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## BRIEFING PAPER

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# School buildings and capital funding (England)

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## Introduction

This paper provides information on the levels of funding available for capital projects in English schools, as well as on the streams of funding schools may access. The Priority School Building Programme, implemented by the Coalition Government as a replacement for the previous Building Schools for the Future programme, is discussed in a separate section.

The paper also includes an overview of the National Audit Office report on capital funding in schools, published in February 2017.

# 1. Levels and sources of funding

Total capital spending by the Department of Education<sup>1</sup> fell from £7.4 billion in 2009-10 to £5.0 billion in 2011-12 and £3.6 billion in 2013-14. It has since increased and was £5.0 billion in 2015-16.<sup>2</sup> The 2015-16 level was 38% below the 2009-10 figure in real terms.

The 2015 spending review set out the department's capital budget up to 2019-20. This is planned to increase to £5.3 billion in 2016-17 before falling below £5.0 billion in the following years and to £3.8 billion in 2019-20.<sup>3</sup> The final year's figure would be worth 28% less than the 2015-16 level in real terms and 56% below the 2009-10 level.<sup>4</sup>

## Duties on local authorities to provide school places

Local authorities have a duty to ensure that there are sufficient school places in their area, and parents can make representations about the supply of school places. Local authorities must respond to such representations under Section 14A of the *Education Act 1996*, which was inserted by Section 3 of the *Education and Inspections Act 2006*.

In a written answer to a PQ in the last Parliament, Nick Gibb, the Schools Minister, set out local authority responsibilities:

It is the responsibility of each local authority to manage the supply and demand for primary and secondary school places in its area and secure a place for every child of statutory school age who wants one. Ministers play no role in deciding primary and secondary school provision in individual authorities and constituencies but the Department allocates capital funding to enable local authorities to provide sufficient school places.<sup>5</sup>

How local authorities fulfil their statutory duties is a matter for each local authority to decide.

## Basic Need funding for local authorities

Basic Need capital allocations are made to local authorities (LAs) to support the capital requirement for providing new pupil places by expanding existing maintained schools, free schools or academies, and by establishing new schools.

The most recent [allocations](#) to local authorities were made in March 2016, covering allocations to 2018-19, with additional allocations in 2015-17. This funding is aimed at allowing local authorities to create the new school places project they will need by September 2019.<sup>6</sup> The spreadsheet detailing these allocations also includes total Basic Need funding by year from 2011 to 2019. It was

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<sup>1</sup> Includes some non-school spending

<sup>2</sup> [Consolidated Annual Report and Accounts 2015-16](#), (and earlier) DfE (Table 1); [Public Expenditure Statistical Analyses 2016](#), HM Treasury (Table 1.8)

<sup>3</sup> *ibid.*

<sup>4</sup> Adjusted using December 2016 GDP deflators

<sup>5</sup> HC Deb 1 November 2011 c612W

<sup>6</sup> Department for Education, [Basic need allocations for 2018 to 2019 and funding for 2011 to 2019](#), March 2016 [accessed 7 September 2016]

worth just over £9 billion for the whole period or around £1.4 billion per year.

In January 2017 the Department for Education published [Local Authority School Places Scorecards 2015](#) which gives data on basic needs allocations, new schools places created/planned, demand for new places, costs and the 'quality' of new places created.

## Targeted Basic Need Programme

The Targeted Basic Need Programme, launched in March 2013 by the then Coalition Government, aimed to provide additional funding for school places in areas where they are most needed. It was worth around £0.8 billion in total for the years it covered (2013-15). A breakdown by local authority can be found alongside the most recent Basic Need [allocations](#).

In a July 2013 [Written Ministerial Statement](#) announcing the successful applicants, the then Schools Minister David Laws stated:

[...] we invited applications from local authorities for additional new places, particularly focused on places in outstanding or good schools, and on creating new academies sponsored by organisations with a good track record in educational success. [...] I am delighted to announce that the Targeted Basic Need programme will provide £820 million to fund an additional 74,000 high-quality school places on top of those already created and funded - all in areas that face the greatest pressure on places. These new places will be in 45 new schools and in 333 expanding schools that are rated as outstanding or good.<sup>7</sup>

In December 2013 the Government announced details of the [new academies being built under the Targeted Basic Need Programme](#).<sup>8</sup>

The places created through the programme became available between September 2014 and September 2015.

