



# Investment to support the provision of new pupil places in schools

Launch Date: 5 August 2002  
Respond by 28 October 2002

A consultation paper on proposed  
simplifications to the allocation of capital  
funding for what is often known as  
"Basic Need".

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## INVESTMENT TO SUPPORT THE PROVISION OF NEW PUPIL PLACES IN SCHOOLS

### A Consultation

To: Local Education Authorities  
Church of England Board of Education  
Catholic Education Service  
Society of Education Officers  
Dioceses  
Association of Chief Education Officers  
National Governors Council  
Local Government Association  
Foundation and Aided Schools National Association  
National Association of Head Teachers  
Secondary Heads' Association  
Professional Association of Teachers  
National Union of Teachers  
National Association of Schoolmasters/Union of Women Teachers  
Association of Teachers and Lecturers

Issued: 5 August 2002

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ISSUES

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ANNEX A: PRINCIPLES UNDERPINNING THE NEW CAPITAL STRATEGY

CONSULTATION RESPONSE FORM

## 1. EXECUTIVE SUMMARY

- 1.1 In the Government's White Paper "Schools - Achieving Success", we said that we are aiming to reform and simplify the way that capital funding is provided for new pupil places. This represents a further step in the process of implementing change, following the publication of the consultation paper "Schools Capital Strategy" in January 1999. Responses to that consultation were very positive and have already led to major improvements in the schools capital funding system.
- 1.2 We are now seeking to extend and build on these improvements. We want to do this by reforming the one key remaining area of schools capital funding so far not directly covered in the implementation of the Schools Capital Strategy - the funding for new pupil places.
- 1.3 Our aim is to simplify the process by making allocations on a formulaic basis, thus reducing administrative burdens for local education authorities and the Department, whilst at the same time increasing transparency, and enabling a wider range of needs to be addressed - such as expanding popular and successful schools. This paper sets out four options, ranging from amendments to the current system, to moving to a much simpler formulaic basis. One of the latter would, therefore, be the Department's preferred choice. This is set against a background of generally much higher levels of capital funding than has been the case in the past, whereby the complementary formulaic allocations can be joined up to address local needs and priorities. The "pay-off" for any loss of perceived targeting of need is that all authorities would receive some funding, with minimal levels of bureaucracy for all.
- 1.4 We expect to issue a further consultation paper in the autumn on the future routing of school sixth form capital funding, addressing the issue of whether, and to what extent, such funding that is currently routed through local authorities, and directly to Voluntary Aided schools, should be routed through the Learning and Skills Council.

## 2. BACKGROUND AND CONTEXT

### Current System

- 2.1** Funding for new pupil places currently supports what is known as “Basic Need”. This is defined as the excess of forecast demand for pupil places over the existing schools’ capacity to provide them. The capacity of a school is not currently based directly on the physical measurement of its buildings but on the higher of the actual current number of pupils in the school and the locally agreed admissions limit.
- 2.2** The approach requires local authorities to make a detailed case to the Department each year for the number of extra pupil places needed, based on calculations of the capacity of all schools in a particular area and forecasts of future growth. Both demand and capacity are measured not just at individual school level but also across a number of schools within a defined proximity to one another. This is aimed at avoiding the expansion of one school to admit more pupils when another, nearby, has spare capacity. However, it cannot respond flexibly to new policies - for example, to expand successful schools or to support changes in denominational places where these are agreed locally.
- 2.3** The Department currently funds each agreed place at a level intended to cover the average cost of providing such places; that is, based on the average of new build costs and extension costs which are lower. It does not, therefore, support the full cost of building whole new schools. Places at Voluntary Aided schools are funded by hypothecated grant; otherwise they are funded by un-hypothecated borrowing approvals awarded to local authorities which, from 2002-03, form part of the Single Capital Pot to be used by authorities in accordance with their local capital strategies.
- 2.4** The process for local authorities to make proposals for Basic Need funding is very complex, immensely time consuming both for them and the Department, and prone to error. Even when a proposal is compiled correctly under current rules, there is still significant scope for

working around the intentions of the system. For example, forecasts of growth in pupil numbers can be influenced by the inclusion of different schools, as can surplus places. Also, whilst there is precise calculation of need and capacity, accuracy is spurious since significant elements of the data on which it is based are open to judgement.

