



Department  
for Education

# Research to examine how schools manage relationships between capital and revenue spending

Research report

February 2020

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Social Science in Government

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## Glossary of Terms

Term	Description
Academy	A state-funded school, independent of local authority control. The vast majority were previously local authority schools that have converted (either voluntarily or forced due to poor performance).
Academy sponsor	An organisation responsible for overseeing a number of schools with the aim of improving standards. Where a school has a sponsor the term sponsor and academy trust often mean the same organisation but this is not always the case (you can, for example, have several trusts under one sponsor).
Academy trust	The overall legal entity for an academy or group of academies. They range in size from one academy up to 70.
Alternative provision/pupil referral unit	Provision for pupils who are unable to access school (e.g. because of exclusion or illness).
Community school	Schools maintained by the local authority with no involvement from other groups. The local authority employs the staff and owns the school estate.
Condition Improvement Fund (CIF)	Capital funding available to small academy trusts and single academies via an annual bid-based fund.
Converter academy	A type of academy. In general, they were previously high performing local authority schools that have chosen to convert.
Devolved Formula Capital (DFC)	Formula based capital allocation to all schools based on lump sum and then in proportion to number of pupils (with greater weight for older pupils and those in special provision). DFC funding can be used for improvements to buildings and other facilities, including ICT, or capital repairs/refurbishment and minor works.
Dedicated Schools Grant (DSG)	The central government grant to provide revenue funding to schools and local authorities. The grant is split into four blocks (schools, high needs, early years, central services). From 2018-19 it has been allocated via the National Funding Formulae.
ESFA	The Education and Skills Funding Agency. The government agency responsible for funding schools in England.
Faith school	A school with a recorded religious designation. The involvement and influence of the relevant faith group can vary by different schools. They have more influence in faith voluntary-aided schools.
Foundation school	Receive funding via the local authority but the governing body employs staff. Either the governing body or charitable trust will hold the land.
Free school	A type of academy that is usually brand new provision set-up in response to need in the area (because of the need for new places or to offer a different style of schooling.)

<b>Term</b>	<b>Description</b>
Key stage	Phase of education, generally covering: age 5-7 (key stage 1); age 7-11 (key stage 2); 11-14 (key stage 3); 14-16 (key stage 4); and 16-18 (key stage 5).
Local authority maintained school	A school funded through the local authority (though the local authority has little direct control over day to day running of the school). Includes community, voluntary-aided, voluntary-controlled and foundation schools.
Multi-academy trust (MAT)	The legal entity responsible for several academies (though some MATs have been set-up with just one school with the intention of later expansion).
National Funding Formula (NFF)	The method by which the government allocates the main schools revenue grant to local authorities (which then set local formulae to reach schools).
Pupil premium	A central government grant of £2.5bn awarded annually to schools with the aim of improving outcomes of those from disadvantaged backgrounds.
Responsible body	The body responsible for maintaining a school. For academies and free schools it is the academy trust or multi-academy trust, for voluntary-aided schools it is the governing body, and for other maintained schools the local authority.
School Condition Allocations (SCA)	Formula based capital allocation made to large MATs and local authorities. Voluntary-aided bodies receive funding via LCVAP, calculated on a similar basis.
Selective school/grammar school	School that selects by academic ability.
Single academy trust (SAT)	The legal entity responsible for just one academy. In these cases, the trust and the academy are typically the same thing.
Special school	A state-funded school set up to offer provision to pupils with special educational needs and disabilities. Includes special academies, free schools, community schools and foundation schools.
Special unit/resourced provision	Provision with mainstream settings for pupils with special educational needs and disabilities.
Sponsored academy	A type of academy. In general, schools that have been forced to convert due to performance issues.
Voluntary-aided school	Receive funding via the local authority but with a charitable trust which has significant control over the school. The body overseeing the school and the trust is typically a diocese, who typically hold the land and buildings.
Voluntary-controlled school	Schools maintained by the local authority but with a charitable trust that has some influence over the running of the school. The trust is typically attached to the diocese, and will hold the land and buildings

# 1. Executive Summary

- 1.00 The Department for Education (DfE) is responsible for funding over 21,000 primary, secondary, and special schools in England. Each year it allocates over £40bn of revenue funding to schools, local authorities and academy trusts in England through the Dedicated Schools Grant (DSG).
- 1.01 The purpose of this funding is to deliver the day-to-day running of the school. Whilst it should be used for ongoing building maintenance, it is not intended to finance major works. Instead the department has a series of grants – Devolved Formula Capital (DFC), School Condition Allocations (SCA), and the Condition Improvement Fund (CIF), to support capital projects. In addition, the Priority Schools Rebuilding Programme is rebuilding or refurbishing buildings in the worst condition at over 500 schools across England.
- 1.02 The purpose of this study was to understand the decision-making process behind how schools and responsible bodies – the group responsible for maintaining the school – take decisions in relation to capital expenditure and the potential trade-offs between that and revenue expenditure on maintenance in long term decision-making. The findings are based on in-depth interviews with 29 schools (including a mix of phase, size, type of school, and age of building) and 11 responsible bodies (including local authorities, small and large academy trusts, and voluntary-aided bodies).
- 1.03 Schools commonly defined building maintenance as the small-scale works carried out as part of the day-to-day running of the school to ensure that pupils have a safe environment in which to learn. The types of work considered within this definition varied from school to school. While some areas of expenditure, such as painting and decorating and replacement furniture, were consistently understood to be maintenance and met through revenue funding, others, such as pipework, lighting and ICT equipment, were viewed by some to be capital investment.
- 1.04 Given the day-to-day nature of maintenance work, decisions around maintenance expenditure were primarily taken by staff working within schools. In small schools (predominantly primary schools) this was usually the headteacher, but in larger secondary schools this may also have included a school business professional. School governing bodies were often involved, more so when the expenditure was large, but the nature of that involvement varied with some being involved from the start with others having a limited ‘sign-off’ role.
- 1.05 The interviews highlighted a wide variation in the relationships between responsible bodies and individual schools, and to some extent this reflected the different types of responsible body. The smaller trusts in the sample tended to have close relationships with individual schools and worked with them to identify needs.
- 1.06 This was less evident amongst the larger trusts, and in local authorities the relationship was further removed. Decisions taken by the responsible body in

relation to capital spending were still driven by an understanding of the school estate, through the use of surveys and data. Whilst schools reported that they generally managed day-to-day maintenance, a number of responsible bodies said that they were involved in all types of building maintenance decisions. Again, the extent to which this was the case related to the size of the responsible body, with smaller trusts being more likely to be involved in all types of decisions than larger trusts.

