **Kwasi Kwarteng:** I have a broader question about what this Report was



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saying about the condition of the estate.

Chair: Absolutely. We have got on to asbestos, which we might not leave otherwise, so go ahead.

Kwasi Kwarteng: There were three things that I was particularly worried about in terms of the Report; they are all linked, as you will see. One was that the local authority does not seem to have much incentive in actually keeping up the estate. There is huge pressure on them to find places, because that is something that parents are very concerned about, but according to the Report there is not so much incentive on them to keep up the condition of the estate.

The second issue, which relates to the local authority's incentives, is the fact that there is not much accountability. If something is going wrong, or badly, there does not seem to be much recourse, as people might say.

The third thing, which is linked to both of the first two issues, is that of course information is very limited, as a whole. I mean, one might know locally, or hear anecdotally, about the state of schools, in terms of the physical infrastructure, but when it comes to getting a national picture of it, no one seems to know quite how bad or good the situation is. Those three things are pretty concerning for me as a member of the Public Accounts Committee.

Jonathan Slater: I think they were a concern to my colleagues a few years ago, which is why they commissioned that first ever property data survey between 2012 and 2014, which provided a degree of information of a sort that the Department had not had at its disposal previously. However, if you were just to do that one survey, you would not be able to get a sense of the extent to which local authorities or the other owners or governors of schools are taking their responsibilities as seriously as you rightly imply they should. It is important to carry out a survey on a regular basis and the standard advice would be to carry out a detailed conditions survey across the whole of the estate every five years or so, which is precisely why we piloted the next, more detailed survey last month, and it goes out into the field this month. That will give us, for the first time ever, really good information about the extent to which schools in particular areas and of particular sorts have or have not been managed well in that intervening five-year period.

It will enable us—we definitely need to take advantage of this in a way that we have not done before, as you and the NAO rightly say—to be more challenging where local authorities or trusts have not managed their responsibilities as well as they should have, as well as being more supportive and encouraging to those who have.

The NAO is absolutely right to identify this as a weakness in the system, as you have done yourself, and I am looking forward to the opportunity presented by the survey that we are doing out in the field now to get better at that.

Q60 **Kwasi Kwarteng:** This is what jumped out at me, and a system where



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you have no accountability, no information and no incentives does not give one a huge amount of confidence.

Jonathan Slater: I would not go that far—

Chair: I am sure you wouldn't, Mr Slater, and perhaps you can tell us why.

Jonathan Slater: That is why, for example, we publish detailed score cards, local authority by local authority, comparing what they are spending in total unit cost, and the extent to which they meet the needs of their children by giving them their first choice or one of their top three choices. We are providing increasing amounts of benchmarking information. We look at how their costs of providing additional places compare with ours.

I was just commenting specifically on the fact that we do not have as much information as we would like on the specific question of how well they are maintaining schools in the meantime, but we will be getting that data now.

Q61 **John Pugh:** On this point about information, if I can persist with it for a little while, I asked a question back in 2009 about how many buildings are of a particular era—how many were pre-war and so on. You gave me the figure then—this relates to 2006—that 71% were pre-1976. I do not know why people keep referring to pre-1976, but it is the magic number—

Chair: It is in the Report.

John Pugh: Yes, I know, but why? The figure now is that 60% are pre-1976. What has happened during that period? Have we actually replaced 10% of the schools, or whatever, or have we simply got more schools?

Jonathan Slater: I do not have the details of the answer to that question. I can come back to you.

Q62 **John Pugh:** But it is quite a dramatic change, over a period of eight or nine years.

Jonathan Slater: Of course, and both of the things you say will be contributory factors. I am very happy to check the detail and come back to you.

Chair: It would be helpful to know that.

Q63 **John Pugh:** Could you send it to us? I am persisting with this because the key thing was hearing what a lot of people who looked at schools for a while were bothered about: schools of a certain vintage last seemingly forever and schools built in, say, the 1970s, seem to fall apart almost at will. Are you picking up any particular problems like that? That is probably a question for Mr Green, anyway.

Jonathan Slater: I will ask Mike to comment on the opportunity that the Priority School Building programme has given us to really dig into that question. Obviously we are, as you say, rebuilding a number of system-



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build schools through that PSB programme, and that not only addresses the what has happened since 1976 point but also gives us the opportunity to test the extent to which system-build schools more generally are sustainable, which I guess is your question.

Mike Green: There are a few questions there. To answer the one about the change in the condition of the estate, if you think about the schools that have been rebuilt, there were the best part of 800 through BSF and we are doing the best part of 600 through PSBP. Of course, local authorities, which get the majority of capital funding, will also be doing similar work; so, yes, there probably is a significant change in the estate.

As regards system-build and things like that, we have taken the opportunity because it is rare to be able to poke a building until it falls over and, of course, that is exactly what we are doing as part of PSBP. We had some concerns about system-build buildings, so we have started some destructive testing as we knock down the old buildings which means we can have a really good look at the forecast length of life left in those buildings. I have to say that the news so far is good, in that we do not have significant concerns. But we will continue to investigate buildings we knock down, as an opportunity to make sure that they remain that way.

Q64 **John Pugh:** The point I am making is that the date when a building is put up is a poor indicator. It is only a proxy for its condition.

Mike Green: Indeed. It varies immensely according to how well a building is looked after. To answer the earlier point about accountability, the property data survey and the condition data collection will work on three levels. It works at an overall level of the estate so we can go to the Treasury and say, "This is the amount of money we will need to look after the buildings", but at the next level down it will work across a local authority or a responsible body, and we can see a change over time in the condition of their school buildings and how we have given them money, which will enable us to say, "Look, we've given you a load of money and the condition of your estate hasn't changed. What are you doing?" It will enable more direct comparison and accountability than we have had in the past, but this is a difficult thing to do because there are a whole host of reasons why an authority like Hampshire, or Nottinghamshire, which is my own authority, might spend a little more money because they have a higher proportion of buildings with asbestos or built in a certain time. It is quite a complicated picture, but we will be able to tell the movement of the condition of buildings over time the more times we repeat the property data survey.

Q65 **Chair:** You say that it is quite a complicated picture, but if you know, for example, that a school was built in 1970 by a particular type of system-build, do you have an idea of how many schools around the country would have been built in a similar way?

Mike Green: Yes. We have started collecting those data.

Q66 **Chair:** You can extrapolate from one that you are working on—as you were saying, looking at kicking at the condition of the school—and know



where the other ones of that type are built.

Mike Green: Yes, indeed, and as we travel and we do the data survey again, we are becoming quite data-rich, so we will be able to pinpoint with reasonable accuracy the condition of the estate and the type of building and know where we need to be looking when it comes to where best to spend our money.

Q67 **Chair:** How far does that go down? To the local authority or the school level?

Mike Green: When we did the property data survey the first time, we waited until the end to share the surveys. This time, the proposal is that they will be online within a few weeks of being done so that people can see them almost straightaway.

Q68 **Chair:** So if I was a headteacher of a school and I knew that one down the road was built like mine—I might not know as a headteacher, with all respect to headteachers, exactly the type of system used to build my school—how would you make sure that that information got to me? You say that the owner of the building is responsible for that.

Mike Green: The owner of the building can have the survey. We are not going to publish everyone's survey to everyone, but if we picked up something that is particularly concerning, or trends, we would of course act on that.

Q69 **Chair:** So you would make sure that you had alerted every governing body and headteacher of that type of school, for example.

Mike Green: Yes.

Q70 **Chair:** And that would be automatic.

Mike Green: Of course.

Q71 **John Pugh:** Going back to the point Mr Kwarteng made about incentives, one of the great incentives there can be to get any school or local authority to do the building properly is to point to the full costs of a building over time, and the savings that can be made through, for example, good insulation, and so on. Is there anything in what you do that provides an incentive to actually build buildings that are going to last and be cheap to run?

Jonathan Slater: I will ask Mike to come in, but part of the thoughtful development of a national specification for the Priority School Building programme is to design into the standards precisely the sorts of features you describe.

Mike Green: Exactly right; so, yes, we have a facilities output specification, which specifies how well buildings will be insulated, how they will run and generally what a good school would look like. We spent many years putting that together.

Q72 **Kwasi Kwarteng:** The issue I have is this. I understand that budgets are



tight, and obviously there are responsibilities for teaching. There are lots and lots of things that people are going to spend money on, but, with respect to this capital expenditure, to use a vaguely technical term—actual spending on things, buildings, and plant, as we would say—am I right in thinking that you essentially intervene on a kind of “needs must” basis, so that you are basically looking at urgent problems, when that is what is drawn to your attention? Am I right in saying that, or have I got it slightly wrong?

Jonathan Slater: The NAO Report identifies a number of different funding streams. One is this large Priority School Building programme, of which Hetton School was a recipient. That is a £5 billion two-phase programme.

Chair: That is figure 12 on page 36.

Jonathan Slater: That is designed to address the schools which need rebuilding the most; but in addition to that there is a condition improvement fund, of which every local authority in the country gets a slice—but those with the worst condition get a larger slice. Then there are a number of other different component parts.

Q73 **Kwasi Kwarteng:** Let me, if you will forgive me, ask the question a bit more directly. You have quoted the Report and I can quote it back to you. The sentence that concerned me, on page 38, in the paragraph headed “Incentives for spending on school condition are weak” says that “The Department uses condition funding to address urgent needs, rather than to undertake preventative work.” “Preventative work” in the jargon of a financial analyst is what one used to call maintenance capex—maintenance capital expenditure. That is an annual spend to make sure that the building, or whatever it is, is maintained at the level one would expect. According to the Report the suggestion is that you are more focused on urgent specific problems, as opposed to keeping an eye on keeping a good condition. That is the Report.

Jonathan Slater: The point that I was making: I will ask Mike to come in with more detail—I am not disputing that at all; of course, it is in the Report, and I agree with it, but if you just go back two pages, on to page 36, which the Chair was drawing your attention to, you will see that the condition improvement fund, to which you are referring, is the fourth one down—£440 million a year—plus the third one, school condition allocations. I was referring to the two above that, which are larger sums of money, which obviously by definition get you a new school to a high quality. You have got a number of different things going on, but certainly one of them is that we have got some significant amount of funding to tackle urgent needs.

Q74 **Kwasi Kwarteng:** Yes, but that is not what I am asking about.

Jonathan Slater: So yes—agreed.