- 2.5** The potential to manipulate the existing system, and the spurious accuracy within it, mean that funding support may be provided where no need exists. However, by taking detailed account of surplus places as well as local growth in pupil numbers, the system does exert some pressure on local authorities to make full use of existing school buildings. It also supports the expansion of a school in one part of an authority if surplus places in another part are too geographically distant to make travel practical.
- 2.6** The key disadvantage of the current system is its operational complexity, both for local authorities and DfES, particularly given that its outcomes are often not transparent, unfair and not based on true need. It also does not have sufficient flexibility to respond to new policies which look to support diversity and the growth of successful schools.
- 2.7** The allocation of funding to support Basic Need in this way is only a relatively small proportion - around 15% in 2003-04 - of the total capital funding made available to local authorities and schools by the Department. It is also not the only funding currently allocated by the Department which authorities and schools can allocate to Basic Need. They can use any of the formulaic funding allocated to them under the main capital programmes if they wish, and Basic Need is a specific prioritisation criterion in deciding whether to support requests for funding under the Private Finance Initiative (PFI). We also expect authorities to obtain significant contributions towards building new schools from private developers where new housing increases demand for school places.

## Reasons to change

**2.8** We believe that this is the right time to change our approach to the funding of new pupil places. We have reached this view for a number of reasons.

**2.9** *The good progress so far made in implementing the Schools Capital Strategy.*

This includes:

- a. the development of Asset Management Plans, whereby local education authorities, with their local partners including dioceses and schools, should prioritise school building needs in a way that is open, fair and transparent;
- b. a much greater level and proportion of capital allocated to local education authorities by needs related formulae, based on Asset Management Plans. This change from previous bid based methods has given local authorities and schools much greater

certainty of future capital funding, enabling improved and more joined up planning of school building projects;

- c. the introduction of a new approach to measuring the capacity of schools, both in terms of space and pupil numbers, which will be based on the detailed physical measurements of all schools, currently being carried out. This will improve local decisions about investment in expanding and overcrowded schools, as well as identifying more accurately true surplus space. Further details of this new method are covered in paragraph 3.4 below;
- d. the introduction of Devolved formula capital for schools, giving them a financial stake in their partnership with local authorities and the ability to improve their premises directly;
- e. the recent reforms to the division of liabilities for premises work at voluntary aided schools, which came into effect from 1 April 2002;
- f. further steps to standardise the PFI procurement process for schools, and to remove barriers.

*These changes are improving the quality of local decision-making. They have moved the focus away from the detailed targeting of capital funding by central government, removed unnecessary bureaucracy and given local authorities and schools much greater certainty of funding and information to make the right local decisions. We now wish to go further and reform the funding of Basic Need.*

## **2.10 The much smaller proportion of capital funding now represented by new pupil places.**

This reflects the huge increases in the level of investment in schools capital in recent years. Schools capital funding has risen from £683m in 1996-97, to £3.0 billion in 2002-03, and will increase further to £3.5 billion in 2003-04. Within these totals, funding for new pupil places has remained largely static at around 45,000 places a year. This means that funding for new pupil places will have fallen from being the large majority of the amount being allocated by central government for schools capital, to around 15%.

*As a result, the highly targeted funding previously seen as essential for providing new pupil places is probably now needed much less. Authorities and schools now have a much greater level of resource, which they are able to allocate in line with local priorities, than was previously the case. Whilst funding still needs to be seen as fair and related to need, we should ensure that the administrative effort is commensurate with the precision needed and achievable.*

## **2.11 Wider policy developments, including those reflected in the “Schools - Achieving Success” White Paper published in September 2001. These include:**



- a. support for the expansion of successful schools;
- b. the introduction of the Single Capital Pot for local authority capital spend from April 2002, whereby an increasing amount of capital allocated to local authorities by central government is not ring-fenced for a particular purpose, but can be invested according to locally agree priorities.