- 1.07 Day-to-day maintenance of the school estate was primarily funded through revenue funding, however the schools sampled reported that other sources, including DFC, were often also required. Some schools reported being unable to use DFC in this way. As the purposes and uses of DFC are set out by DfE this inconsistency may reflect the different ways schools might refer to work as maintenance.<sup>1</sup>
- 1.08 Health and safety was the primary maintenance concern across all schools but the quality of the learning environment and the cosmetic appearance were also considered. How expenditure was prioritised was also affected by the individuals involved in the decision-making process. Amongst schools who took part in this study, headteachers who had been in the post for some time showed more of a tendency to 'make do' than more recent appointees. In addition, headteachers were more likely to prioritise revenue spending to raise educational outcomes over maintenance than school business professionals.
- 1.09 Schools did not necessarily have a plan or strategy in place for building maintenance, reflecting that it was often difficult as there was a need to meet immediate issues. Planning was also made more difficult by not knowing what funding would be available. But across all school types, more significant capital investment appeared to follow a more structured approach informed by formal surveys of the condition of the school estate. Decisions typically involved school leaders, school governors, and the school's responsible body.
- 1.10 The process of making capital investment varied by the type of responsible body but also the individual responsible body. For example, in some local authority schools, the authority was involved in identifying the specific needs within a school, in others the authority allocated funding with limited discussion. It was noted by a local authority maintained special school that the system for funding them was the same as for mainstream schools and did not necessarily reflect their specific needs. The voluntary-aided schools interviewed had to bid for funding from the diocese, knowing that they are competing with other schools within the group.

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<sup>1</sup> See glossary for an explanation of the purpose and use of DFC.

- 1.11 Single and small academy trusts bid annually to receive funding through the CIF. Schools noted that understanding what capital projects are likely to be successfully funded played a key role in their decision-making and hence shaped what they considered as priorities. Larger trusts took decisions on capital allocations by considering priorities across all of their academies, however individual academies felt able to discuss issues with the trust.
- 1.12 The ease with which schools accessed capital funding for more significant investment also varied by the type of school. Some local authority maintained schools in the sample reported being unable to access funds unless they were able to contribute themselves (with many being unable to from existing reserves). Academies were generally aware of the funding streams available to them, but some still faced challenges in navigating the process – for example, some reported using external consultants to write bids for the CIF.
- 1.13 Another source of funding that was available to schools was previously built up revenue reserves. All school types reported using these reserves to finance capital works in recent years but were sceptical about using reserves as a future source of funding capital projects.
- 1.14 Some responsible bodies considered potential savings on future ongoing costs through current expenditure when determining maintenance expenditure. However, there were two barriers to this. The first was that the responsible body may not have been able to direct the school to act in a particular way – so whilst they may have identified a potential efficiency, they had no authority over the school to implement it. The second was the need to prioritise urgent issues. In other words, a long-term saving may have been achieved through spend on certain items, but investment in higher priority issues took precedence.
- 1.15 Overall, schools believed that it was possible to make efficiencies through spending on building maintenance, but the examples given in interviews tended to be hypothetical rather than a reflection of current practice.
- 1.16 There were however stronger examples of expenditure on capital projects leading to savings on revenue including the replacement of faulty equipment to save ongoing repair costs and the installation of new windows to reduce energy bills. In addition to savings, more significant investment in areas such as sports and music facilities had enabled schools to generate income (though some reported that this was not financially viable as the additional spend required outweighed the benefits).
- 1.17 In general, schools did not view their expenditure as being a trade-off between revenue and capital (i.e. one leading to savings on the other). The different funding streams and their intended uses created a clear distinction when it comes to decision-making. Furthermore, schools felt that the overall level of funding available meant making a choice between meeting immediate needs and investing to make future savings – schools tended to prioritise the former.

## 2. Introduction

### Policy background

2.00 The Department for Education (DfE) is responsible for funding over 21,000 primary, secondary, and special schools in England. Each year it allocates over £40 billion of revenue funding to schools, local authorities and academy trusts through the Dedicated Schools Grant (DSG). Schools block funding accounts for over three quarters of this total and is apportioned to local authorities through the National Funding Formula (NFF) according to the characteristics of schools and pupils in the area. This is then allocated to schools according to a local formula in operation in that authority.

2.01 The purpose of this funding is to deliver the day to day running of the school. Around two-thirds is accounted for by expenditure on teachers and education support staff, with expenditure on learning resources, back office function and premises and energy costs accounting for the majority of the rest.<sup>2</sup>

2.02 Whilst revenue funding should be used for ongoing building maintenance, it is not intended to finance major works, which are instead classified as capital. The department has a series of grants to support capital projects. How this money is awarded and managed reflects the type of providers that make-up the state-funded school system. There are two broad types of state-funded schools:

- local authority maintained schools – these include community schools, voluntary-aided schools, voluntary-controlled schools, and foundation schools; and
- academies – these are funded by government but are independent of local authority control. They include converter academies, sponsored academies, free schools, university technical colleges and studio schools.