Kwasi Kwarteng: Okay; but are you going to do anything to change that situation, or is that just something—



Mike Green: As you look at the maintenance of a building there are what I might term four different kinds of maintenance. There is the one you refer to, which is planned and preventative, i.e. you service your gas boiler, you paint your windows, which is normally a revenue stream. There is "Something is broken; come and fix it" kind of maintenance, which again is probably a revenue stream. There is compliance maintenance—"I need to check my gas cabinet"; legionella testing; electrical testing—which is also probably a revenue stream, unless you are replacing large bits of kit. Then there is the one we are talking about now, which is capital replacement, which might be the whole building, a new boiler or whatever. But the majority of planned and preventative maintenance is probably out of revenue, which is not dealt with in here.

Q75 **Chair:** The revenue is the per capita funding through the formula.

Mike Green: Yes. We publish guidance on "How to take care of your school" and we are about to publish guidance on "How to take care of your estate" so that people can see the kind of stuff they need to be doing and, to your point about accountability, "This is how you would look after a building well."

Q76 **Kwasi Kwarteng:** That is what I am interested in—the accountability. We can play games as to what is revenue and what is capital expenditure—it is not as clearly defined in some instances—but I just wanted to ask about what you were doing in terms of tracking.

Jonathan Slater: I acknowledge absolutely that we would definitely benefit from having better data as to what is going on in practice, school by school, by way of preventative maintenance. What I am saying is that the conditions survey and its being repeated will give us data of a sort that we do not have, and we will be able to use those data to challenge people where they are leaving their buildings and not managing them properly. That is what we do not have, and that is what we will have. That is what I am saying.

Q77 **Bridget Phillipson:** Returning to the Priority School Building programme, the NAO Report shows such schools being replaced at a lower cost than under the Building Schools for the Future programme, but we heard from Hetton School about the contribution required from the local authority. Are you making any assessment or gathering any data around additional contributions that are being made to the programme in order to make the school functional, serviceable and a good learning environment?

Mike Green: The answer to that is no. This is very much a building programme. We do do fixed furniture and equipment—things like fixed benches or whatever. One of the criticisms that I heard about BSF was about people putting furniture that was in relatively good condition or new into a skip and buying a complete new school's worth. We did not want to do that. We make an assessment of all the furniture we wish to move and so on. When a school expands, we do provide furniture and ICT equipment, but in the main, it being a building programme, we do not provide new computers or whatever. Anything that is fixed—wiring, benches and so on—we will provide as part of the building programme, but



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there are other budgets that schools should be providing that from. We certainly do not want to put anything in the skip that is still serviceable, and I am sure you would not want us to either. That does not mean that you get shiny new furniture in every single school—that is not why we are here.

Q78 **Bridget Phillipson:** But we are not really comparing like with like.

Jonathan Slater: No, we are not comparing like with like. Bringing down the cost per square metre by a third from BSF to PSBP was done through a number of means. One of them is a standardised specification in which, as the headteachers described, they are a user rather than directly in charge of having whatever they want. Another is that it is meeting the building needs, not—reference was made to the need to upgrade all the IT in that school. That is not what this programme does either. It is a different programme that is designed to get more schools rebuilt more quickly than the previous one.

Q79 **Chair:** But Mr Slater, IT might be considered quite a capital cost, because these days it is built in—whiteboards and so on are wired in. It sounds like an old school like Hetton—Ms Phillipson would know better than me—with asbestos dropping from the roof and the wind whistling through it is not a school you would have wanted to put modern equipment in. I think it would have been sensible to wait and build it into the new school, but it was not seen as part of the plan in this case. Is it never the case that you would pay for some of this? There is a lot of cost in the first year of a new school opening, as we heard.

Mike Green: There is, but of course schools will upgrade their ICT or not depending on whether they get a new school or not, so we did not see it as part of the programme.

Q80 **Chair:** My point is that in that particular school—in a building of that nature—it sounds like you could not invest properly in IT.

Jonathan Slater: I do not think that was the case that was put. It is the case that under the previous programme, you would have got it funded as part of the deal. As part of this programme, we identified—in answer to John Pugh's question—which buildings are in the worst condition and how quickly we can replace as many of those as possible. That was what the programme was.

Q81 **Bridget Phillipson:** Although that programme has not been particularly fruitful, has it? There have been significant delays in pressing ahead. From the point at which the Priority School Building programme was first trailed to the opening of schools, it has not been a quick process. It is picking up pace, but it has not been quick.

Jonathan Slater: I agree. If you are the headteacher of a school in a poor condition, tomorrow is a day late. It is certainly a lot faster than the Building Schools for the Future programme would have been, where the average time from announcement to on-site was three years. For this, it is one year. Obviously, that is still one year longer than the headteacher would want. The programme was largely delivered in the first phase two



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years ahead of the timetable set, so it is a pretty good performance from a programme level, and faster than the previous one, because it is a smaller scale one. But as you say, from a headteacher's point of view, it is longer than they want.

- Q82 **Bridget Phillipson:** When you are in a position where schools were cancelled under Building Schools for the Future, only to then be put back into the Priority School Building programme, you are talking about schools opening three or four years later than they might have otherwise opened. Admittedly it is a different school, but there was a significant pause after the initial cancelling of Building Schools for the Future and before the PSBP was funded, because there was an issue with funding that programme.

Jonathan Slater: It certainly is the case that for a headteacher whose school is in BSF and then not, there is cause for concern while they are waiting to find out if they are going to be in PSBP, until they hear they are in. The fact that they were in BSF absolutely does not mean that the school would have been rebuilt any more quickly. In fact, on average the answer is more slowly, because the whole point of PSBP was to build the schools more quickly than previously. All that schools had been told up to 2010 was that they were in the programme, but not when.

- Q83 **Bridget Phillipson:** In the case of Hetton School, I find it hard to accept that point, given that you are talking about a school opening six years after BSF was cancelled. Surely it should not take you six years to build a school, even under BSF.

Jonathan Slater: If we were still in BSF territory, we would be at early stages in the delivery of that programme, given its scale.

- Q84 **Chair:** You mean you would be in the early stages of delivering Hetton School now?

Jonathan Slater: It is a question that neither of us can answer—how quickly it would have been done under the old thing. I am just saying that the fact it was in the BSF would not mean necessarily it would have been accomplished by now.

- Q85 **Bridget Phillipson:** But there was a significant gap in one programme ending and the next one starting, which was a policy choice by Ministers.

Jonathan Slater: Yes, the consequence of the policy choice by Ministers to move from a larger scale programme to a more targeted one was that it took us until 2012 to put together the next programme. One of the consequences of that was that the schools were being rebuilt from 2012 much more quickly than under the previous scheme.

- Q86 **Bridget Phillipson:** But you could have built them quicker still if Ministers had not rather hastily cancelled an existing scheme.

Mike Green: Between 2003 and 2010, there were 178 BSF schools. Then the announcement was made that it was closing down. After 2010, we still went on and built another 633. It did not stop. A lot of schools did get



through after the programme was shut down, and that is what we were doing for a while, while the PSBP was speeding up.

Peter Lauener: That point is well drawn out in the National Audit Office Report, in figure 11. It is the difference between two programmes. The National Audit Office Report clearly shows that the Priority School Building programme is more efficient, quicker to site and a third per square metre cheaper.

Bridget Phillipson: To a point.

Peter Lauener: There is the issue about furniture and fittings, but that is a small proportion of the overall cost. For a school like Hetton, which has had to wait extra years, it is not comfortable. We heard about some significant maintenance problems. There are still schools like that. When I visit schools that are being rebuilt under PSBP, I quite often think, "It would have been much better if we'd been able to build that school more quickly." We can only now build the schools as quickly as we can and target the money we have got as efficiently as we can.

- Q87 **John Pugh:** On figure 12, as you said, Mr Slater, there is a list of various streams of funding. As Mr Kwarteng was saying, a lot of that funding has to be dedicated to ensuring that schools do not fall any further behind. Given that you are looking at a £6.7 billion backlog and that some of these pots are raided for other purposes than maintenance—for example, the Report says that some local authority money is used for finding additional places—and given that schools are under revenue pressures anyway and have all sorts of things they want to spend revenue on apart from maintenance, are you confident that the pots designated in that scheme are sufficient to ensure not just that the £6.7 billion backlog gets addressed but that schools do not fall further behind, causing the £6.7 billion to grow?

Jonathan Slater: We will be able to give you a much better answer to that question when we have the results of the condition survey that we have started.

- Q88 **John Pugh:** When you have had that, you will know whether there is enough money in the pot to stop things getting worse?

Jonathan Slater: We will know how much schools have depreciated over the five years since the last survey, and if they were to carry on like that, yes, we would have much better data than we do at the moment. At the moment, all we can rely on is what local authorities tell us. As the NAO points out, about three fifths of local authorities told them that their estate had got better in the last five years, and a quarter said it had got worse, but that is not really very good data. If you compared with our private sector comparators, you would say that the backlog would be getting worse, but we will really know only when we are able to compare the actual condition in 2018 with the actual condition in—

- Q89 **John Pugh:** These surveys are going to solve a lot of problems. I will just take a yes or no answer on this: the bid process is said in the text of the



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NAO Report to be conditioned sometimes by the skill of the bidders rather than the needs of the school. Presumably that will become less evident, or less possible, when you have a clear idea yourselves what schools are like.

Jonathan Slater: Absolutely, yes.

Q90 **John Pugh:** Okay. Will any preference be given to schemes coming forward that do two things? One is to address the fabric issue of the state of the school; the other is to create more places. Will those schemes be accelerated or prioritised above those that simply deal with a rotten building?

Jonathan Slater: They will each be considered on their merits. We have to do two things, don't we? We have to ensure sufficient places, and we have to ensure a decent condition for the estate.

Q91 **John Pugh:** A scheme could do both.

Jonathan Slater: We have to do both, absolutely, but we have to balance a fixed sum accordingly. The more data we have, the better we can do that exercise.

Peter Lauener: Sometimes, when we are rebuilding schools under the PSBP, we will rebuild slightly larger if that helps meet a basic need problem in the local authority. It is not quite two separate parts; they do intersect.

Q92 **John Pugh:** Last question; I am sure the Chair will want to touch on this as well. If I want to open a free school and I have a building, is there any spec or requirement that building has to meet so you do not end up paying costs for repairing that building or maintaining it at vast cost? Are there any building criteria before you can accept a free school proposal?

Mike Green: Yes.

Jonathan Slater: Yes.

Peter Lauener: It is a similar spec to the PSBP and we achieve the same kind of cost savings, but there are a lot of different models in the free school programme. Sometimes we are building schools from new; sometimes we are refurbishing existing premises. There are examples where we have converted office—

Q93 **John Pugh:** How many proposals have you turned down for having an insufficient or inappropriate building?