*These changes mean that less emphasis is needed on targeting a limited budget for a very tightly defined purpose, which is the current approach to allocating funding for new pupil places. There is now much more emphasis on joining up separate funding streams locally to improve outputs and raise educational standards, rather than simply providing the minimum basic provision. This helps local authorities to achieve long term best value from the resources available to them.*

**2.12 The huge complexity, bureaucracy and spurious accuracy associated with the current approach.** This is exemplified by:

- a. the fact that an application for funding is needed at all, when other relevant data sources already exist;
- b. the large number of highly complex forms that need to be completed to make an application for funding;
- c. the detailed and artificial rules, and the exceptions to those rules, that need to be followed - for instance, in defining the acceptable distance between schools;
- d. the current detailed work involved in calculating the number on roll and number of places available in schools, compared with the more general approach to forecasting demand;
- e. the high level of checking that is needed for claims, and the large number of errors.

*This considerable effort by local authorities, dioceses and the Department is not justified, as the outputs are not likely to be any more accurate than would be achieved from a more broadly based approach.*

**Question 1: Do you agree that we should look to simplify and improve the current system for allocating capital funding to support the expansion of new pupil places?**

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### 3 THE PROPOSALS

#### Principles and objectives of a new system of allocation

- 3.1** We believe that the principles that underpin the new approach to allocating funding for new pupil places should be exactly the same as those already in place for the schools capital strategy as a whole, following the consultation in 1999. These are reproduced (slightly amended) at Annex A.
- 3.2** In line with these principles, we believe that objectives should aim to:
- a. support the provision of more pupil places where there is significant growth in pupil numbers;
  - b. support authorities and schools in making local choices to raise educational standards, including providing sufficient flexibility to support the expansion of successful schools, the creation of greater diversity of schools, and the removal of surplus places, where cost effective to do so;
  - c. ensure that the funding for new pupil places operates in harmony with other methods of allocating capital funding to schools.

**Question 2: Are there any other objectives which you think are important?**

**Question 3: Are there any principles or objectives here which you disagree with, or which you regard as unimportant?**

## Possible models for change

**3.3** We have considered four possible models for change, ranging from minimal change, which cannot be avoided in any case, to a simple formulaic allocation.

### *Model 1: Minimal change*

**3.4** The existing system will not remain completely unchanged since we already intend to use the physical capacity of schools, based on the new 'net capacity' assessment method (and the number of 'workplaces' available) to measure pupil places available, rather than using the capacity based on the 'standard number', or the numbers of pupils in a school if higher, as a proxy for physical capacity. When information gathered under this new approach of measuring capacity becomes available (from mid 2002), we will be in position, if we want, to simply adapt the existing approach to allocating new pupil places. The net capacity assessment allocates each space (in the net area of a school) a number of 'workplaces' depending on the type of space. Only some of these will be used for teaching rooms or classbases, and there must be a reasonable remainder for support functions such as staff rooms and storage. Where this remainder is a very large proportion of the total, further teaching space can usually be created through adaptations. Where it is small, the available accommodation is clearly being used as effectively as possible and new places would have to be added in new buildings. This would offer a number of improvements over how we currently calculate the additional pupil places that are needed. Any measure of need that uses this method can:

- a. be based on local assessments of the pupil places available, in turn based on the physical measurement of accommodation;
- b. possibly differentiate between the likely need for new accommodation and adaptations of existing buildings when creating new places, allowing realistic differentiated capital allocations to be made (using the total workplaces to identify a realistic potential capacity of any school possible through adaptations);
- c. reflect the use of places for non-school or support functions such as parents' rooms, learning support units or nurseries;
- d. allow deficits to be addressed in overcrowded schools, by using the true capacity rather than the number on roll.