2.03 Around a third of primary schools and three-quarters of secondary schools are academies and free schools<sup>3</sup>. Every academy is part of an academy trust that is the legal entity. Most trusts are small consisting of just a few schools, and in a large number of cases are just one school – just under 60 per cent of trusts contain just one academy, accounting for around a fifth of all open academies<sup>3</sup>. There are

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<sup>2</sup> DfE: 'LA and school expenditure: 2017 to 2018 financial year', December 2018  
<https://www.gov.uk/government/statistics/la-and-school-expenditure-2017-to-2018-financial-year> and  
DfE: 'Income and expenditure in academies in England: 2015 to 2016', July 2017  
<https://www.gov.uk/government/statistics/income-and-expenditure-in-academies-in-england-2015-to-2016>

<sup>3</sup> DfE: 'Open academies, free schools, UTCs and studio schools', December 2018  
<https://www.gov.uk/government/publications/open-academies-and-academy-projects-in-development>

however a number of larger trusts, with some containing dozens of schools with many thousands of pupils. Over recent years there has been an increase in the proportion of trusts that are MATs, with around half of trusts now being a MAT (December 2018).

- 2.04 The type of school then determines who the ‘responsible body’, with a remit to maintain the condition of that institution’s buildings, is: the local authority for community, foundation and voluntary-controlled schools; the governing body in the case of voluntary-aided schools, though in some cases the diocese may also play a practical role; and the academy trust for academies including free schools, university technical colleges and studio schools.
- 2.05 Responsible bodies are allocated funding for all institutions they are accountable for, and funding for individual institutions is driven by the characteristics of their pupils and schools. There are a variety of ways in which capital funding is allocated.
- 2.06 All schools receive funding via Devolved Formula Capital (DFC). This is a formula based allocation based on a lump sum and then in proportion to the number of pupils (with greater weight for older pupils and those in special provision). It is intended to be used to maintain buildings and small-scale capital projects. In 2018-19, DFC allocations totalled around £207 million – a typical primary school with 250 pupils received around £6,800 and a typical secondary with 1,000 pupils received around £20,900<sup>4</sup>. At Budget 2018, an additional £400 million capital funding was announced for schools, with the average primary and secondary school receiving an additional £10k and £50k respectively<sup>5</sup>.
- 2.07 The vast majority of capital funding is delivered outside of DFC and hence outside of schools’ direct control. Large multi-academy trusts (those with at least five schools and 3,000 pupils), voluntary-aided bodies and local authorities receive funding via annual School Condition Allocations (SCA).<sup>6</sup> In 2018-19, SCA totalled just over £760 million. These formulaic allocations are largely driven by pupil numbers with adjustments made for where schools have a particularly high need, and with protections to ensure there are not large falls between years<sup>7</sup>. SCA funding is distributed by the responsible body to meet their own local condition priorities.
- 2.08 Single academies and small multi-academy trusts that are not eligible for SCA receive funding via the Condition Improvement Fund (CIF). This is an annual pot of funding, calculated in the same way as SCA, which bodies must bid for and is

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<sup>4</sup> DfE (2018), School capital funding allocations; and author’s own calculations.

<sup>5</sup> DfE (2018), School capital funding allocations; and author’s own calculations.

<sup>6</sup> Allocations for voluntary-aided are managed via LCVAP.

<sup>7</sup> DfE (2018), Condition funding methodology for 2018 to 2019.

primarily to ensure buildings are kept safe and in good working order. In 2018-19 a total of £476 million was awarded to 1,299 academies and sixth-form colleges<sup>8</sup>.

2.09 A further £100 million was made available via the Healthy Pupils Capital fund (£68 million through the SCA and £32 million through CIF) with the aim of improving children's physical and mental health.

2.10 The department has already carried out quantitative analysis of the condition of schools and expenditure on maintenance and energy. However, the processes by which responsible bodies and individual institutions decide how to use condition funding is less clear. For example, whether there are trade-offs between capital and revenue expenditure, and the role of a school versus that of the responsible body. The purpose of this study is to examine that further through a series of interviews with individual schools and with responsible bodies.

## Research objectives

2.11 The specific aims of this project are to:

- Understand how schools decide how to use funding to maintain and/or improve the condition of their school buildings;
- identify the types of funding schools are using for school maintenance and capital;
- understand how responsible bodies decide how to allocate condition funding to schools; and
- assess whether there is a relationship between capital and revenue funding and spend – for example, is there a potential trade-off?

## Methodology

2.12 The Department for Education commissioned Ipsos MORI, in partnership with the Education Policy Institute, to carry out qualitative research among schools and responsible bodies to understand how funding is allocated and used to maintain the condition of school buildings, and whether there is a relationship between capital and revenue funding and spend.

2.13 Overall, 40 in-depth telephone interviews were carried out: 29 with schools, and 11 with responsible bodies.

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<sup>8</sup> Lord Agnew (2018), Condition improvement fund 2018-19 outcome – written statement.

## Sampling

2.14 The sample of schools encompasses a cross-section of primary, secondary and special schools by age of buildings, financial position (revenue and capital), and condition of the school estate. The sampling was focussed on achieving:

- a range of school ages based on the school property survey;
- a range of schools in terms of their cumulative revenue reserves position using data on school and academy trust balances;
- a range of schools in terms of the capital position of the responsible body (or whether awarded condition improvement funds if a small academy trust); and
- a range of combinations of age and financial position.

2.15 The resulting sample was then checked and modified to ensure it included:

- a mix of schools in single and small academy trusts, larger academy trusts, voluntary-aided schools, and other local authority maintained schools;
- primary and secondary schools of varying sizes and special schools; and
- different school locations (region and area type).

2.16 Given the number of schools being sampled and the underlying quality and completeness of some of the data (in particular on capital expenditure) the research has been designed so as to provide a broad spread of school circumstances rather than being a fully representative national picture.

2.17 A full breakdown of the quotas achieved and further information about the data sources used can be found in the Technical Appendix.