Mike Green: We find the buildings, so we judge whether—

Q94 **John Pugh:** You find the building in every case?

Mike Green: Yes.

Q95 **Chair:** I want to move on to school places and the planning of those, but I just want to be clear before we finish questions on this section of the Report. The danger is that you wait until the school has got very bad



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before you put it into the new programme. How are you watching to make sure that maintenance is really being done at the right level to prevent the need for a rebuild where that is appropriate? We heard from one of our witnesses earlier about, for instance, finding different ways of dealing with system-build schools, like different types of cladding. That seemed one way of cutting the costs of replacing a school. I am not sure if it provides the same quality of school, but it is a way of mitigating the challenge of schools getting to the point of deterioration before they then get dealt with by the Department's funding.

Jonathan Slater: I can give you more information if that would be useful. We obviously need to, and do, work closely with local authorities to share with them good practice and benchmarking data. As you would expect, Mike has a close working relationship with the officers' group that you heard from earlier. We fund local authorities, explicitly and directly through the retained part of the education services grant, for their estate management duties. As in the answer to the previous question, as we get more data, we will use it to be more challenging than we can be without it.

Chair: We might come back to that in a moment. I want to move on to school places. The obvious question is: where is the control on school places with the changing landscape of different education providers? There can be too many in one place and too few in another.

Jonathan Slater: What is the question?

Q96 **Chair:** Where does control on school places rest? Its statutory responsibility is with the local authority, but they don't control a number of the providers now, so who has the control?

Jonathan Slater: We set the overall policy and statutory and financial framework within which local authorities have to secure their statutory duties. We ask each local authority to tell us, about three and a half years in advance, how many school places they estimate they will need and compare that with how many they have. We will discount that gap by the extent to which we are building a free school in the area, so we then work out what the net number of places they require is. We then fund them to that number of places and hold them to account for delivering it.

Q97 **Chair:** Where does the control come? There may be areas that don't need places and have free schools wanting to open, but there may be areas where there are an excess of places. Who is controlling what the total is? Local authorities have a statutory duty, but they do not now manage or own every provider, so they can't make a free school or academy shrink or increase in size.

Jonathan Slater: Local authorities with no basic need don't get any money and they don't build any additional places. Where the local authority has additional need, as evidenced in the way I described, we will fund to meet that need.

Q98 **Chair:** To be absolutely clear, if you wanted to open a free school in an area where there was not a demand for extra school places, the



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Department or the Education Funding Agency would just say no? Is that a simplification?

Jonathan Slater: The free school programme has two policy objectives. One of them is to address—

Q99 **Chair:** We know the two policy objectives; one is choice, one is school places. Where does the balance come? Choice can mean there are too many school places, which can potentially be bad for all of the schools in an area. It could certainly mean a number, including free schools—we have seen a couple of examples—come under the total.

Jonathan Slater: This is a judgment that the Department makes. The Department is—

Q100 **Chair:** So the buck stops with the Department?

Jonathan Slater: The Government, and therefore the Department, are accountable for the free school programme as a whole. A local authority can propose addressing a basic need gap by proposing a free school. There was a name for that—

Q101 **Chair:** Mr Slater, you keep referring back to when they need more places. In a way, that is the easy bit, isn't it? We heard about local authorities looking for sponsors to get new free schools going where they need places. What if there are a surplus of places? For instance, our former colleague in Essex often talked of the fact that one side of Essex had a surfeit of places and the other had a shortfall, so they were bussing children; the NAO Report talks about children being bussed from one area to another. If there is a surfeit of places, where does the buck stop with the cost of providing that? Who is ultimately accountable?

Jonathan Slater: The Department is accountable for the free schools programme; local authorities are accountable to us for the delivery of sufficiency of places.

Q102 **Chair:** When there are too many, who is responsible?

Jonathan Slater: Too many places or too many free schools?

Chair: Too many places.

Jonathan Slater: We fund local authorities deliberately to provide more places than are needed today; there is a 2% operating margin and planning error, which turns into about 5% across the piece. We then ask them to plan ahead for what is going to happen in the future, so we end up with, as the Report says, about 1 million places that are surplus to requirements at any particular moment. However, precisely because the population is increasing, we want local authorities to be careful before they take precipitous action. We are holding them to account for acting appropriately in making sure that there are sufficient places and that they are planning ahead, and that they take action where it is clear that that margin is no longer necessary.

Q103 **Chair:** You keep talking about local authorities being responsible for there



being sufficient places. It is relatively easy, I would contend, for a local authority to go and seek a sponsor for a free school and say, "We want to find a free school sponsor because we need places and this is the only way we can get a new school." Whether they like it or not, there will be a free school; they can get that put in place to provide spaces where there are not enough school places.

What about where you have too many places and that is having an effect? Take Southwark Free School, for example. This was a new school that never filled up; there were 56 pupils in a 200-pupil school. Who ultimately bears the responsibility for such a surfeit of places that it makes any school, whatever type it is, not viable?

Jonathan Slater: Chair, I think we are switching—or I am switching; I can't speak for you—between two different things in the same sentence and I am in danger of confusing the Committee. We have estimated a need for half a million places required this Parliament, of which about 57,000 are going to be delivered by free schools, so the meeting of the basic need is not primarily a free schools question, by definition.

Q104 **Chair:** You are going to expand existing schools.

Jonathan Slater: The way the best part of 90% of those basic need places are being delivered is through the expansion of existing schools and so on, as set out in the Report. And that is the accountability of local government. The accountability of central Government is for managing the free schools programme properly, so we are accountable in the Department. The Government is accountable for the fact that four mainstream free schools, of the 345 opened in the last Parliament, closed because they could not sustain enough children to keep themselves going. We are accountable for that, because we are the ones accountable for the free schools programme as a whole, so we looked really carefully at what it was that made those four schools, of which you have quoted one, not succeed, and the answer, I think, is that a huge effort was being made to get the programme going, to promote innovation—new approaches—and build momentum. It is not a coincidence, I think, that all those four schools—the mainstream free schools that closed—were ones that were approved in the first couple of waves. No mainstream free school approved since 2012 has closed, because, I think, the Department learned that going hell for leather, really building a sense of momentum, enthusing and encouraging was going a little bit fast in some cases and so some schools closed. We are accountable for that.

Q105 **Chair:** We are going to come back to free schools, but let me go back to the issue about school places. What level of spare capacity is going to be too high for you to tolerate? This is always a dilemma. You have to have a certain amount of room for movement; the Report is clear on that and you acknowledge it. But there is a danger with so many different providers. The local authority has theoretical responsibility—it is incredibly theoretical now: it is the actual statutory responsibility. If you have a lot of free schools opening in an area—they are the new schools, because they are the ones that would open—and you also have a council



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planning to expand its schools, you could end up with a surfeit of places. How much spare capacity would be too much for the Department to tolerate in an area, and what would you do if there were too many schools? How would you decide to manage that, or encourage the council to manage it?

Jonathan Slater: Inevitably, if somewhat frustratingly, the answer to that question is: it depends upon where the surplus places are, doesn't it? So I do not think—

Q106 **Chair:** You mean geographically or—

Jonathan Slater: Geographically, and which phase, and what one expects to happen to the population over the next five years. We have all got burned into our memory in the Department the consequence of closing 200,000 primary school places between 2004 and 2010 because primary numbers were going down, and as soon as the numbers started rising again, in 2010, we had to build and build and build very, very fast. So you might have thought—

Q107 **Chair:** So what is the answer to my question about what extra capacity you would find acceptable? Where is the tolerance level on extra capacity?

Jonathan Slater: That is a decision that has to be made locality by locality. That is the reality of it.

Q108 **Chair:** So who will fund it? Let's say that there is a maintained school, an academy and a free school and all of them have some free places—let's say they are evenly spread, for argument's sake. They are all below par and they all get less funding because they are funded per pupil. If you are thinking, "Actually, we need a bigger cushion because there is projected population growth in this area"—you have done some clever work in the Department or the local authority comes and tells you that—do you provide enough funding to make sure those places are maintained, those schools are viable, while you are waiting for that uplift in population, which could take some years to come through?

Jonathan Slater: It is our responsibility to make sure that local authorities have the funding they need to achieve the extra basic need places. As I say, we asked them to advise us three and a half years in advance, not just at local authority level but at a planning area level, so kids don't have to travel too far. Then if they get it wrong and they have overstated the amount they need, at the point at which that place is required they do not get it a second time. It is our responsibility to fund them accordingly, and their responsibility to use those funds well.

Q109 **Bridget Phillipson:** But how do you square all that with the policy objective of opening 500 new free schools?

Jonathan Slater: We have been asked by the Government to do two things—I am not going to tell you what they are, because the Chair has already told me that you know. It is our responsibility for both of them. It is important to get perspective. It is 600,000 basic need places that we



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are building this Parliament, and it was exactly the same number, to within a thousand, in the last Parliament. The NAO identifies that it is about 113,000 free school places this Parliament, of which half are going to meet free school meals and half—about 50,000 or so—are going to provide additional choice for parents in support of manifesto commitments, which you will not be surprised to hear I am doing my best to deliver on a value-for-money basis. That is 50,000 out of 8.4 million—so, about half a percent are the additional school places we are building to promote parent choice as a consequence of a manifesto commitment. That is essentially the balancing act that we are doing.

Q110 Bridget Phillipson: You have always got the catch-all—in an area where you do not have a shortage of places, but Ministers are desperate to get to the 500 target, the pressure will come. There is an inevitable pressure in the system, surely, to start approving free schools, not on the basis of school places but on the basis that you have got to meet 500.

Jonathan Slater: In practice, the opposite direction has been happening, hasn't it? In the first four waves of the programme there was no explicit criteria around basic need; since wave five of the programme, that has been built in. So the proportion of free schools being built in areas of basic need has been increasing as Ministers have addressed the need to achieve both those policy objectives at the same time.

Peter Lauener: May I give two examples that perhaps illustrate the point about improving choice and that it is not an either/or with basic need? These are from the post-16 area, where there is no significant increase in demand—numbers are still falling and have been for a couple of years. One free school that was opened, I think three years ago, was the Newham academy of excellence. It provided an education that was not being provided by other local, actually quite good college providers, and the results have been extremely good already. We have sixth-formers going from there to Oxbridge. Another, similar example is in Bodmin in Cornwall, where Callywith free school is due to open this autumn. It is being opened by one of the local colleges and will result in a much better sixth-form offer, in my view, than—

Q111 Chair: But there you are talking about diversity, and not the total number of places.