**3.5** However, the minimum changes to allocation methodology necessary to implement the new net capacity measurement would not take away the need for authorities to put together, and for the Department to assess, large numbers of complex cases. The system would also still be subject to unreliability in the local judgements of projected growth in pupil numbers.

**3.6** The potential advantages are that it:

- a. is capable of targeting narrowly defined need for new pupil places very precisely, possibly differentiating between the likely need for new accommodation and adaptations.

**3.7** The potential disadvantages are that it:

- a. remains heavily bureaucratic, with most of the disadvantages of the current system;
- b. is still open to reflecting a significant degree of local judgement or, possibly, manipulation;
- c. doesn't deal with more complex pupil growth issues, such as expanding successful schools.

### ***Model 2: Adaptation of the existing system***

**3.8** We could adapt the existing system to make it more flexible, and to address some of its actual and perceived weaknesses. For example, changes could be made which:

- a. take account of the demand for denominational places in excess of supply, where there is local agreement;
- b. support the growth of successful schools;
- c. use larger, more permanently defined areas in authorities within which growth is measured, rather than the current approach where growth areas can change from year to year;
- d. avoid the current position that projected growth in one authority is funded even when many pupils then go over the local border to fill vacant spaces in a neighbouring authority.

**3.9** The potential advantages are that it:

- a. can support new policy initiatives.

**3.10** The potential disadvantages are that it:

- a. remains heavily bureaucratic, with much of the disadvantages of the current system;
- b. possibly introduces even more complexity compared to the existing system.

### ***Model 3: Formulaic allocation based on growth in pupil numbers relative to existing capacity***

- 3.11** This would take advantage of the fact that the net capacity assessment method, unlike current measures of physical capacity, would only need to be measured once, rather than annually, and cannot be manipulated, once agreed. The model would:
- a. be similar in concept to the recently introduced New Deal for Schools Condition and Modernisation capital programmes, which have an element of funding related simply to total pupil numbers, together with an element related to a measure of need;
  - b. measure need as actual and/or forecast increases in pupil numbers over an authority as a whole, against the total available net capacity, (as assessed by the new net area measurement). It could make allowance for a certain acceptable level of surplus places (eg by providing funding where the proportion of surplus places was within a particular threshold, but not where the threshold was exceeded);
  - c. perhaps be supported by a 'safety-valve' mechanism whereby, if major growth is not recognised fully by the formula and cannot reasonably be supported from within total formulaic capital budgets, a bid can be made for extra funding. This is most likely to occur where there are significant population shifts within a geographically large authority.

**3.12** The potential advantages are that it:

- a. reduces the level of bureaucracy;
- b. reduces scope for manipulation;
- c. targets need;
- d. builds on the methodology of other successful programmes.

**3.13** The potential disadvantages are:

- a. the targeting of need is not as great as is theoretically possible with Models 1 or 2;
- b. it still requires a "safety valve" mechanism to address any major shortfalls.

### ***Model 4: Simplified formulaic allocation based on growth in pupil numbers***

**3.14** The available funding could be allocated in the same way as Model 3, but simply measuring the need element by using forecasts of the growth in pupil numbers, and not setting these off against the existing total net capacity of schools within a local authority.

**3.15** Whilst this would not reflect those relatively few LEAs with very high surplus places which could absorb increased pupil numbers, this approach has the advantage of great simplicity. It would also place the emphasis of the new net capacity measurement on being a tool for good local management of accommodation, monitored through appraisal of Asset Management Plans, and local decision-making. This approach might not target need as well as Model 3, since it would take no direct account of those authorities with growing pupil numbers but a high level of surplus places; however, this may matter less within the context of a policy whereby popular and successful schools should be expanded even if other schools in the same area have surplus capacity.

**3.16** The potential advantages are that it:

- a. reduces bureaucracy to the minimum level;
- b. is consistent with the principle of supporting good quality provision;
- c. builds on the methodology of other successful programmes.