## Recruitment

2.18 A specialist education recruiter arranged the interviews with schools and responsible bodies. Schools were approached using contact details provided in the 'Get Information about Schools' database or available on their school website. Schools were also invited to share an information sheet about the study (containing contact details for the recruiter) with their responsible body. Some responsible bodies were recruited through this 'snowball' approach, while others were recruited through contact details on their local authority website. The recruiter used a screener to determine the relevant person (or persons) to interview for this research.

## Research materials, fieldwork and analysis

2.19 Two discussion guides were developed for this research: one for school interviews, and one for responsible body interviews. Although the discussion guides were tailored to their intended audience, each guide covered the following key topics:

- their role in relation to deciding how funding is allocated and used to maintain the condition of school buildings;
- the decision-making process for building maintenance spending;
- the decision-making process for capital investments/major capital projects;
- the finances used to fund building maintenance and/or capital projects; and
- the relationship between capital and revenue funding and spend (including the perceived impacts of these types of funding and spend, whether it is possible to make efficiencies through schools' spending to improve the condition of their buildings, and the extent to which schools and responsible bodies perceive the relationship between capital and revenue funding and spend to be a trade-off).

2.20 Data for schools was collected from individuals who played a key role in the school's financial decision-making. The role of these individuals varied, and data was collected from headteachers, business managers, and financial officers. Prior to the school interviews, each participant was asked to complete a proforma that collected the types of building maintenance they had funded, the types of capital projects they had invested in, and the level of capital funding they had received over the past three years. This meant school participants could collate this information in advance of the interview, rather than being asked to recall it spontaneously during the interview. Schools that took part in this research were sent a £50-cheque addressed to the school as a thank you for their time and participation.

2.21 To provide a more holistic view around how capital funding was allocated, data was also collected from responsible bodies. These interviews were carried out with individuals with significant responsibility for capital funding allocations, and their role varied depending on the type of responsible body they were situated in. This research reflects findings from two dioceses (associated with voluntary-aided schools), four local authorities (who were responsible for local authority maintained schools), and five academy trusts (who were responsible for the academy schools that formed their trust).

2.22 Fieldwork was conducted by experienced in-depth researchers, from October to December 2018. Each telephone interview lasted up to 45-minutes. To reflect the varied roles and responsibilities of those involved in school financial decision-making, some interviews were carried out with a single participant, and some interviews were carried out with a group of participants. The reported findings reflect the holistic perspective of each interview.

2.23 Throughout the fieldwork period, structured and detailed notes of every interview were produced (supplemented by an audio recording of the interview). Furthermore, regular team analysis sessions were held to discuss the emerging findings and themes in more detail. Analysis was an iterative process, and this final report presents the key findings from the systematic approach to analysis.

## Research ethics

2.24 To ensure that schools and responsible bodies gave fully informed consent to take part in the research, several steps were taken to ensure that participants understood the research process entirely:

- schools and responsible bodies were given tailored information sheets that outlined the study in simple terms. This included what the research was about, why they were being asked to take part, and what taking part would involve. The information sheets also emphasised their rights as participants (for example, that their participation was voluntary);
- the recruiter was fully briefed by the research team to answer any queries about the research;
- once a participant agreed to take part, a privacy notice was shared with them. This detailed what personal data was held and how it would be processed, as well as reiterating their rights as participants. Contact details for the compliance team at Ipsos MORI and the study contact at the department were also provided;
- at the start of each interview, key information about the research was reiterated by the researcher. This included checking that the participant was still happy to take part, and collecting permission to audio record the interview; and
- at the end of each interview, participants were asked if they had any queries and were signposted to the privacy notice for more information/contact details.

2.25 As this research focused on the topic of finances, it was also important to emphasise that schools and responsible bodies were not being audited, and that any funding they received now or in the future would not be impacted by their participation in the research.

## A guide to interpreting this report

2.26 This report is divided into three chapters. The table below highlights whether the chapter includes interview findings from schools, responsible bodies, or both.

Chapter	Interview findings included
How schools decide how to use funding to maintain and/or improve the condition of their school buildings	Interviews with schools only

Chapter	Interview findings included
How responsible bodies decide how to allocate condition funding to schools	Interviews with responsible bodies only
Is there a relationship between capital and revenue funding and spend?	Interviews with both schools and responsible bodies

2.27 This report presents the range of experiences and perceptions of interviewed participants from schools and responsible bodies. Where perceptions of a policy do not reflect the conditions set by the department, this has been noted as a footnote. Findings have been anonymised throughout to protect the identity of participants. Where quotes or case study examples are included, these have been attributed by phase, type of school, the age of the school building (for school interviews), and region to ensure anonymity. Verbatim quotations are indicated using quotation marks, while case study examples are presented in blue boxes throughout. **Please note that case study examples are included for illustrative purposes only and are not provided as guidance.**

### How accurately does the research reflect the views of schools and responsible bodies?

2.28 This is a small-scale qualitative study which, by its nature, is not designed to be statistically representative. It is intended to be illustrative, providing insight into the decision-making and the relationship between capital and revenue funding and spend among a small selection of schools and responsible bodies. **The findings presented in this report reflect only the perspectives of those interviewed** and cannot be generalised to a wider sample of schools and responsible bodies. Please note that the school and responsible body interviews are not 'paired', and therefore the findings from school interviews may not reflect those reported in the responsible body chapter. Furthermore, these findings reflect participants' experiences and perceptions; the information provided has not been verified through other means. This report also recognises that each school operates under a different set of circumstances and governance.

## 3. How schools decide how to use funding to maintain and/or improve the condition of their school buildings

### Background

3.00 All schools are allocated both revenue and capital funding.

3.01 As stated in the schemes for financing schools, local authorities delegate funding for repairs and maintenance to their maintained schools with only capital funding retained by the authority.<sup>9</sup> Schemes should set out any de minimis level they intend to use for the definition of revenue and capital in assigning responsibility for the type of work. The government's "Blue Book" guidance set the de minimis level for voluntary-aided bodies at £2,000.<sup>10</sup>

3.02 The academies financial handbook defines capital assets as those from which an academy or responsible body expects to derive benefit from for more than one year.<sup>11</sup> Expenditure on maintaining capital assets should be funded through revenue funding.