Peter Lauener: It is about places that improve choice for young people and parents, and they are under the free school programme. It illustrates how we are trying to—

Q112 Bridget Phillipson: Schools are facing a massive squeeze on their budgets—the work this Committee has done, driven by the work of the NAO, demonstrates the squeeze that they are facing. Most parents in a community such as mine would send their children to the nearest school, and what they want to know is that schools are being properly funded. There has not been a massive take-up of the free schools programme in an area like Sunderland. Surely the challenge is not just an arbitrary 500 target, which will cost—the free schools programme will be £9.7 billion by



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2021. How do we reconcile that with the need to fund not only novelty—the novelty of opening new schools or parents having choice—but all schools in a way that satisfies the needs of local parents and the community?

Jonathan Slater: On the basis that you are not asking me to have a debate with you at this meeting about the benefits or otherwise of Government policy on free schools, what we are doing—

Q113 **Bridget Phillipson:** It is how we spend that money. Do we spend it on areas where these schools are not needed versus all communities where we need a decent level of education funding?

Chair: To sum it up, in Hackney South and Shoreditch there is a lot of choice, and in Sunderland there is not a lot of choice, but in Sunderland the schools need investment just as much as some of the schools in London. It is not an even spread.

Jonathan Slater: It is vital that we achieve not just two, but three things. It is vital that we are able to tackle the condition of existing schools; that we provide an additional 500,000 or so places every Parliament, because that is what the population demonstrates is required; and that we achieve the manifesto commitment of increasing choice. We have to do all those three things. That is why I referred to the £14 billion that we will have spent by the end of this Parliament on tackling the £6.7 billion gap that was identified in 2014.

Q114 **Chair:** But I think Ms Phillipson's point was that choice depends on where you live. There is not a great deal of choice unless people from Sunderland fancy coming down to parts of London. I am being facetious, but there is not so much choice in some parts of the country, where they are just struggling to maintain the basic school estate, and the distances make it very difficult for young people.

Peter Lauener: In Sunderland—sorry, I don't think this is in your constituency, Ms Phillipson; my geography of the area is not perfect—there is a good example attached to the Stadium of Light. A local trust is developing new provision for young people, with very strong ties into the community. I think that will be an excellent example of something that brings new choice and new opportunities alongside other schools.

Q115 **Bridget Phillipson:** I agree. I would just like all my schools to get a decent level of funding at the same time as money is being chucked at opening new schools elsewhere.

Jonathan Slater: That is why we need to do both things and why I was pleased that, in the Budget announcement last week, there was money not just for free schools, but for condition survey. We need to do both things.

Q116 **Chair:** In terms of school places, we have highlighted that there are other ways of funding them. We will come back to free schools, but the Report shows that over half of local authorities are creating new places by increasing primary class sizes. Are you monitoring that in the



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Department? Are you concerned about that?

Jonathan Slater: We certainly monitor it. There was an 11% increase in the number of primary school children requiring education between 2010 and 2015, and the average class size increased by half a child from 26.5 to 27.

Q117 **Chair:** Are you concerned that junior class sizes are increasing? The average of a half—it is a nonsensical figure. Of course it is an average, and of course it is true, but you don't get half a child in a school; in some areas it will be one or two and in some it might be more, but the trend is upwards. Is that a concern for the Department or do you think it will be okay?

Jonathan Slater: I think it represents a very creditable performance by the school system in general to have accommodated an 11% increase in the number of primary school kids, going from 26.5 to 27 primary school children per class. That is not the only constraint. As you know, we require infant classes to be no greater than 30 other than by exception. We monitor that carefully, and we are pleased to see that the numbers have stabilised since 2014. As you say, obviously we have individual conversations with individual schools in individual circumstances, but across the school system as a whole, that is a good performance.

Sir Amyas Morse: I just wanted to ask Mr Lauener when he thinks free schools will have been running long enough to have reliable statistics to support claims of improved performance or attainment. I take it that you accept, despite what you said earlier, that we are really not in a position to do that yet, are we?

Peter Lauener: That is fair in terms of an overall evaluation. The thing that we look at immediately is the proportion of schools that are getting good or outstanding. We are reasonably pleased with where those figures stand. Obviously we will be tracking the exam results and other outcomes as the programme beds in. I mentioned one particular sixth-form free school where you get the exam results rather quicker, so we are able—

Sir Amyas Morse: Sorry, just to repeat the question, when will we start seeing consistent results that we can evaluate, so we can compare fairly?

Peter Lauener: Off the top of my head, I would say that must be three or four years down the track.

Q118 **Chair:** We need to press on, because we are not quite sure when the vote will be—we think it might be at 20 minutes past 6. I am just warning you that we might have to vote.

A good point was made by the first panel about the contribution by developers to new schools. Mr Slater, what are you doing in the Department to ensure that housing developers are contributing their fair share to the cost of providing new places?



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Jonathan Slater: As you heard, the Department and local authorities have a common interest to make progress on the issue referred to. That is a matter of cross-departmental discussion at the moment.

Q119 **Chair:** So you do not have an answer yet. When will you have an answer? When will we see any results of that discussion—with DCLG and the Treasury presumably?

Peter Lauener: I think there is due to be a policy statement by CLG in the summer—I cannot remember the precise date.

Q120 **Chair:** Maybe a change to planning guidelines or policy—will it be as definite as that?

Mike Green: We know that they are looking at the pooling issue that was raised.

Q121 **Chair:** Just at the pooling issue, okay. In areas like mine—Mr Lauener and I have had a number of exchanges of letters about valuable sites in central London that contribute a lot of money. I know that you will want them back with the Education Funding Agency, but there are also sometimes grounds for refocusing that money in the local area, because that very high cost of land is one of the problems that creates the high cost of housing.

Peter Lauener: A recent example is one case in Hackney. The Kingsland Fire Station went to planning and the community contribution was agreed, by the developer in that case—because it was a mixed use development—taking a reduction in its profit margin. That was a good outcome through the planning process.

In other cases, if I may broaden it out, when we are looking for free school sites our starting point is to work closely with local authorities and seek peppercorn sites as far as we can—we have had more peppercorn sites since the free schools programme started than in fact we have had to purchase. Sometimes these peppercorn sites come from development deals done by local authorities, so it is important that we work closely together.

Q122 **Chair:** We will come on to the purchasing side of the equation. Finally on the places issues—we will then move on to free schools, just to alert you—why is it that funding allocations do not reflect the need for places in special schools? Is there any particular reason for that? Are there any plans to change that?

Jonathan Slater: We have been funding those special educational needs into mainstream schools through the mainstream funding. Over and above that we have opened 23 special schools so far in the free schools programme, and we have another 24 to come. We are rebuilding I think about 36 special schools under the PSB programme—

Peter Lauener: Thirty-four.



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Jonathan Slater: Thank you, Peter, 34. What we have identified, though, is the need to go further and to have a specific stream of funding available to local government for special schools over and above everything I have just said. That was the £215-million capital fund that was allocated out to local government as per Saturday's announcement, identifying an additional 5,000 places required between 2018 and 2020. There was a need to address that gap, and that is what that fund is designed for.

Q123 **Chair:** How do you plan for special schools, which will sometimes cover more than one local authority area because of the particular needs? Are you the arbiters? Obviously local authorities plan, but lots of local authorities might not plan for a specialism, a special school. How do you watch the overall distribution of those schools—so they are viable, planned well, and cover the needs not just of that local authority area but the surrounding area? For example, a specialist blind school or something quite specialist, or a specialist deaf unit in a school.

Jonathan Slater: I suppose that is why we have a combination of different funding streams. That is one thing that the free schools programme will be seeking to address—something that could not be dealt with just at the local level.

Q124 **Chair:** So we would have free school special schools.

Jonathan Slater: Yes, indeed. We are in the middle of a programme to build about 47 of them.

Peter Lauener: With free school special schools, as with all free schools, the particularly important thing is evidence of demand. We would expect evidence of demand for free school special schools to take particular account of local authorities' views, not just those of a single local authority.

Q125 **John Pugh:** May I be very specific about something the Chair asked you a while ago? I think you slightly evaded the question by talking about different areas. The Audit Commission had fixed views on surplus places and how many you should and should not have. When does the figure of surplus places in an area become a problem? When it gets to 10%, 20%, or somewhere in between?

Jonathan Slater: This has to be an area-by-area decision, and the answer has to depend on what you are expecting to happen down the track.

Q126 **John Pugh:** Yes, and when is it a problem? Suppose you look down the track and it still looks like you are going to have 10% or 20% surplus places.

Jonathan Slater: If you were confident that you had 20% surplus places for the next 20 years in a local area, you would want to see evidence from—

Q127 **John Pugh:** So 20% is a problem.



Jonathan Slater: If it were simple—if the development of a school planning strategy and making sure that every child had a place could be turned into one number shared between you and me—our lives would be easier, but it cannot. If there were a 20% surplus for a 20-year period and no sign of any change required, we would be looking to see action from that local authority to reduce the number of surplus places. I am certainly expecting to see that increasingly happening, but bear in mind that we are not expecting secondary places to come down until the next decade.

Q128 **Chair:** Just to follow on from that, if you are the head of a school, you are always worried about vacancies in it, because your per capita funding goes down. It may be fine to have extra capacity across the local authority as a whole, but if you are one of the schools that is perhaps carrying a bit more than another, your funding is reduced. That makes it very difficult for those schools. That spare capacity might be necessary five years down the line, but how do you mitigate the challenges that it presents for the school's budget here and now?

Jonathan Slater: One of the complexities is what you are doing with the places in the meantime. A surplus place can essentially be free, if it is in a building that is not being used, where the lighting is off and the cost of removing that place exceeds the benefit of so doing. What you require is a really detailed conversation, local authority by local authority and planning area by planning area, about what is being done. At the moment, as we increase the population by a million over a 10-year period, I think it is sensible to focus on increasing capacity. But that will change, and over time we will need to increasingly focus on reducing it.

Q129 **Chair:** Well, I can see that, but—this is my final question on this area—you could envisage a situation in which someone went to a school appeal panel and said, "There is space in that school, because all the classes are one or two people down, but my child has been sent to another school." The school appeal panel, which is an independent process, might say, "You're right. It wouldn't cost any more or be more difficult for that school to take an extra pupil in each class." The local authority may have helped to manage it so that the excess places were spread across the piece, but are you saying that, through choice, parents could grab those spare places, leaving other schools with a much bigger shortfall and damaging their viability? That is what choice ultimately means, doesn't it: that in the ultimate scenario, some schools will be very unpopular, relatively?

