**NAO Podcast on Schools Capital transcript**

**Hello and welcome to the NAO Podcast,**

**[Sam Roach] The Department for Education will invest £23bn in school buildings over the period from 2016-17 to 2020-21. It aims to make sure that there are sufficient school places to meet growing demand, to address the maintenance needs of the school estate, and to support the Department’s wider reform agenda, in particular by delivering buildings for the expanding Free Schools programme. The NAO has recently published a report into evaluating the Departments performance in achieving its goals. I’m joined by Andy Fisher, an Audit Manager, who worked on the report.**

**Thank you very much for joining us.**

**How many school places have been created so far?**

They created a total of 599,000 places between 2010 and 2015, using funding of at a cost of £7.5 billion from the Department. In the past two years, more than 85% of these new places were in schools rated by Ofsted as good or outstanding, which is slightly better than the national average for existing schools. There is, however, some variation in the quality of new places around the country: for example in 16 local authorities less than 60% of primary places created within existing schools were in good or outstanding schools

However, despite the large number of places created across the country. At local level, there are indicators of pressure on school places in some areas, with large amounts of spare capacity elsewhere. To illustrate this - in 2015 10% of primary places and 16% of secondary places were unfilled. But at the same time one in 10 planning areas had fewer than 2% of their places unfilled, the level that the Department funds to allow operational flexibility.

**Are pupil numbers still rising and where is the demand greatest?**

The Department predicts that a further 231,000 primary places and 189,000 secondary places will be needed between 2016 and 2021 to meet demand. The need for extra places is highest in London and the South East. Meeting this need will be difficult because primary schools have often already been expanded where this was straightforward, and because it is more complicated to increase capacity in secondary schools as they require specialised facilities, such as science laboratories.

**What were the main findings of your report?**

Our report found that the Department has responded positively to meet the challenges it faces in creating new school places to meet demographic need and manage the school estate. It has worked well with local authorities and schools to create a large number of new school places and is making progress in improving schools in the worst condition. It has also improved how it manages its capital funding through better use of data and greater targeting of resources at areas of most need.

But, significant challenges remain. It will cost an estimated £6.7 billion to return all school buildings to satisfactory or better condition and the Department expects the school estate to worsen as buildings in poor condition deteriorate further. At the same time, pupil numbers are continuing to grow with a shift to secondary schools, where places are more complex and costly to provide.

The Department, local authorities and schools will need to meet these challenges at a time when their capacity to deliver capital programmes is under growing pressure as revenue budgets become tighter. We concluded that to deliver value for money, the Department must make the best use of the capital funding it has available. It should do this by continuing to increase the use of data to inform its funding decisions and by creating places where it can demonstrate that they will have the greatest impact. To help make the devolved system work effectively, the Department should also strengthen incentives and ensure that accountabilities for managing the school estate are clear.

**Are free schools an important part of this process?**

The Department created free schools with the aim of increasing choice, introducing innovation and raising standards. But increasingly free schools are being used, and will be used to, meet a demographic need for new school places. Between 2015 and 2021 the Department estimates that 57,500 of these 113,500 new places will create spare capacity in the areas where they have been created. There is a risk that these spare places will impact on the financial sustainability of the schools around them as schools compete for pupil and therefore funding. The free schools own financial viability is also at risk if too many spare places are created. The Department believes that these places are needed to provide parents with choice.

The Department has opened 429 new free schools so far, and plans to open 883 in total by September 2020. One of the difficulties in creating new free schools is the availability of suitable sites to build a new school. A lack of land means that the Department sometimes enters into complex commercial agreements and pays large sums to secure sites in the right places. For example, 24 sites have cost more than £10 million each and twenty sites exceeded their official valuation by more than 60%. The Department is creating its own property company to try to address these concerns.

**Did your report have any recommendations?**

We make a number of recommendations in our report aimed at helping the Department improve the value it gets from the capital funding it spends.

While we recognize progress, we recommend that the Department should continue to improve its understanding of the condition of the school estate and work more closely with local authorities to understand and meet need in local areas.

There are also opportunities for the Department to work more closely with local authorities to share good practice providing cost effectively.

We also believe that the Department could do more to

* Clarify the responsibilities and accountabilities of local authorities and academy trusts for managing the school estate;
* Provide incentives for local authorities and academy trusts to maintain school buildings well; and
* Support local authorities and academy trusts to strengthen their management of land and buildings.

On free schools, we believe that the Department should explicitly assess whether the value gained from increasing choice and competition outweighs the disadvantages of creating spare school places in a local area, including the impact on the financial sustainability of surrounding schools. And minimise spare capacity where it adds limited value.

**Thank you for joining us**

**If you would like to find out more about this report, the full report and an executive summary are available on our website,** [**www.nao.org.uk**](http://www.nao.org.uk)**. Or you can follow us on twitter @NAOorguk or on Facebook www.facebook.com/NAOorguk/**

**Thank you listening.**