3.03 As such, small costs such as routine repairs, redecoration, and fixtures and fittings such as carpets and curtains, are generally expected to be met from revenue funding. Capital funding is used for more significant investment in the school estate such as structural improvements to buildings, significant expenditure on school vehicles, plant and machinery, and large scale investment in ICT. This section discusses the types of maintenance schools have invested in, highlighting that some types of expenditure are commonly treated as ongoing maintenance, while other types are considered capital expenditure by some and revenue by others. This section also examines the decision-making process for building maintenance and capital, as well as the finances used to fund each.

### Building maintenance

#### What types of maintenance spend have schools invested in over the last three years?

3.04 Across the interviews with schools, building maintenance was commonly defined as the work carried out by the school as part of the day-to-day running of the school to

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<sup>9</sup> DfE (2019) 'Schemes for financing local authority maintained schools', March 2019.

<sup>10</sup> DfE (2011) 'Capital funding for voluntary aided schools in England – Blue Book guidance', February 2011.

<sup>11</sup> DfE (2017) 'Academies financial handbook 2017', July 2017

keep buildings up to a standard that meant the school could remain open and be a safe environment in which pupils could learn.

*“Quite literally painting over the cracks because we are trying to keep an environment where the children are happy to be in and to feel in the classrooms that it’s as good as it can be... Just going around constantly with hammers, patching up boards, nails, screws, door handles”* – Headteacher of a secondary school, local authority maintained, 1945-1966 building, East Midlands

3.05 In line with this, common types of maintenance spend included:

- Painting;
- Decorating;
- Carpets;
- Patching up holes (e.g. leaky roofs);
- External ground maintenance;
- Replacement furniture;
- Emergencies related to security/safety; and
- Servicing (e.g. gas safety, legionnaire check on water systems).

3.06 Given the nature of expenditure, which is focussed on the essentials of running a safe school, it is perhaps not surprising that the phase of school (primary, secondary or special) or type of school (single academy, multi-academy trust or local authority maintained) did not seem to be an important factor.

### **Case study examples of maintenance spend in schools**

The following case studies provide examples of maintenance spend in relation to health and safety needs.

#### **Secondary school, single academy, 1945-1966 building, London (Priority School Building Programme school for redevelopment of school site)**

Following a storm in the previous year, the roof of the school building became loose and there were issues with the slates. The roof was therefore a health and safety concern, and repairing the roof became an immediate (unplanned) priority. This school referred to their maintenance spend using the analogy that it is like covering a hand in plasters rather than using a protective glove – they cannot afford a protective glove and the maintenance spending only works as a plaster.

#### **Primary school, local authority maintained, pre-1919 building, North West**

The school's roof has been an ongoing issue: three or four times a year the roof leaked and they needed to spend money to repair it. The school had looked into the cost of having the whole roof replaced, but concluded that they could not afford it at this current time. As such, this school uses their maintenance spend to patch up the leaks as they appear. For this specific example of spending, the school did not discuss the involvement of their responsible body.

#### **Secondary school, local authority maintained, inter-war building, West Midlands**

As the school was built in 1939, the school has a rolling programme of redecoration and refurbishment to maintain and refresh the site. In addition to this rolling programme, the school has a list of capital that is subject to degradation. The school identified a dwarf wall, which supported landscape gardens in their grounds, that was degrading over time. Following a cold winter, frost damage accelerated the degradation of this wall, which meant that it jumped up the priority list for maintenance spend. This took precedence due to the health and safety risk for pupils and staff.

3.07 Across the interviews, there were investments (for example, a boiler replacement) that were considered building maintenance by some schools, while other schools considered the same expenditure to be a capital project. The differentiation between the two typically came down to whether it was funded by the school themselves through revenue funding (either as part of a general maintenance programme or in response to an emergency), or whether their responsible body funded the work through capital funding.

3.08 In addition, schools make a distinction between types of expenditure according to the overall cost of the work carried out, consistent with the principle of capitalization over the de minimis level. Therefore, the scale of work that was being carried out is a key differentiation. For example, if lighting was being replaced in a single classroom this was considered maintenance, but where the lighting was being replaced across most of the school buildings this was considered a capital project.

3.09 These more 'grey areas' of maintenance spend typically included:

- pipework;
- radiators;
- boilers;
- electrics/cables;
- lighting;
- necessary fire and safety measures (e.g. supplying extinguishers, fire doors, fencing to secure site, asbestos removal);
- repairing building structure (e.g. roofs, windows);
- upgrading fire systems; and
- supplying IT equipment.

## **Maintenance spend decision-making**

### **Who was involved in maintenance spend decision-making?**

- 3.10 As the schools interviewed perceived maintenance spend to sit within the remit of the day-to-day operation of the school, staff based within the schools led the decision-making for this. This appeared true for both primary and secondary schools, as well as the various types of school. The closer involvement in the day-to-day running of schools by some trusts rather than local authorities does not appear to have been a factor in the schools interviewed.
- 3.11 The number and role of staff involved in this decision tended to vary depending on the size of the school. The decision-making in smaller schools (typically the primary schools) was being led by the headteacher, while the decision-making in larger schools (typically the secondary schools) also included the input of a Business Manager and/or a financial specialist.
- 3.12 Across all types of school, the schools' governors often played a key role in maintenance decision-making, particularly where larger expenditure was being incurred. This role varied, however. Some schools involved the governors from the start of decision-making to help gauge the priorities of the school. In other schools, the governors' involvement took place only towards the end of the decision-making, where they would review and sign off decisions, particularly where spend exceeded a set amount (ranging from around £10,000 to £20,000). In all, the governors often reviewed maintenance spend in relation to what finances were available and whether the type of spend aligned with the school's priorities, as grounded in the school improvement plan.