Jonathan Slater: I am agreeing—though it may not feel like it—that there will be a moment where we need to be focusing increasingly on reducing surplus capacity, but we are not at that point at the moment. In the meantime I suggest that it is the responsibility of all of us to make sure that one is not spending money unnecessarily on those surplus places.

Q130 **Chair:** The corollary of what Dr Pugh was asking is how many extra places do you think you need in the formula to provide the choice that the other part of the Government's policy agenda is demanding through



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the free school programme? You said that one of the reasons for the free school programme is choice; how many extra places do you need for people to properly exercise that choice?

Jonathan Slater: Again, if you were seeking to answer that question, one would quite quickly say that it depends on the quality of the schools at the moment, the extent to which they get worse or better, and the extent to which parents want something different for their children. It is all very well having a conversation about what is required in Hackney, but it will be very different from Sunderland. The best I can do is say that I have a manifesto commitment and I am going to deliver it as efficiently as I possibly can, to achieve the policy objective of increasing choice.

Q131 **Chair:** Let us take the target of 500 schools, which of course increased by 110 in the last Budget. Are there any limits on how many primary and secondary school places free schools—all new schools are free schools—could provide in any particular area? You talk about measuring the need, but you have the choice as well. Are there any limits set for individual areas, to say, “This area now has too many free schools,” or “That area does not have enough”?

Jonathan Slater: Basic need is one of the criteria that is used to make a decision whether a free school should be accepted or not. I do not think we turn that into “If the answer is x%, definitely not, but if it is more, definitely yes.” We take that into consideration along with other criteria.

Q132 **Chair:** So you will turn down, Mr Lauener, a free school in an area where you think there is enough provision already?

Peter Lauener: The way this works is through the evidence of demand, as I said earlier. There will be evidence of demand where there are enough places already if the choice of some parents is not being met or if some particular kind of education is not being provided.

Q133 **Chair:** That is quite a loose definition, isn't it? We around this table could decide that we want a certain type of school—are there enough of us to create evidence of demand? In my experience of people approaching me about setting up free schools, there is a very wide variety. There was a school set up to be primarily focused on debating, which never actually got off the ground because they couldn't find premises—

John Pugh: They are still talking about it. *[Laughter.]*

Chair: If they had approached me, I could have told them that they could have found premises in Hackney. There are schools that have got a particular religious foundation or an educational philosophy. I hazard that in Hackney I could always find 20 or 100 people who would back a particular ethos. How do you measure that demand for choice?

Peter Lauener: One thing we look at is the extent to which there is a good range of good schools around at the moment. We would be more sympathetic to adding to capacity if the standards of the existing schools are not high enough, to give a push to the system. There is not a formula with this kind of decision-making process.



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Q134 **Chair:** This is in the Report, but can you remember how many free schools are in temporary accommodation at the moment?

Jonathan Slater: About two thirds of free schools so far have started off in temporary accommodation.

Q135 **Chair:** And do you know how long they have been in that accommodation? What would be an ideal time? It seems to me that they are being set up very quickly and put in temporary accommodation before the final premises are in the pipeline.

Jonathan Slater: There is a balancing act, isn't there, between the need for places now, the availability of the permanent site and the parents' demands. You are trying to make sure, site by site, you are making the right decision in the circumstances.

Q136 **Chair:** That brings us back to Mr Lauener. Why are you allowing some of these schools to open before the premises have been properly secured?

Jonathan Slater: Because there is a demand from parents for them to open.

Q137 **Chair:** Isn't there a risk, then? What about the balance of risk and the schools that then don't open because the premises don't come through for planning reasons or because there are other unforeseen problems?

Peter Lauener: Sorry—what was the specific question?

Q138 **Chair:** When a school has difficulty opening because it was set up in temporary accommodation and the actual premises that were planned don't come to fruition—

Jonathan Slater: We have not found ourselves in a situation to date—

Chair: Not yet. There may be one coming down the line.

Peter Lauener: One important aspect is that it clearly costs more to have temporary premises as well as permanent premises. The biggest pressure for temporary premises actually comes from free school promoters who have had a lot of contact with parents and want to capitalise as quickly as possible on that interest, support and commitment. The thing we always test as hard as we can is how reliable that evidence of demand is. If that gets through the process, we then start the process of finding a site. One of the things we know is that there are some cases where free schools have been on temporary sites for quite some time, but when Ofsted has been in to inspect there is very little difference in the proportion of free schools still in temporary premises that are rated good or outstanding. It is 73% in temps and 76% in permanent accommodation.

Q139 **Chair:** But it's not ideal. Waiting for something in temporary premises—Portakabins or inappropriate buildings—is not great for the pupils. Do you know what the average time is to move from temporary sites to permanent sites?

Peter Lauener: I haven't got an average.



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Q140 **Chair:** Do you have a range, then, of the longest and the shortest? Have any gone straight into the new building?

Peter Lauener: I think I will have to write to you to give you a range.

Chair: It would be very helpful if you can do that.

Mike Green: A third go straight into their new buildings, by virtue of the fact that two thirds go into temporaries.

Jonathan Slater: We will write to you on that. The choice we are making is whether to make the provision in advance of the permanent site being available or not. We have not had anybody tell us that they do not want us to open a school on a temporary site until the permanent site is available. Ofsted is telling us that the quality of the education is as good, and the cost of the temporary accommodation as a proportion of the total is 3%.

Q141 **Chair:** I maybe talk with some authority, because in Hackney we built new schools back in the day under the academy programme. Only one went into relatively long-term temporary accommodation while they could see the building being built over the road. It was quite unusual to start a school without having a building secured.

What we are seeing here is lots of schools started—I have raised one that Mr Lauener will be aware of, which is at Hackney police station. Children are in temporary accommodation in my local community college. They are being strong-armed to try to keep them there, but there is not suitable accommodation. I know your officials have been down to see whether there is other land on that site that they could use at the former UTC. There is a building that we knew was very unlikely to ever go through planning. A planner at the water cooler in Hackney Town Hall could have told the EFA that, yet those pupils are in temporary accommodation with the belief they will get a school and a premises that will not be delivered. At this rate they will be in temporary accommodation for as long as it takes to find an appropriate site. There is a lot of strong-arming going on, including trying to persuade the vicar to turn his land into places for coaches to park to bring the pupils in. It is not good for those pupils, those parents or the local community for this to drag on. Is that not an example of bad planning?

Jonathan Slater: The question I suppose you are inviting us to consider is whether it would have been better for the children at the Olive School not to have had the opportunity to go to that school since it opened in its temporary site. That is the question, isn't it? It is an outstanding school operating out of three temporary sites.

Q142 **Chair:** But it doesn't have permanent premises. It may not be a school much longer, at this rate.

Jonathan Slater: Nobody would argue that it would not have been better if the council or anyone else had a permanent site available today or last year, because that is obviously the case, but that is not the choice. The council has not got a site for us, as you know. I have rarely read an Ofsted inspection report that is so glowing about a primary school.



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Q143 **Chair:** Mr Slater, my contention is not whether the school is a good school now. It cannot be a permanent school until it has got a permanent site. It is in limbo. It is a terrible situation for those young people to be in.

Jonathan Slater: I am just saying that they are getting an outstanding education and the alternative to having them on a temporary site is that the school does not exist. The question is whether it would be better for the school not to exist.

Q144 **Chair:** Well, there is a question. We will leave that hanging, but it is an important question.

Peter Lauener: The school is also over-subscribed. There is more demand for places than the school has. Parents are not being put off by—

Q145 **Chair:** But those parents believe—I think most people would believe—that Government is competent enough to ensure that proper premises are provided. I do not want to dwell on one school in my constituency—

Jonathan Slater: What would your advice be to us, Chair?

Q146 **Chair:** My job is not to give you advice, Mr Slater; my job is to ask you the questions. I will ask some questions of Mr Lauener. How many property consultancies are employed by the Education Funding Agency to help find sites for schools?

Peter Lauener: I don't know the answer to that. Mike, do you know?

Mike Green: It varies from two to five.

Q147 **Chair:** Two to five nationally—they are national agencies?

Mike Green: Yes.

Q148 **Chair:** Do any of those companies provide you with market value valuations when they find a site?

Mike Green: Some of the companies and the Valuation Office provide us with valuations.

Chair: Sorry, the Valuation Office and—

Mike Green: The Valuation Office and some of the companies that you describe. We get them from a variety of sources.

Q149 **Chair:** You compare those valuations before you make—

Peter Lauener: We always get a red book value when we buy a site.

Q150 **Chair:** Okay. Do you ensure that planning inquiries are made? Is it an explicit requirement that those who are undertaking valuations value with and without planning permission?

Mike Green: That does vary site by site. Some sites already have the planning permission we require. If they do not, we look at the risk and likelihood of getting it, but we also consider the valuation should a site get



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an alternative kind of planning. If you like, it is a “hope” value, which tends to be quite conservative.

Q151 Chair: When you are instructing an agent, Mr Green or Mr Lauener, to look for a site, what are you telling them to look for? Going back to the site in my constituency, because I know it well, I am surprised that it got past the first hurdle for a school of the size proposed. What do you ask those agents to come back to you with? What advice are they expected to give you?

Mike Green: We ask them to help us find suitable sites.

Q152 Chair: What is your definition of a suitable site?

Mike Green: Clearly it varies. The chances of us finding 20 acres of playing fields on the Isle of Dogs is quite slim, so we are having to get quite innovative and quite interesting in the school sites we find. Nevertheless, there are minimum standards and we set standards for the schools.

Q153 Chair: So do they require—I think it is not a legal requirement for schools to have internal gyms. Is it the case that they do not need a big gym facility?

Jonathan Slater: They would need access to appropriate facilities, but whether they are on the site or not depends on the circumstances.

Q154 Chair: What would the limits be on access to appropriate facilities, when you are advising those agents to advise you on those sites? Would you have a limit on the number of busy roads to cross? Would it be access to a public park? Would that be enough? Access to a local sports facility that is used by members of the public as well? Are there any limits? There might be child protection issues, for instance, with the latter. What are the parameters?

Mike Green: Of course there are limits and, yes, we would also seek to discuss them with the proposer or the sponsor, about whether that’s acceptable. So, yes—

Q155 Chair: Acceptable to the proposer or the sponsor?

Mike Green: Yes.

Q156 Chair: Okay, but if they had a choice between a school building that is not great or nothing, I guess the tendency would be to go for the building that is not great.