**3.17** The potential disadvantages are that it:

- a. does not reflect inefficient use of space, or high surplus places, so may not target need as well as Model 3;
- b. still requires a 'safety valve' mechanism,

## Discussion

**3.18** Of the models set out, our current view is that we would prefer a move to either Model 3 or Model 4. This is on the basis that either model represents a balanced solution achieving both a significant simplification of the current approach whilst at the same time targeting need sufficiently well. Both approaches would provide a level of funding to all authorities to address the issues of pupil growth and movement which they generally all face, such as increasing capacity at successful schools, removing surplus places where economic to do so, and small adaptations needed to reflect smaller internal movements in pupil places.

**3.19** We have carried out some simple modelling to compare funding using the "historic" method with a formulaic approach. This has been done by taking average allocations derived from the pupil places allocated for the 1998-2001 rounds, and comparing these with a formulaic approach using a combination of pupil numbers and pupil growth. While the outcome of any developed option would depend on the actual criteria included in the formula and how the various elements were weighted, our initial work suggests that, in broad terms, for most authorities, the variation between the two approaches is not likely to represent a significant proportion of their overall funding over time (given the much higher levels of funding generally). It is also worth noting that since the current system is

complicated and prone to administrative and data error, it does not itself provide a sound basis for judging an alternative system. And, of course, an authority that received large Basic Need allocations in the past would not necessarily receive significant funding in future under the current system.

**3.20** Both Models 3 and 4 have the advantage of simplicity and, in the context of much higher levels of other available capital funding, greater approximation would matter less than in the past. Either would reinforce the message that all local authorities should manage resources and address needs in a holistic way - perhaps combining funding for pupil places with other funding to expand and, at the same time, generally improve and modernise a school. As every local authority would receive a share of funding, it could provide support to a range of policies from the White Paper - such as expanding successful schools and increasing diversity.

**3.21** There are likely to be a number of issues that need to be addressed if either Models 3 or 4 were to be adopted. These will need addressing in detail if one of the Models is used, but are discussed below.

*a. Models 3 and 4 may not target need where there is a geographically large authority with significant population movement within it, but no overall increase in numbers.*

**3.22** We regard this as a key issue for both Models 3 and 4, and one that would need to be examined carefully in developing the detail of any revised approach to allocations.

**3.23** There are authorities which sometimes have large population movements across significant distances, within relatively stable overall populations. These changes may not be fully recognised by a formulaic method related only to total pupil numbers. If such issues were significant, a case might be made for additional funding as part of a 'safety valve' mechanism to address unusual circumstances.

**3.24** The detail of a 'safety valve' would need to be developed in discussion with authorities and others, but it would have to be designed to be used by **only a small number of authorities in very limited and well defined circumstances**. We need to avoid it becoming unwieldy and simply becoming the norm.

**3.25** We envisage that it would be available only where there was a significant strain put on an authority's total capital resources to meet a high demand for increasing pupil numbers due to population movement within the authority. This is in the context of significant extra overall capital resources, both inside and outside of the Single Capital Pot, and from planning gain or other resources, which are available to local authorities.

**3.26** The main mechanism to meet such demand is already in place in the form of bids for support under the Private Finance Initiative. Authorities can already bid to this resource for Basic Need - and some priority is given to them if they do so. The other source would be to include a safety mechanism within the operation of the Targeted Capital round. In order to trigger the safety mechanism, authorities would need to be able to demonstrate:

- that there were exceptional circumstances placing extreme pressure on the authority to provide sufficient pupil places (eg caused by unusually large population movements within the authority);
- that within the context of the authority's overall funding - ie through funding for pupil places and other capital funding - there would be a shortfall which could not be managed by the authority within a given funding horizon (for example, where the shortfall exceeded, say, 40 per cent of total capital funding over a 3 year period);
- that there were no other sources of funding available (eg PFI, or planning gain arising from a new housing development);
- what the consequences would be if there were no additional support.