### **What were the priorities for maintenance spending?**

- 3.13 Health and safety emerged as the top priority for all school maintenance, with schools emphasising that they were making maintenance decisions with the view to

ensuring the buildings were habitable and allowed schools to keep their doors open so pupils could continue to learn.

- 3.14 The learning environment also emerged as a high priority across all types of schools. For example, schools mentioned that they considered what would benefit the children the most; what would keep the environment to a level that children were happy to be in; the impact of the condition of the classroom on the quality of learning; and whether the buildings were curriculum-focussed (e.g. were the science labs or music rooms fit for purpose for teaching those subjects?)
- 3.15 Cost was also a consideration, with schools considering what they could afford within their current budgets – that is, the budgets under their direct control, rather than wider sources of funding (e.g. through their responsible body). This resulted in many schools highlighting that they could only plan to carry out the minimal maintenance work to ensure the buildings were in working order, or fit for purpose. As such, these schools were prioritising the health and safety focus over cosmetics.
- 3.16 Some schools, however, did note that the cosmetics of the school buildings were important for making an impression and encouraging parents to enrol their children at their school. In these instances, the link between pupil admission numbers and available funding was discussed. These schools were aiming to attract additional pupil numbers, which would increase their funding. Some schools, however, were already seeing increasing pupil numbers join their school so required additional buildings to accommodate this – this will be discussed in more detail later.

### **Did priorities vary depending on who was making maintenance spend decisions?**

- 3.17 It appeared that the schools' approaches to maintenance spend decision-making were influenced by headteachers' perceptions of their own role and the ethos of the school. For example, some schools mentioned that learning and attainment was their priority, rather than funding physical school improvements. This was more likely to be a priority for the headteacher, as opposed to a school business professional (who generally saw it as their responsibility to consider financial trade-offs). Another example where ethos played a role was whether the school prioritised being technologically-advanced, with such schools being more likely to invest in ICT compared to schools who placed their priorities elsewhere.
- 3.18 Time spent in role also appeared to be a driving factor, with some headteachers who had been in their position for several years being more likely to accept the school's current state of repair. On the other hand, interviews were also conducted with schools with more recently appointed headteachers who had reviewed and planned school improvements moving forward.

### **How were maintenance spend decisions being made?**

- 3.19 The process in place for making maintenance spend decisions varied from school-to-school. Based on this research, there was no clear trend between the type of

decision-making and the type of school. As mentioned previously, it appeared that all schools interviewed were making maintenance decisions to keep the school operational and safe, and all the schools shared this priority. It is therefore unsurprising that there are limited differences.

3.20 Variation appeared to be more closely tied to whether the school had dedicated staff to review the condition of the school (such as site/premises managers, business managers, or finance specialists), what funding was available, and the relationship they held with their responsible body.

3.21 The following case study examples highlight some of the key ways schools were making decisions about maintenance spend:

#### **Case study example: Site walk**

##### **Secondary school, local authority maintained, inter-war building, North East**

For context, the school Business Manager interviewed and the school headteacher were both relatively new to their positions (having joined the school in the last couple of years) and they both agreed that school maintenance should be considered a priority moving forward. It was noted that maintenance spend had previously been a low priority for the school, so they have since increased the amount of revenue spending they allocate each year to improving the state of repair of the school. In line with this, the school was focussing on a comprehensive programme of maintenance work and was not considering carrying out any capital work, which they perceived as one-off projects that would be considered separately to the school's maintenance spend.

The site manager and school Business Manager do a comprehensive two-day site walk towards the beginning of each academic year – they go into every classroom and every cupboard, the kitchens, the external sites and so on, taking notes of the state of repair and what work needs doing. This is then inputted into the 'site programme', a spreadsheet that identifies each part of the school estate, what needs doing, and flags priority/ranking (i.e. what needs fixing immediately, anything that is broken, and any general upgrades). When probed on how priorities are decided, classrooms are ranked depending on their state of repair and other issues based on level of need.

The Business Manager then has an initial discussion with the headteacher regarding the site programme to identify whether there is anything missing, whether the headteacher has any additional suggestions, and to check it aligns with the school improvement plan. The business and site managers then start costing up areas for development.

Headlines of what the school is planning on doing in terms of maintenance are then shared with the Chair of Resources Committee (who is a school governor responsible for site management and staffing) and the Chair of Governors at a regular school governors' meeting to check their priorities.

There is also a sounding meeting with the school's PTA (Parent-Teacher Association) to see if there are any specific projects they would like to support through their fundraising events.

### Case study example: Point-system

#### **Secondary school, single academy, 1945-1966 building, London (Priority School Building Programme school for redevelopment of school site)**

Maintenance spend decisions are largely made by the Business Manager/Chief Financial Officer of the trust and the headteacher. They have developed a four-point scoring system for building maintenance and allocate each issue a specific score based on the extent the issue will impact the running of the school:

*“If we score something a one, it’s the lowest priority. It’s something we’d like to fix, but it’s not immediately pressing and it won’t shut the school down... If we score something a four, it’s something that needs to be fixed immediately... We usually end up with three and two scores.”*

In this school, health and safety was the greatest priority for maintenance spend – examples included loose slates on the roof and leaks.

### Case study example: Reactive maintenance

#### **Secondary school, small MAT, post-1976 building, South West**

The Director of Finance and Operations interviewed claimed that there were, in effect, two types of decisions: planned preventive maintenance, and reactive. Most of the maintenance spend they mentioned carrying out (such as leaking roofs, lights and black and white boards) was a result of failure or breakage and required immediate expenditure.

*“If the fridges fail, and I don’t deliver, then I cannot deliver lunch at lunchtime, or we cannot deliver a curriculum. If the lights don’t work in a classroom, then we cannot teach in that classroom. In the current financial climate, every aspect of spending is reactive rather than planned.”*

As mentioned above, this school perceived maintenance spend as decisions led by the school as either preventive or reactive maintenance of the school building. On the other hand, capital spend was perceived as building improvements (such as refurbishing a dining room), funded through CIF.