Peter Lauener: It would not be acceptable to have a school without access to play facilities of some kind. These are not always provided on site; obviously, it is ideal if they are. But the number of sites, particularly in London, that we can get with playing fields immediately round the traditional building—they are few and far between. We have innovative approaches and in some cases there are playing grounds on the roof. There are many cases where schools are using local park facilities, or other facilities such as climbing walls in community facilities.

There are lots of different things happening around the country. There have to be things provided and that has to be part of the discussion, both for the proposer to put forward and then for us to turn into a spec, and then, when we have people looking for sites, the spec has to include how these things will be provided.

Q157 **Chair:** Do you take into account the needs of the local community? You talked about public parks, or climbing walls open to the wider community, but if a school is using those things as a facility, there will be chunks of time when they are not available to others. We know that is pressure on swimming pools, because every child at some point learns to swim. Is that something you take into account when you are recommending a site?

Peter Lauener: We do, but I am sure Members will be well aware that there will often be differences of view in the local community. I can think of cases where there has been a strong reaction by some people in the local community against the proposed siting of a free school, and others have been very strongly supported. In fact, we've debated—

Chair: We don't need to rehearse those local issues.

Q158 **Kevin Foster:** In terms of the sites, how satisfied are you that you're getting value for money on the purchases?

Peter Lauener: I am satisfied that we take every step possible to maximise value for money.

Q159 **Kevin Foster:** Okay. Just to put things into perspective, the average cost of the sites—you pointed out earlier that some of them you get for peppercorn sums, where it is planning gain. Of the 175 you have bought, the average cost of a site was £4.9 million. Is that good value for money?

Peter Lauener: You cannot answer that in isolation. We actually look at it on a site-by-site purchase basis. We always get a red book value. When we go above red book value, we assess why we have to go above red book value. In some cases, we have to go a long way above red book value.

Q160 **Kevin Foster:** Indeed. If you look at page 47, paragraph 3.20, you will see that it states, "On average, the Department has paid 19% more than official land valuations, with 20 sites costing 60% more." Now I accept that land may be at a premium in a particular area, but I would expect that to be taken into account in a valuation. Is it the price you are paying that is wrong, or is it the valuation?

Jonathan Slater: If you were to read the rest of the paragraph, I think you would see the explanation. It says, "The valuations are based on past deals for similar premises and on the site's existing use, and may not therefore equate to the true market value"—and so on.

Q161 **Kevin Foster:** When I was a local councillor and we were looking at buying land, when we got a valuation we looked to get a valuation of



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what it could reach on the market, and if we were excessively over it we would wonder what on earth our valuation had done. We would actually want a valuation of what this site is actually going to cost and what is a fair price to buy the site. If you are 60% over your valuations, it does bring a question mark about whether you have actually been using the right criteria.

Jonathan Slater: The way that we do that, given that, as the NAO points out, the red book value “may not...equate to the true market value”, is that where we are paying 20% or more above the red book value, the Treasury looks at a sample after the event of those purchases we have made, asks us lots of questions about that to make sure that we are not making any purchase that we should not have made, and so far they have not identified a single such site that they thought represented poor value for money. If it gets as far as 60% above red book value, we have to get their approval to do so. So we put the appropriate checks and balances into place, to make sure that when we do exceed the red book value we are getting that appropriate—

Peter Lauener: And anything above 60% I also look at personally, as accounting officer.

Q162 **Kevin Foster:** I am relieved to hear that, because when you are paying 60% over a valuation I would hope that you would be looking at it. Do you feel that you have the resources to make sure that you are buying land appropriately? To put it into perspective, the amount you are expected to spend over the next couple of years puts you on the same scale of land buying as the top five home builders in the UK. Now, I can think of the resources they have to make sure they get value for money when they buy sites. Do you think you have an appropriate system to make sure that money is spent well and effectively?

Jonathan Slater: The system we have works—

Sitting suspended for Divisions in the House.

On resuming—

Q163 **Kevin Foster:** To resume my line of questioning, before we were rudely interrupted by two Divisions I was asking about the fact that the Department is likely to become one of the biggest land buyers in the country. To put that into perspective, so that people listening can understand, that is the same level as the top five homebuilders in the UK. Given what we have heard and read about paying over the official land valuations, do you feel you have the skills to deliver that sort of programme of land purchasing at a value-for-money price for the taxpayer?

Jonathan Slater: We have recruited good people. We have a good team of people and a very good process in place to make sure that we are not paying more than we should for any site.

Q164 **Kevin Foster:** But if it is a good process, how come you are buying sites at on average 19% over the valuation?



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Jonathan Slater: Because the red book value is based upon past deals on the site's existing use, rather than what it will cost us in the light of the needs of today.

Q165 **Kevin Foster:** Given the figures in the NAO Report, do you think the red book valuation is a useful thing to be using? If we are regularly buying sites at 19% over the average—I accept there will be a premium—and some 20-odd are 60% over, does that say that the valuation system is wrong?

Jonathan Slater: It is definitely a very useful statistic to have when making a judgment on a business case. What I am keen to get across is that any purchase that we make is supported by very detailed work by experts who know what they are doing and is subject to really thorough scrutiny. After the event, anything that costs more than 20% above red book value is subject to further scrutiny by the Treasury, and they have not as yet identified a single case where they think value for money has not been achieved. They have to sign off anything above 60%. I am saying there are strong checks and balances in place, so we are happy to stand behind every single purchase that we have made.

Looking ahead, as the challenge continues to rise, certainly in terms of quantity, as the Report identifies in the second half of paragraph 3.20 we see the benefit of bringing in additional skills—not new skills, but just more capacity than we currently have. LocatED will be the mechanism to provide that additional capacity, in the light of the size of land purchaser that you rightly say we are becoming.

Q166 **Kevin Foster:** You have a numerical target to meet of free schools to deliver, and we have already alluded to the difficulty of identifying sites, or the very limited number of suitable sites, so my concern is that some landowners may well see it effectively as a ransom purchase. They know you have a target to meet and you can buy only a handful of suitable sites, and they may well own one of them. Are we satisfied that we are not seeing landowners effectively extracting a ransom figure out of the taxpayer, in the knowledge that you haven't really got much choice about where to buy a site?

Jonathan Slater: If we were the only bidder for such a site and had no means of establishing the market value because we were the market—if that were what was behind your question—that would be a problem, but that is not the situation we find ourselves in.

Q167 **Kevin Foster:** If you were the only bidder, you would actually find it a lot easier to pick up sites, because there would be no one competing with you. My concern is that it is known that you have a target to meet, and if there are only a handful of sites—or perhaps even only one—in a locality and you are known to be interested in one for a free school, in some cases the landowner might think you are almost unlimited and, no matter what anyone else offers, you will offer more.

Jonathan Slater: No, we would definitely walk away from a site if it didn't represent good value for money. As the Permanent Secretary and the



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accounting officer, I have to secure good value for money. The reason that Peter Lauener, the Chief Executive of the EFA, has to sign off schemes above a certain sum is precisely that we have to achieve good value for money. We stand behind—

Q168 **Kevin Foster:** To be clear, Mr Slater, there were four sites that cost more than £30 million, which—let's be blunt—would buy a couple of secondary school rebuilds. Are you saying that those four sites, which cost £30 million each, were good value for money?

Jonathan Slater: Each was absolutely justifiable on its own set of circumstances. If you want to take a practical case and discuss it here, we can do so.

Q169 **Kevin Foster:** I don't want to get too bogged down, but for taxpayers looking at that and seeing £30 million being spent just to buy the school site—this is not to deliver the school; this is just to get hold of the site—

Jonathan Slater: We can have either a site-by-site discussion or an overall discussion. Overall, the additional cost of the 19% that you referred to earlier represents about 3%—less than 5%—of the cost of the programme, bearing in mind that we have reduced the construction costs by about a third. The land costs, at 19% above RBV, are about 3% or 4% above RBV, which is a backward-look step. At the macro level, we don't want to pay above RBV if we can avoid it—we only pay the market rate—but in individual cases there will be reasons to go further than that.

Peter Lauener: May I take an example?

Kevin Foster: Briefly. We do not want to get too bogged down in individual examples.

Chair: And we are aware of the time.

Kevin Foster: I am more interested in the process than in one site, but go through it.

Peter Lauener: It is actually a very small example, but it illustrates something about the process. It is a small primary school on the Isle of Dogs where we were looking for a site. There are not many sites left on the Isle of Dogs, so the first question was, "Do we actually need to have a primary school on the Isle of Dogs, or can it be somewhere else?" We worked with agents who explored whether there was anything off market, and the only site that we could find in the whole of the Isle of Dogs was not on the market. The landowner was keeping it for residential use. In the end we paid £2.9 million for that, which was not 60% above red book value but twice red book value. We concluded that we needed a new primary school on the Isle of Dogs, that this was the only site, based on very extensive and exhaustive analysis of any other sites on the Isle of Dogs, and that, therefore, this was an investment worth paying. There are many other cases I could give you where we have walked away from a deal, where we did not think it was value for money.



Q170 **Kevin Foster:** Give an example.

Peter Lauener: I come back on the process, which I think is robust. Every single case is looked at. There is documentation on every single case where we buy a site that justifies the value for money, which is not to say that we can't do better. Mr Slater referred a moment ago to starting the new site acquisition organisation, LocatED. The reason we are doing that is we think we will get better value for money than we have had so far because we will bring in a larger group of people with professional property expertise than we have at the moment. We will be setting LocatED challenging targets. We have recruited a very capable group of non-executive directors, all with experience in the property sector and—

Chair: Okay, we will come back to LocatED.

Q171 **Kevin Foster:** Very briefly, for me, I would certainly say that if we expect to spend £2.5 billion on land I hope we are going to be looking to drive a bit more value for money out.

The final point I was going to pick up is the idea of buying up sites before there is a school approved. I think one of the figures is that you will have paid £206.5 million for 19 such sites, as of December 2019. How satisfied are you that purchasing sites beforehand and spending a significant amount on them does not fetter any discretion in terms of the decision being made, given that these are sites where a free school has not yet been approved?

Peter Lauener: With these 19 purchases you are referring to, 12 have had projects assigned and eight of the 12 are open. Because we are not buying for a specific school but for a specific need, those acquisitions get a particularly robust assessment. There is a set of criteria. They are all scored individually. They come not just to me for sign-off but to Jonathan.

Q172 **Chair:** Are you saying they are more robust than if there is a school in mind for the site, so they get a particularly robust assessment?