*b. Source of forecast pupil numbers*

**3.27** Forecasts of pupil numbers at whole authority level could be standardised rather than being dependent, as now, on local estimates of local movements which cannot easily be verified either at the time or afterwards. We would need to decide the basis of the pupil projection that is used. The Department produces its own projections from data provided by local authorities, the Annual Schools Census, and the Office of National Statistics. However, the Department's projections may not necessarily take account of factors known locally, such as the proposed relocation of a major company.

**3.28** Alternatively, we could use projections provided by local authorities, although this has the drawback that they would be non-standardised and would need to be collected each year for the purpose. The main advantage of using the Department's data is that we would not need to collect additional data from local authorities, which would substantially reduce administrative burdens on them. However, we would welcome your views on this (see Question 8 below).

*c. How the Models would deal with the expansion of successful schools*

**3.29** With increased overall levels of funding, we believe that it is best left to robust and consultative local decision-making to decide whether enlarging a successful school is appropriate. The need to do so is likely to be relatively equal across the country, relative to numbers of pupils and perhaps levels of surplus places. Whilst this expansion might be



funded from any unhypothecated source, it would be appropriate to allocate part of the Basic Need budget simply by pupil numbers in recognition of this need.

**3.30** In addition, the growth element of funding in both models is expected to support such expansion.

*d. The Voluntary Aided sector*

**3.31** For the Voluntary Aided sector, the same general approach would apply. From the total capital budget allocated to the sector, we would allocate most funding for new pupil places by formula, which would then form part of the LEA Co-ordinated VA Programme (LCVAP). This might then meet most of the funding needs for new pupil places. Funding for very large projects could continue to be met, under the safety-valve mechanism, via the Targeted Capital element of the VA budget - but see below too.

**3.32** There are issues about the balance of funding initially allocated to the LEA and VA sectors at local level, and where the actual demand for new places occurs. For example, in an area where there was currently relatively little VA provision, and it was subsequently decided that a new school should be built to provide additional places, and that school should be a VA school, there will be cases where a formulaic approach would not deliver sufficient funds to the right sector to meet those costs (ie where the bulk of the funding for that authority area had already been allocated to the LEA, rather than the VA sector). In this, or similar, scenarios it could mean that the LEA had been allocated funds that it did not need for pupil places. This means that there would need to be arrangements in place to adjust for significant imbalances between the two sectors. In cases such as this, one option would be to look to local partners to find locally agreed solutions, and it could be appropriate for the LEA to provide funding for a VA project, either directly or via the Department (ie where the Department took the money back and funded the project directly). Where there was a genuine and significant overall shortfall of funds (eg because of demand for additional places in another part of the authority, or a different phase of education), a bid might be made to trigger the safety-valve mechanism. Depending on the circumstances, it might also be appropriate for the Department to provide funding from a centrally held "pot", with a corresponding adjustment to an authority's formula funding in a subsequent year. Your views on these issues are sought at Question 9.

*e. Cross border issues*

**3.33** If chosen, both Model 3 or Model 4 would take account of cross border pupil flows, since the forecast of pupils in particular areas would be based on school populations rather than where they actually lived. Against this background, and within the context of higher funding levels generally, the PFI, and a safety-valve mechanism, it would be helpful to know

whether there were any other factors you would wish to see included in any formula in respect of cross border movement. If so, please make your views known, including suggestions of how this might be done, bearing in mind that any new approach should be transparent with the levels of bureaucracy ideally kept to the minimum (see Question 10 below).