## School condition funding

School condition funding is the money allocated by the Government each year to improve and maintain the school estate (buildings and grounds), distributed through three separate allocations:

- devolved formula capital (DFC) allocations – direct funding for individual schools rather than via local authorities. Allocations are based on a simple formula which takes school type and pupil numbers into account.
- school condition allocations (SCA) – funding for organisations responsible for large numbers of schools, such as local authorities and large multi-academy trusts
- [condition improvement fund \(CIF\)](#) allocations – funding for smaller multi-academy trusts, single academy trusts and sixth-form colleges<sup>9</sup> (The CIF replaced the Academies Capital Maintenance

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<sup>7</sup> [HC Deb 18 July 2013 c121-122WS](#)

<sup>8</sup> Department for Education, [BT, Mossbourne Academy and the Harris Federation named among sponsors of new academies](#), 12 December 2013

<sup>9</sup> Department for Education, [2010 to 2015 government policy: school building and maintenance](#), 8 May 2015

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Fund (ACMF) and the Building Condition Improvement Fund (BCIF))

[Allocations](#) for 2015-18 were confirmed in July 2015 and updated with final 2016-17 data in May 2016.<sup>10</sup> The underlying spreadsheet includes local authority level totals for maintained schools in 2016-17 and equivalents for multi-academy trusts, school level DFC allocations for maintained schools and school/institution level totals for academies and other types of schools. Earlier allocations can be found in the following links:

- [2008-11](#)
- [2011-12](#)
- [2012-13](#)
- [2013-14](#)
- [2014-15](#)

### Capital maintenance funding and support for multi-academy trusts (MATs)

Multi-academy trusts (MATs) with at least 5 academies and more than 3,000 pupils receive a capital funding allocation to deploy across their estate, designed to address their priority maintenance and expansion needs. This [funding](#) is provided by the Education Funding Agency to keep school buildings in good condition so pupils can learn in a safe and effective environment.<sup>11</sup>

### Other information

Information is also available on:

- [Academy Property Transactions](#)
- [Disposal of school land: Decisions](#)
- [An overview of school building and maintenance policy under the Coalition Government](#)

General information on [schools' capital expenditure and funding](#) is provided on the gov.uk website.<sup>12</sup>

The Department for Education's [School Governors' Handbook](#), most recently updated in January 2015, also includes a useful overview of school capital funding (see section 7.10).

In March 2013 the National Audit Office published a value for money report on [Capital funding for new school places](#).

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<sup>10</sup> Department for Education, [School capital funding allocations: 2015 to 2018](#) [accessed 22 September 2015]

<sup>11</sup> Department for Education, [Capital funding for multi-academy trusts \(MATs\)](#), 11 February 2015

<sup>12</sup> Department for Education, [Schools capital expenditure and funding](#) collection [accessed 22 September 2015]

## 2. Priority School Building Programme

### 2.1 Development of the PSBP

The Priority School Building Programme (PSBP) was launched by the Coalition Government in July 2011. It replaced the Building Schools for the Future Programme established by the previous Labour Government, which was ended by the Coalition Government soon after it took office. The announcement of the closure included the announcement of a review of capital funding.<sup>13</sup>

Sebastian James' [review of capital funding](#) was subsequently published in April 2011.<sup>14</sup>

In a [statement to the House in July 2011](#), the then Education Secretary Michael Gove said that the design of the Building Schools for the Future Programme “was not as efficient as it could have been. Specifically, it did not prioritise schools in the worst condition and it did not procure new buildings as cheaply as possible.”

In its place, he announced the PSBP, which would be available to “all schools—academies, community schools and voluntary-aided schools—and local authorities that are responsible for the maintenance of a number of schools” and focused on schools with the “greatest need”:

I am also aware that many of our existing school buildings across the country are in desperate need of repair. I am grateful to hon. Members from all parties who have shown me and my colleagues schools in their constituencies that desperately need investment. The energy and skill with which so many colleagues have lobbied underlines how effectively so many hon. Members across the House represent the most needy in their constituencies.

We have already made £1.4 billion available this year to deal with maintenance problems. Overall, we are spending more on school buildings in every year of this Parliament cumulatively than the previous Government spent in every year of their first two Parliaments. But I want to do more, which is why today I am launching a new privately financed school building programme to address the schools in the worst condition, wherever they are in the country. The programme will be open to local authorities and schools that had been due funding via BSF but, critically, it will also be open to those which, despite real problems, had never been promised BSF funding. I believe strongly that those in genuine need should receive the funding they deserve and that no part of the country should be favoured over any other. Individual schools and local authorities will all be able to apply, and I am launching the application process today. The scheme will be rigorously policed to ensure that we do not incur the excessive costs incurred by previous privately financed schemes. The programme should cover between 100 and 300 schools, with the

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<sup>13</sup> See a Written Ministerial Statement by the then Education Secretary, Michael Gove, beginning at [HC Deb 5 July 2010 c47](#), and the following debate

<sup>14</sup> Department for Education, [Review of Education capital](#), 5 April 2011

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first of these open in September 2014, and is expected to be worth about £2 billion in up-front construction costs.<sup>15</sup>

In a subsequent [letter to local authorities](#), the then Secretary of State added:

The programme will be available to all publicly funded schools. I am determined that criticisms of the previous model for private financing must be addressed and I will only agree to projects when a series of rigorous value for money tests have been passed.