Peter Lauener: There is a more extensive process because what we are doing is just trying it against a general need that we can see rather than a specific proposal that has come. Sometimes we can see proposals coming along in subsequent free school waves in a particular area. It is a slightly different process, which lists other factors.

Jonathan Slater: Part of the point that Peter is making is that if we are buying a site and we haven't yet got the school in mind, we need an additional part of the process to make sure that we will have. What he is saying is that, so far, of the 19 sites eight schools are already open.

Q173 **Kevin Foster:** I must say that it sounds remarkably like land-banking. What happens with a site then if a school does not progress? How long do you intend to hold on to a site unless a school progresses?

Peter Lauener: With all those 19 we expect them all to be used.

Q174 **Kevin Foster:** You expect, but by when? How long would you say? Two years, three years, four years, five years? If you got to five years would



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you look to dispose, to recover the money for the taxpayer?

Peter Lauener: I would be very surprised if we didn't have a free school in view for those sites within a year, or 18 months at the most, of purchasing them. But again, one of the things that we have evaluated is the savings that we have made by buying in a rising market, where we know there is going to be a need coming through before the free school promoter is confirmed. We think we have saved significant amounts of taxpayers' money through this method.

Q175 **Bridget Phillipson:** The budget you have available to you just keeps going up and up. We started with the programme back in 2010 with £900 million. That had gone up to £1.8 billion by March 2015. We have then had a further £980 million and, again, with a commitment to the £500 million, the budget goes up, reaching a total of £9.7 billion by the end of 2021. Can you understand the frustration that money appears to be no object with free schools—I think you said half of the places were to address place shortages—at a time when all schools face massive pressures on their budgets and are looking to make redundancies, or looking at a curtailed curriculum or class sizes increasing? It seems money is no object for free schools, but for everybody else there is an 8% cut and real pressures.

Jonathan Slater: To go back to where I was, we are trying to do more than one thing at once. We are seeking to deliver a manifesto commitment on the free schools programme as efficiently as we can and to spend money on the condition of existing schools. Your reference to the running costs of schools is a third thing we have to do as well, but we can presumably both agree that one budget is held for employing teachers and for other running costs. We discussed at our last meeting the level of efficiency in the dedicated schools budget on the one hand. There is a capital programme to invest in new schools and new places on the other. I and my colleagues have to balance all of those.

Q176 **Bridget Phillipson:** I can understand that, but not all of the money in the free schools programme is there to deal with the issues around places and sufficiency. We know that all schools, regardless of the funding formula, face a big squeeze on their budgets.

Jonathan Slater: Obviously the situation facing individual schools varies a lot, so not all schools. We have to improve the condition of existing schools, meet basic needs, provide additional places where parents want more good and outstanding school places than they have currently got, and provide schools with the resources that they need to provide a good education. We have to optimise as best we can in what I agree is a challenging set of circumstances for some particular schools.

Q177 **Bridget Phillipson:** But free schools are a pretty expensive way of delivering places where there is a problem around capacity and numbers.

Jonathan Slater: All I am saying is that we have managed to bring down the cost of the construction of those schools by about a third on the previous cost of building new schools. We are ensuring that about half of



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those places during this current Parliament are meeting basic need and another half providing choice for parents who cannot send their kid to a good school at the moment. That is the way that we have tried to optimise across those set of factors.

Q178 **Bridget Phillipson:** Final question, Chair. That is the crux of it. On the one hand, the free schools are about delivering choice for parents and about providing places. Then you talk about parents having the choice of a good or outstanding school, but all parents want that in all areas, regardless of the type of school. A focus on the novelty of 500 targets to the detriment of mainstream regular funding going into all schools makes it difficult for the schools that are not free schools to boost themselves up if the funding that they receive has been cut overall.

Jonathan Slater: I am working on the basis that you expect me as the accounting officer to account to you for how I demonstrate good value for money in delivering a manifesto commitment, and that is what I am doing. You could have a debate in another place about the balance between competing political priorities.

Q179 **Bridget Phillipson:** Up to a point, but it is a question of value for money. Free school places cost more.

Jonathan Slater: And I am saying that free school places cost about two thirds of what new school places cost under the previous regime.

Q180 **Chair:** But that is comparing apples and pears.

Jonathan Slater: I am quoting from the NAO Report.

Q181 **Chair:** We know that that is in the NAO Report, but that is talking about a previous programme. There have been spec changes to that whole approach of building schools since then. The NAO Report also clearly says there is an increase. It is costing 51% more per secondary school place to provide a place.

Laura Brackwell: Yes, compared with places created by a local authority, free school places are more expensive.

Jonathan Slater: But that is because we have to provide the land.

Chair: Exactly. We get to the point finally.

Jonathan Slater: If there is a more efficient thing that you think we should be doing to deliver the 500 free school Government policy manifesto commitment than we are doing—the NAO has not identified it yet—that is what I am doing as efficiently as I can. Certainly as the NAO identifies, it is important that we work ever closer with local authorities. If we were to identify other opportunities to make more use of existing land that would be great, but we stand behind the purchasing decisions we are making case by case.

Q182 **Bridget Phillipson:** That is the point. It is a political choice and a policy choice to set the target of 500, and a drive towards that will inevitably lead to a trade-off between price, what is value for money, and where it



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is effective. As long as that target exists it seems impossible to get away from some of the unintended consequences.

Jonathan Slater: The Government is asking us to achieve these two policy challenges—

Chair: And you are caught in the middle.

Jonathan Slater: Not caught in the middle—just doing my job to secure them both. The Comptroller and Auditor General was asking my colleague how quickly we will be in a position to assess the educational benefits of this programme. Inevitably the answer is you can only assess secondary school children when they have done their GCSEs. So far, the evidence is that these free school places are providing proportionally very high numbers of outstanding school places—

Q183 **Chair:** But as Ms Phillipson has pointed out, at quite high cost.

Jonathan Slater: You will no doubt bring me back when we have that sort of data.

Q184 **Chair:** As you mentioned the Comptroller and Auditor General I am going to bring him in very briefly.

Sir Amyas Morse: I just wanted to understand one point. As I listened to your discussion about the Chair's constituency, you were talking about how you were achieving outstanding school places where you did not own property. Do you not think this programme has just become about buying property, whereas in fact you have demonstrated that you do not need to own property in order to run outstanding schools? Did you consider some way of doing this other than becoming the biggest land buyer? In other words have you considered a more flexible approach? You said "Come up with something." I am quite sure you are doing absolutely your best and I am not trying to challenge that at all, but I am just asking if you guys have been creative enough given the huge problem. It does slow down the rate you can even open free schools at. Are there not there other ways—because you have actually demonstrated, as I say, outstanding performance without actually owning a place? I just wonder if you have been flexible enough.

Jonathan Slater: Certainly purchasing new sites is not as good as getting it for free, and we have been getting more for free than we have been paying for—well, with a peppercorn rent. Leasing is another opportunity. The Chair was challenging me quite hard on the sustainability of the particular school that she was referring to. It is currently operating at a temporary site, so that is not a sustainable future for it, and we do need permanent sites, but there are different ways of securing those. I am always in the market for more ingenious ideas and it will be interesting to see what LocatED suggest when they get going fully.

Q185 **Chair:** But the reality is, as Ms Phillipson has highlighted, that were you to have, say, six schools in an area all saying "We can take an extra class", or you have a free school, you have got a tension there. Perhaps a cheap extra class in a school where there are buildings already there and



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it is relatively cheap to add in more pupils—you have got the cost of staffing and so on but otherwise there are some fixed overheads; or you buy a brand new site and set up a free school to meet your 500 target: do you not find there is sometimes a tension there? We are just talking about value for money, here, because we live in this mixed economy. It is Government policy. Our job is to question the effectiveness and efficiency. Which would be the most effective and efficient way of providing those places? But you are torn because you have got this other agenda that you have to pursue.

Peter Lauener: I do not think it is either/or in the circumstance, because I would say now we are working increasingly closely with local authorities, and there will be positions in a local authority area where a whole-school solution is needed. There will be many other cases where extra buildings are added to an existing school, and sometimes bulge classes; so to meet the scale of basic need that we have had we need both. Then of course, as Jonathan has been talking about, there are other objectives of the free school programme as well.

Jonathan Slater: On the numbers, to be clear, we have got, as the Report identifies, a plan to generate 600,000 additional places for basic need purposes during this Parliament, of which we expect the contribution from free schools to be 57,000. So it is not that we won't be doing that—we will be doing very large amounts of expanding existing schools on existing sites. In addition, free schools will make a contribution and then we will be providing about 57,000 places to provide additional good-quality education where it doesn't exist.

Q186 **Chair:** It is not quite a level playing field, is it? You know that schools trying to expand will not get quite the same level of capital funds.

Jonathan Slater: Because they don't need it.

Q187 **Chair:** One could say that the amount of money being spent—£30 million for a site, as Mr Foster has pointed out—is pretty pricey. Let's not get back into that. I am aware of time, but I just want to touch on the evidence from London Councils that reminded us that only half of the approved free schools in London currently have a site secured. How do you think you are going to manage the fact that you have the approvals but nowhere for those schools to go?

Peter Lauener: There are 114 free schools in temporary premises now—that is nationally, not just London. Some 96% of those have a permanent site but are in temporary premises while the schools are being built. Some 5% of that 96% are in temporary buildings actually on the permanent site. Only 4% of schools of that 114 in temporary premises do not yet have a permanent site. That is a very small number of schools.

Q188 **Chair:** But according to London Councils, half of them are in London—presumably because of the cost of premises in London. Is that an accurate figure?



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Peter Lauener: The 4% of schools in temporary premises not having a permanent site is five schools or something like that. It is very unusual not to have a permanent site.

Q189 **Chair:** So you don't recognise that figure?

Jonathan Slater: Sorry. Could you just play back what they said?

Q190 **Chair:** This is quoting from their submission; you may have seen a copy. It says: "The major risk to local authorities is uncertainty over delivery timescales. Only half the approved Free Schools in London currently have a site secured, which remains the biggest single factor delaying or preventing Free School delivery."

Jonathan Slater: So there are a significant proportion of open free schools operating in temporary sites today. Absolutely. What Peter is telling you is that all but five of them have a permanent site identified to move into.

Chair: Identified but not necessarily secured.

Peter Lauener: I think I maybe took the wrong steer; I listened too quickly and did not get the granularity of what you said and in what you quoted. There are quite a lot of approved free schools that are not yet in temporary premises because they are at an earlier stage in the process. That is why we started up LocatED—to bring expertise in finding those sites.