## **Do schools have a plan or strategy in place for building maintenance?**

3.22 Not all schools mentioned having a plan or strategy in place for building maintenance; as noted, some schools’ maintenance spend was solely reactive to immediate needs. However, where schools did have a maintenance plan, this was often linked to the school improvement plan and outlined their plans for the next three to five years. However, even the schools that did have a maintenance plan often noted the need to prioritise immediate needs as and when they arose. In line with this, one school felt that having a maintenance strategy, as opposed to a plan, was more appropriate as this allowed for priorities to change in response to

immediate needs. A maintenance strategy of this nature is still reactive, so does not benefit from real, strategic investment. Furthermore, throughout the interviews the difficulty to plan was highlighted, as schools were unsure how much funding will be available and what emergencies may happen in the future. Nonetheless, schools often had a rolling programme of decoration and refurbishment in place with a view to maintaining all classrooms and parts of the school estate to the best of their ability, subject to funding and more immediate priorities.

### **To what extent do potential future costs affect maintenance spend decisions?**

3.23 Some schools noted that, due to their current reactive approach to maintenance spend, it was not possible to consider the potential long-term costs. One school used the analogy of a leak, where your first priority is to seal the leak however means you can, rather than looking for the material that will last the longest. This perception was echoed across a number of interviews, for example:

*“The building is in such a state that the maintenance we do tends to be very much needs driven<sup>12</sup>, it’s not a choice. It’s something broken, or it doesn’t work, or it’s unsafe. The maintenance keeps the building safe for the children. And that uses up pretty much all the maintenance budget. Not a choice in terms of looking into the future.”* – Headteacher of a secondary school, local authority maintained, 1945-1966 building, East Midlands

3.24 Schools also highlighted that it is difficult to consider the future costs when they are unsure what maintenance work will need carrying out and what level of funding (in their budget and through their responsible bodies) will be available for this in future years:

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<sup>12</sup> The school noted several key drivers for this. First, due to new schools opening up in the local area, the school’s number of pupils have decreased, which has seen a subsequent decrease in their budget. Second, the building is in poor condition, with high heating costs and low quality electrics that malfunction regularly. Furthermore, the school considered their building to be old and felt that a building ‘even five years younger’ would have substantially reduced costs.

**Secondary school, single academy, 1945-1966 building, South West**

The school's Chief Financial Officer (CFO) felt that the downside to the way the education sector is funded is that you don't know what you will get from one year to the next:

*"You can have a strategy in place, but you cannot plan, and therefore you cannot minimise whole life costs because you are reactive to the next priority. It is very difficult to make sure you have the lowest life cost, because you would be spending differently to the way we are spending now. You need to prioritise where the building needs most work in terms of health and safety, or whether you spend more on building maintenance... You need to make the best call... If you knew you'd be getting money every year, you would plan it and roll it out differently."*

**Primary school, voluntary-aided, pre-1919 building, North West**

The headteacher of this voluntary-aided school felt future costs were out of their control. In the school's maintenance budget, they set aside some contingency for unexpected maintenance but as the building is old and it is not possible to know how things are going to go, maintenance spend often exceeds this allocation. The headteacher noted that the school themselves set this budget for maintenance, but their diocese helped ensure that the necessary maintenance was carried out, and that this maintenance reflected good value for money and met the appropriate criteria for quality and regulations.

- 3.25 Despite the difficulties planning long-term maintenance, schools demonstrated an awareness that maintenance decisions could have an impact on long-term costs. Examples included schools that were using maintenance spend to prevent smaller problems becoming much larger (and more costly) problems in the future (such as pipe work). One school (a local authority maintained special school with post-1976 buildings) noted that their facilities manager, who manages his own day-to-day budget, identified that the ongoing costs for ground maintenance were high, so they decided to replace some areas with artificial grass. Though this was perceived as a large cost initially, they considered it to be a long-term financial benefit as they had effectively reduced their maintenance costs. The school funded the artificial grass themselves and have rolled it out across the school gradually. This was noted to be possible due to the age of the school buildings, which did not require maintenance spend at present as they were new, and the level of funding per pupil.
- 3.26 In addition, there were instances where schools recognised that it would be more cost-effective to replace an item (such as a dishwasher), than to keep maintaining the current one. However, one local authority maintained school said that their responsible body did not wish to fund replacements, saying that the item can be patched up, which is the school's responsibility. Furthermore, schools felt that they

should look at the costs over several years to see if the budget can cope with the maintenance spend two or three years down the line.

## What funding is used for financing building maintenance?

3.27 The main source of funding for building maintenance cited by the schools interviewed was revenue funding. However, the majority of the schools reported that revenue funding was often insufficient and they had to seek alternative sources of funding. A wide range of alternative sources were cited. These included charity donations, reserves, fundraising, Devolved Formula Capital (DFC) funding, business sponsorships, lottery grants, payments for external consultancy work, community support and funding through their responsible body.

*“We apply for a lottery grant every two years but it is hard to get it. This is to update outside areas. We have to apply otherwise we could not update it. Have heard it will be harder to get a hold of but have to apply for it.”* – Headteacher of a secondary school, voluntary-aided, pre-1919 building, North West

*“We apply for grants whenever possible but they are very competitive and we are rarely receiving anything. And if we do, it is a portion of a grant and it is not impactful”* – Business Manager of a secondary school, single academy trust, 1945-1966 building, London

### Case study examples of financing building maintenance

#### **Secondary school, local authority maintained, 1945-1966 building, East Midlands**

The headteacher has been to several businesses to ask for support. He has also reached out to school connections, the governing body, parents, and has written a ‘begging’ letter to see if anyone could help them financially. And, as a result, they might be in a position to bring a decorating team in.