Local authorities, schools, and organisations with responsibility for schools will be able to submit applications for the programme.<sup>16</sup>

[General information](#) about PSBP is available on the gov.uk website.<sup>17</sup>

There have been two phases of PSBP. The first was [announced](#) in May 2012,<sup>18</sup> the [second](#) in May 2014.<sup>19</sup>

The successful schools in this second wave were announced on 9 February 2015. The announcement stated that under this second phase:

[...] around £2 billion will be invested in rebuilding or refurbishing buildings at 277 schools across England, under the second phase of the government's flagship Priority School Building Programme. 260 schools are already benefiting under the first phase of the programme, bringing the total number to receive a revamp to 537.<sup>20</sup>

## 2.2 Education Committee evidence session

In March 2015, the Education Select Committee in the Commons held a [one off evidence session](#) on the PSBP, as well as taking [written evidence](#).

In oral evidence, the then Schools Minister David Laws was asked what message he would send to schools that had applied for the two phases of PSBP but not been successful:

Q149 Chair: What message would you send to those schools that applied for PSBP 1 and 2 but failed? What confidence can they have that they will be funded in future?

Mr Laws: If they are academies, I would urge them to apply to the new condition improvement fund. Obviously, through that we fund some quite large bids. We are going through the bids and approving them at the moment. Although some of them are for £40,000 or £50,000, there will be some multimillion pound bids. If they are academies, they can bid for that and potentially get a large amount of money. If they are LA-maintained schools, they should know that we have now made this three-year allocation of maintenance, perhaps for the first time ever, so local authorities now have a lot of money for this, which is allocated on the basis

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<sup>15</sup> [HC Deb 19 July 2011 c793](#)

<sup>16</sup> Department for Education, [Michael Gove announcement on education funding](#), 19 July 2011

<sup>17</sup> Department for Education, [Priority School Building Programme](#), 7 August 2015

<sup>18</sup> Department for Education, [Written ministerial statement on the Priority School Building Programme](#), 24 May 2012

<sup>19</sup> Department for Education, [Education spending](#), 1 May 2014

<sup>20</sup> Department for Education, [£6 billion investment to rebuild and improve schools across England](#), 9 February 2015



of need in their area. Schools should be going to the local authority, particularly if the local authority put them forward for one of the Priority School Building Programmes, and saying, “We are disappointed that we didn’t get into it, but we know you have some money allocated for condition need. You obviously accept that we have condition need, so can we now sit down and talk about how some of that money can come our way?”<sup>21</sup>

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<sup>21</sup> [HC 1090, Session 2014-15, Q149](#)

### 3. National Audit Office report: Capital funding for schools

In February 2017, the National Audit Office published a report on [Capital funding for schools](#) in England, which assessed the current position of the school estate and the funding required for its maintenance and expansion.

The report's key findings covered a variety of areas:

#### **Providing school places**

- The Department for Education and local authorities had created a net increase of 599,000 school places between 2010 and 2015, at a cost of £7.5 billion
- 420,000 additional places are forecast to be needed between 2016 and 2021 with demand highest in London and the South East.
- School places were unevenly available, with pressure in some areas and large amounts of spare capacity elsewhere
- Local authorities faced significant challenges in providing school places on time, particularly in London and the South East
- The DfE had improved how it estimates the need for school places and allocates money more closely according to need
- Where academies do not want to expand or relationships with the local authority are weak, authorities are restricted in their ability to provide sufficient school places – a statutory duty. This was also affected by free schools, whose opening local authorities can initiate but not fully control
- The Government's plan for 500 new free schools by 2020 could eventually provide 270,000 additional places; around half of which are estimated to be available by 2012.
- Around half of places at maintained free schools up to 2021 are expected to contribute towards meeting local demographic need. The remainder will create some spare capacity in schools in their immediate area.
- Free schools that create spare capacity affect pupil numbers and funding for neighbouring schools and, where a significant number of places are not filled, their own financial viability.

#### **The school estate**

- It would cost £6.7bn to return all school buildings to a satisfactory or better condition
- The DfE has improved its data on the condition of the school estate but is not yet able to assess reliably how the condition is changing over time; the first results from a new property data survey to assess this are expected in 2017
- There is a significant risk of major costs arising from deterioration of the estate, with the DfE estimating that the cost of returning schools to satisfactory condition will double between 2015-16 and 2020-21
- Funding to repair school buildings is better targeted than previously but still does not fully follow need; 47% of local

authorities said they did not think school condition allocations were allocated appropriately

### **Delivering capital projects**

- The cost of delivering capital projects varies considerably between local authorities and the Department's role in promoting good practice is limited
- The Priority School Building Programme has replaced many schools in poor condition at a lower cost than Building Schools for the Future
- The lack of suitable sites is the biggest risk for delivering buildings for new free schools
- It is not clear that the DfE, local authorities and academy trusts have the skills and resources they need to manage capital programmes effectively.<sup>22</sup>

The report made a series of recommendations to the Department, including that it should continue to improve its understanding of the condition of the school estate, work more closely with local authorities to understand and meet need and, in assessing applications for new free schools, explicitly assess whether the value gained from increasing choice and competition outweighs the disadvantages of creating spare school places.<sup>23</sup>

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<sup>22</sup> National Audit Office, [Capital funding for schools](#), February 2017, p7-12

<sup>23</sup> Full list of recommendations available in National Audit Office, [Capital funding for schools](#), p13

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