*f. Other issues*

- 3.34** We believe that moving to a formulaic approach should provide a system that is simple, transparent, non-bureaucratic, and fair in its application. Both Models 3 and 4 would provide funding to **all** authorities for the provision of new pupil places, while at the same time targeting additional funding to those areas with greatest need. There is a question as to whether any formula should apply additional limits on the minimum or maximum level of funding for each authority. Any attempt to introduce additional “floors” and “ceilings” by reference to the current system is likely to produce spurious results over time. It would also add an additional level of bureaucracy. However, it would be helpful to know your views on whether the principle of having a “floors” and “ceilings” mechanism built into any formula is something that you think should be pursued further, together with your ideas on how it might be done to achieve greater equity (see Question 11).
- 3.35** Notwithstanding what is said above, there are circumstances in which it might be necessary to introduce an abatement mechanism in order to prevent double funding; for example, where an authority received funding through the PFI for the provision of new pupil places, or where it was planned to provide additional places through the establishment of an Academy. We could do this by abating the “growth” element of the formula for a particular authority by the number of places being provided by other means, for the sector in question. We believe that this would result in the available funding “pot” being distributed more equitably - see Question 12.

## Conclusion

- 3.36** While Models 3 and 4 are our preferred options, we are keen to hear if they would also have your support, which one you favour, or if there is a very strong consensus in favour of a different approach. This might include any variations not mentioned in this consultation. We believe, however, that we should not compromise on the need to cut out unnecessary bureaucracy, whilst also making sure that allocations reflect need. We think that any distribution mechanism that, as with the current one, attempts a precise definition of Basic Need will soon become very complicated. For the same reason, none of the models attempts to take specific account of cross-border issues, or the expansion of faith schools, which would be a matter for local decision making.

**3.37** The case for using **Model 3**, which factors in the capacity of existing schools to any allocation based on forecast growth in pupil numbers, is that it could avoid funding LEAs with large numbers of surplus places (if they have any significant growth in pupil numbers) or those with inefficiently organised school buildings (for instance where the capacity is low but the number of supporting rooms is very high). It could, however, still fund LEAs with an 'acceptable' level of surplus places. But it would add an extra level of complexity to the calculation of the allocation and in the management of the underlying capacity measurements.

**3.38** On the other hand, since **Model 4** would not reduce funds to an authority to take account of surplus places, in that context it might better support the expansion of successful schools where there is overall growth in demand. It would also be the simplest model to operate with the lowest levels of bureaucracy.

**Question 4:** Do you consider that either of the other Models (1 or 2) are better than our preferred options (3 or 4)? If so, what are the reasons for your preference?

**Question 5:** If you answered "yes" to Question 4, and a modified system is preferred, what sort of characteristics would you like it to have - either in terms of those described above or others?

**Question 6:** If you support one of our preferred options, would you prefer Model 3 or Model 4 (please say why)?

**Question 7:** Do you agree that our preferred options outlined above are about right?

**Question 8:** If you support Models 3 or 4, do you have a view as to which pupil projections should be used to calculate additional pupil places:

- a. DfES projections
- b. LEA projections
- c. Other (please specify)

**Question 9:** Where initial allocations for funding of pupil places (under a formulaic approach - Model 3 or Model 4) do not match subsequent decisions taken on the type of provision to be provided (eg a new VA secondary school where little VA provision currently existed), do you agree that mechanisms should exist for the LEA to contribute to cover the project costs (see paragraphs 3.31 and 3.32)?

- a. If yes, please say how you think this should work (eg LEA funding clawed back by the Department and paid directly; LEA contributes directly to the costs).
- b. If no, please say why.

**Question 10:** Bearing in mind what is said at paragraph 3.33, if we moved to a formulaic approach, are there any additional factors you would like us to include in any formula in respect of cross border issues? If so, please explain what those factors would be.

**Question 11:** Do you think that any formula for funding pupil places should include an additional “floors and ceilings” mechanism (see paragraph 3.34), given that it would add an additional level of bureaucracy and that it may affect only a small number of authorities. If yes, please describe how you think it should work.

**Question 12:** Do you agree that any formula should include an abatement mechanism to take account of funding for pupil places by other means (eg PFI, Academy) (see paragraph 3.35). If no, please say why.

**Question 13:** Are there other ways in which Models 3 or 4 might be improved, or particular issues you believe should be considered in developing the details?