Q191 **Chair:** One of the other things we are concerned about is transparency. A number of colleagues—I don't have time to go to them all—have raised concerns with me that they have tried to raise questions about budget deficits in schools and the costs of premises. Getting answers, whether through Parliament, FOI requests or other ways, is like hitting a brick wall sometimes.

Derek Twigg MP asked a question about the financial deficit of a school—the Sandymoor free school in Runcorn—which he believed was over half a million pounds. He apparently got an answer back from the Minister saying it was actually much less than that but that it was being investigated. It seems odd to me that, if information is coming from good sources that there is a deficit and the Department is unaware, what is going on there? Where is the lack of transparency? Is it to you as a Department, as well as to the public who are paying for it? I don't want you to go into that individual case.

Jonathan Slater: That sounds like the subject of our previous hearing. Clearly, I don't know whether you are talking about an academy trust or a local authority maintained school, but I am guessing it is about an academy trust.

Chair: It is a free school. Sandymoor free school in Runcorn.

Jonathan Slater: So it is an academy trust—

Peter Lauener: Were those deficits on the construction programme?



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Q192 **Chair:** This is a council saying that school has a deficit of over half a million pounds.

Jonathan Slater: An academy trust would, as you know, Chair, be required to publish its accounts, identifying whether it is spending more or less. That would be in the public domain. We talked at our last hearing about our need to get better forecasting data about future deficits, but there shouldn't be a problem. I am very happy, if the MP wants to write to me—

Chair: Okay. I will get him to write to you directly on that.

Peter Lauener: If I may just add, there is a difference between the Priority School Building programme and the free schools. For free schools, where they are new schools, as they all are, there is no question about reusing furniture, obviously; the whole school should be ready to use when it is handed over. I am slightly confused about the debt.

Q193 **Chair:** Rather than going into that at this late hour, I think we will get the MP to write to you. In Kensington and Chelsea there is obviously great pressure, and the MP, Victoria Borwick MP, talks about what the deal has done at the planning stage for schools. She points out that very few sites come up for development in Kensington and Chelsea, and she thought there could have been room for negotiating more space for a playground area for Kensington Primary Academy, which is a free school, and insisting that was provided by the developers. She raised a point that others have also raised—I don't have time to go through them all—about how good a negotiator the EFA is, possibly now pairing with the local authority, to get maximum value out of a site for the future school. That goes back to the points we raised about what you can get out of developers.

Peter Lauener: It does seem as if there is criticism that we are paying over the odds and then criticism where we are trying to minimise the costs.

Q194 **Chair:** Minimising the cost, but at what cost? That is exactly what we have been trying to get out of this. You can pay over the odds for the site and still get a school that is not as fit for purpose as it should be. You can pay a fair price and get a school that is not fit for purpose. You can pay a bit more and maybe get something that is better in the long run for pupils, but we do not really understand where the value for money is coming from.

Peter Lauener: That is right, and there are places—particularly in London—where if we do not use the more flexible solutions we talked about earlier to provide play and leisure facilities for children while they are at the school, we will end up paying way more than we are paying at the moment. We have to make that judgment every time.

Q195 **Chair:** So just to be clear, it is acceptable for you to have schools built without adequate playgrounds for children? I am curious.



Jonathan Slater: No. This goes back to what we said previously. If they need a facility, the facility may or may not need to be on site, depending on the circumstances. Precisely because the situation varies a lot depending on the circumstances—we are happy to stand behind the decisions we have made. The NAO wants to look at a sample of our cases to see the extent to which we have made the right decision in the circumstances. That's fine.

Q196 **Chair:** One of the challenges, as others have pointed out, is the pace at which this is going and the fact that the numerical target sets certain parameters that make it difficult. I want to pin down what the relationship is between LocatED, the EFA, the DFE and the Government Property Unit. All those bodies are involved in buying property. Mr Lauener, you are now one of the largest land purchasers in the country, as Mr Foster reminded us. Why have LocatED as well? Can you describe in brief terms how they fit together?

Jonathan Slater: There are a team of people, currently part of the EFA, who buy the land—civil servants. In the light of the increasing scale of the challenge, which Kevin Foster raised, we are turning that team of what is currently a group of civil servants into a company wholly owned by the Secretary of State—that is what LocatED is—on the basis of a business case approved by the Treasury. That enables us to buy in more specialist surveying capacity at standard surveyor rates, rather than the standard civil service rates, held to account for delivering better value sites wherever possible. It is a specialist function set up for that one purpose, whereas the Government Property Unit is advising Government as a whole about how to get the best value out of its property.

Q197 **Chair:** Wouldn't it have been a good idea to set up a property-focused body if you were going to go and buy so much land, or was it just accidental that the EFA became such a large land purchaser and you felt the need to then set up LocatED?

Jonathan Slater: We are confident about the quality of the work that the EFA has done and the value for money of the decisions it has made, hence my invitation to the Comptroller and Auditor General. But as the scale increased, it seemed to make sense to create this entity to give us additional capacity.

Peter Lauener: Another point is that we have found it easier to recruit professional, experienced staff directly into LocatED. That should reduce our reliance on some of the external agencies. We think we have done a good job, but that LocatED will be able to do a better job. I am very optimistic about that. It will have higher running costs than we have had internally, but we expect that to be covered by the—

Q198 **Chair:** What about the internal processes? One of the criticisms we have heard is that sometimes school buildings are delayed because of internal processes in the EFA—what you might broadly term civil service bureaucracy. Will that be better under LocatED? Will it be quicker, so that there are not these long delays? Fulham Boys School, for instance, has



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been waiting a long time to move into a school. It was supposed to be in occupation in September this year, but it will not be in before January 2019. That is another example of a delay.

Jonathan Slater: LocatED is going to be buying land for us—that's all—to meet a specific—

Chair: So the development will still be with Mr Lauener.

Jonathan Slater: To address the question raised by Kevin Foster, we stand behind the work we do to open schools on permanent sites as efficiently and promptly as is allowed. The Fulham Boys School has its own detailed story behind it, which Mike can talk to you about if you wish, just as every other school does. Each school has a particular set of circumstances. At the macro level, we can point to the fact that we are opening schools much more quickly than we used to, but site by site there are always individual challenges.

Peter Lauener: One of the key performance indicators for LocatED will be the average time from commission to exchange. To be clear, some of the delays for Fulham Boys School were about building on a very difficult site with a lot of interests involved. They are the kind of delays that would be caused by any development in a place like where the school will be. It is actually a police station that we bought.

Chair: You have a bit of a habit of buying police stations.

Peter Lauener: One of the conditions of the purchase was that we provide a police desk in the new school, which is fine.

Q199 **Chair:** Okay. I think we won't go down that path now. Last week, the Chancellor announced the new extended admissions funding for wider travel from an area. Will that apply to all schools, or just to new selective grammar schools? Is it schools with full selection or schools with a percentage of selection that can apply for that?

Jonathan Slater: I am sorry, Chair. It is for selective schools. I should know, but I don't, whether it applies to partially selective ones as well.

Chair: Okay. If you can write to me on that, that would be good.

Jonathan Slater: I am happy to.

Q200 **Chair:** One of the questions is whether some of those undersubscribed schools could be saved by having a wider catchment area where local authorities fund pupils to travel. For instance, Southwark Free School could have attracted people from a wider area on a free travel basis. Is that something that is in your—

Jonathan Slater: It is for selective schools, but I don't know whether it is for partially selective schools.

Q201 **Chair:** Have you got any further with the fit and proper person test for people applying to run free schools and academy trusts?



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Peter Lauener: This subject came up in a previous hearing. We have developed quite a lot that we apply to new promoter groups, and we do quite extensive checks with groups that we don't know. Obviously, it is proportionate according to whether we have had previous contact with the groups. In some cases, multi-academy trusts will be coming to propose a new free school, and we obviously have a lot of information about them already. Again, if you would like more detail about the checks we do, we are happy to write to you afterwards.

Q202 **Chair:** I would be very pleased if you could. One of the concerns is that, while there are some good people trying to set up free schools—obviously, it is now the only vehicle for setting up schools, so local authorities and all sorts of people are getting involved—it can be a chancer's charter. Some of the ones that have not done well seem to have got the site, got the ability to set up a school and then not done as well as they could. Given that you are in control of the land, the money and choosing the people who run it, it beggars belief that some schools have failed. I know you say it is only a small percentage, but it's about taxpayers' money and, crucially, the children who are going through the school. Going back to the Olive School in my constituency, it has not failed academically but it may fail because it does not get premises. Fulham Boys might well get into its premises, from the sounds of it, but it is delayed. All of those things were within the control of the Department and the EFA, and yet in those cases they failed. If you haven't got a fit and proper persons test, we are interested to see how you do that. There is a danger that you are letting some people through the net.

Jonathan Slater: As Peter said, as you would expect with a programme like this, there has been a lot of development and learning over the period of the programme. That is why I said that the four schools that closed—as you say, Chair, it is of course four more than you would want—did so as a result of approvals made in the first two years of the programme.

Q203 **Chair:** So it is all going to be fine.

Jonathan Slater: No, I am not saying it is all fine. I am saying that we have sought to learn, and we have raised the bar on precisely who we approve. We have asked tougher questions than previously, and basic need is more of the criteria. We have sought to learn, and one piece of evidence of that is that nothing has closed that was approved after 2012. That is all I am saying. It is important to recognise that schools on temporary sites are, according to Ofsted, performing as well as those that are not. I am not saying it's what you would ideally want. You would obviously want them in their permanent accommodation as soon as possible, but those children are getting a good or outstanding education, just as much as kids on permanent sites in schools that have been open for years.

Chair: I think you have heard our concerns. You are a very large land purchaser. As Mr Foster highlighted, lots of land is being bought at very high rates. There is a concentration of these schools in London and the south east, which seem to be particularly popular, and there is still a



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mixed picture out there. We will be keeping a close eye on this. We are very interested in LocatED. We are watching that, too. The natural worry for us as a Committee when another body is set up to do something that is already being done is that it is going to cost money. You hope it will save money, but there are real issues with how it interacts with the Government property unit. I think we all agree that there are issues of concern here, and we will be calling you back at some point in the future to raise them.

Thank you for your great patience—I say thank you, but it was democracy in action. As we approach the path to Brexit and move into an uncertain world, good-quality education is more important than ever before. We all have a shared interest in ensuring that pupils in all schools of whatever sort come out with the best possible qualifications. On that note of agreement, let's call it a day.