## **Timing - implementation of changes**

**3.39** Allowing for proper consideration of this consultation, we expect that any changes arising from this consultation would take effect from the financial year 2004-05. This would allow a reasonable lead in time to work out the detail of the chosen option and to effect the changes. It also means that local authorities and schools will know from an early stage the system that will be used for the 2002 round (ie for 2003-04 plus future commitments arising from that), and will be able to plan accordingly. When any change is introduced, we would expect to honour commitments made for future years under the existing system.

**Question 14:** Do you agree that any changes arising from this consultation should take effect from 2004-05? If not, please give an alternative year, and provide an explanation.

## 4 HOW TO RESPOND

- 4.1 Responses to this consultation should be made on the Response Form enclosed with this document, and sent to:

Consultation Unit  
Department for Education and Skills  
Level 1, Area B  
Castle View House  
East Lane  
Runcorn  
Cheshire WA7 2GJ

or alternatively emailed to [schoolscapital.newplaces@dfes.gsi.gov.uk](mailto:schoolscapital.newplaces@dfes.gsi.gov.uk) using the electronic template available from [www.dfes.gov.uk/consultations](http://www.dfes.gov.uk/consultations)

## 5 ADDITIONAL COPIES

- 5.1 Additional copies of this document can be obtained from the Department's website at [www.dfes.gov.uk/consultations](http://www.dfes.gov.uk/consultations), or alternatively by contacting PROLOG at:

DfES Publications  
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**Tel: 0845 6022260.** This is the DfES Publications Helpline.

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**Email: [dfes@prolog.uk.com](mailto:dfes@prolog.uk.com), quoting reference number: 0277/2002**

### PRINCIPLES UNDERPINNING THE NEW CAPITAL STRATEGY

- ❑ **maximum impact on standards** - available capital resources should be directed as far as possible to areas where the impact on educational standards can be maximised, in the context of the Transforming Secondary Education Programme: this includes taking account of new ways of supporting learning, and the expansion of successful schools, where appropriate;
- ❑ **maximum value for money** - capital investment and revenue spending should be in the right balance, with timely maintenance and proper consideration of whole life costing and planned outcomes;
- ❑ **matching resources to need** - the ability to identify and target resources on areas of greatest need or where the impact on standards can be greatest, and using the most appropriate form of funding to meet each need;
- ❑ **correct balance of responsibilities** - the respective responsibilities of DfES, Local Education Authorities, Dioceses, and Governing Bodies are clear and understood, and decisions are taken at a level which balances the benefits of proximity to the issue with the ability to prioritise and take a wider view;
- ❑ **fairness** - between Authorities, between rural and urban areas and between categories of school; consultative processes ensure that stakeholders are consulted on, and agree, local priorities;
- ❑ **incentives** - decision makers are not diverted from doing whatever has the greatest impact on raising standards by the attraction of one approach or one funding mechanism over another;

- ❑ **transparency and accountability** - the rationale for, and implications of, decisions are open to public scrutiny, and decision makers are accountable for delivering outputs in the sense of having the consequences of their actions visited on them;
- ❑ **simplicity** - the system is readily comprehensible and operates in a straightforward fashion in order to contribute to reducing the bureaucratic burden on Local Education Authorities, Dioceses and schools, including within the context of the Transforming Secondary Workforce Programme and enabling the improvement of teachers' areas for non-contact time;
- ❑ **environmental impact** - well managed capital expenditure delivers not only good value for money but also positive environmental effects through energy saving;
- ❑ **health and safety** - addressing threats to the health and safety of pupils, staff and other users of school premises should always be a top priority when considering how to allocate funding;
- ❑ **equal opportunities** - developing ways of meeting the capital needs of all schools and their pupils that are fair and transparent, including wider participation in the PFI process and addressing the accommodation implications for pupils with special educational needs.

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for enquiries on responding to the consultation telephone **01928 794888**, or write to:

Consultation Unit, Department for Education and Skills Level 1, Area B, Castle View House, East Lane, Runcorn, Cheshire, WA7 2GJ

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