#### **Primary school, voluntary-aided, post-1976 building, Yorkshire and the Humber**

The school engaged with the community, parents and teachers where possible. For instance, when the school was replacing the lighting with LEDs, they received a few quotes, but one of the parents was an electrician and he did all the work for free. These relationships have contributed to keeping the school in a high state of repair.

3.28 Some schools reported confusion with regards to what they could spend DFC on. The understanding of some schools was that DFC cannot be spent on maintenance, whereas others said it can only be spent in a certain way, such as on ICT. For an explanation of the uses of DFC, please see the Glossary.

## Capital investment

### What types of capital projects have schools invested in over the last three years?

3.29 The table below summarises the different types of capital projects schools typically invested in. Overall, the reasons for investing in these types of capital projects were similar to the reasons for carrying out the maintenance work discussed previously (that is, prioritising health and safety/state of repair, and pupils). In line with the nature of capital investment, this funding was also used to invest in building extensions and/or new buildings, and for revenue generation, which typically required improving or building a large capital asset.

Theme	Example capital projects
Health and safety/state of repair	<ul style="list-style-type: none"> <li>• Replacing pipes, radiators, heating system, boilers</li> <li>• Upgraded fire system</li> <li>• New roof/re-roofing</li> <li>• Window replacement</li> <li>• Refurbishment of toilets, changing rooms</li> <li>• Replacing demountable classrooms</li> <li>• New/refurbished entrance to school</li> <li>• Replaced/upgraded lighting</li> <li>• Electrics/rewiring</li> <li>• Improved security fencing to improve traffic management on site</li> </ul>
Pupils (linked to curriculum and learning, or to inclusion)	<ul style="list-style-type: none"> <li>• New accessible toilet for student with special educational needs (SEN)</li> <li>• Greenhouse to grow their own vegetables (for food tech/independent living)</li> <li>• Refurbishment of science labs, art block, classrooms</li> <li>• New/upgraded ICT (e.g. laptops, interactive whiteboards)</li> <li>• Autism resource base</li> <li>• New playground</li> </ul>
Investing in school buildings	<ul style="list-style-type: none"> <li>• Building extensions</li> <li>• New school buildings</li> <li>• Increasing capacity of school canteen</li> </ul>
Revenue generation	<ul style="list-style-type: none"> <li>• New sports centre/gymnasium</li> <li>• New sports pitch</li> <li>• Refurbished outdoor quadrants</li> <li>• Refurbished dining hall</li> </ul>

## Capital spend decision-making

3.30 Across all phases and types of schools, the capital decision-making process involved multiple stages of discussion with individuals with varying responsibilities – from school leaders who were responsible for the day-to-day running of the school (e.g. the schools' senior leadership team or headteacher), to the school business or finance managers/teams, the schools' governors, and the schools' responsible bodies.

3.31 The factors discussed echoed the priorities for building maintenance, and were similar across all school types. These included:

- health and safety;
- cost/affordability;
- teaching and learning; and
- state of repair/need.

3.32 For maintenance, schools often assessed the conditions of the school estate themselves (typically through site walks and understanding the day-to-day problems of the school) to inform their spend decisions. For capital projects, however, there appeared to be a greater emphasis on identifying condition issues that need addressing through a property survey. The interviewed schools or their responsible bodies generally carried out their own condition surveys to inform their capital spend. One school also referred to the department's property data survey programme.

3.33 Depending on the type of school, need may be looked at on an individual school level (e.g. single academies), or across multiple schools (e.g. across the authority for local authority maintained schools or across the trust for MATs).

3.34 As responsible bodies were typically involved in capital decisions, schools felt that there was also greater emphasis on them 'making their case' to their responsible body – this was often done through highlighting the risks of not carrying out the work (e.g. health and safety or long-term costs), highlighting the benefits of carrying out the work (e.g. on teaching and learning), and/or highlighting value for money.

### **To what extent are schools' responsible bodies involved in capital spend decision-making?**

3.35 How capital decisions were made, and the extent to which the school's responsible body was involved, generally varied by school type.

#### ***Local authority maintained schools (responsible body: local authority)***

3.36 Most local authority maintained schools had a relationship with their responsible body (their local authority), but the role the local authority played in this relationship varied – local authorities may be involved in identifying the school's needs, in the bidding process, or simply allocating funds with limited (if any) discussion with the

school. One school said that their responsible body would not carry out the capital work if it could be “patched up”, at which point it is considered maintenance for the school to fund. In addition, one school noted that they did not have any involvement with their local authority, but notably this school’s focus was on a programme of maintenance (as the school’s relatively new headteacher and Business Manager agreed that maintenance ought to be an increased priority for the school moving forward), so capital was not a high priority need.

### **Case study examples: Capital decision-making for local authority maintained schools**

#### **Secondary school, 1945-1966 building, East Midlands**

A local authority representative provides advice around capital priorities to the school, which is discussed between the headteacher, the Business Manager and their school governors’ committees (including the finance committee, and a health and safety panel). In addition, the local authority representative had been working with the headteacher to explore avenues of funding (e.g. section 106) on top of their DFC and capital funding from the local authority’s school condition allocation.

Recent capital projects included the refurbishment of the boys’ changing rooms, which the local authority felt had reached the end of its functional life. Capital projects were differentiated from maintenance spend by the scale of the work, with the school referring to large one-off projects (typically funded by the local authority) as capital spend, and ongoing, smaller repairs as maintenance spend.

#### **Primary school, inter-war building, South East**

This school felt that their “shabby carpets” did not give the right impression when they showed people around their ‘Outstanding’ school. As such, they made the decision to replace the carpets. In this instance, carpets were perceived as capital spend due to the scale of the work requiring the involvement of the local authority, who pick up the ‘bigger ticket items’. This involved approaching the local authority to get a list of approved contractors for this type of work. The school has a named person from the local council’s property services who came in and supervised the process of listing and evaluating competitive bids. This named person also viewed other issues around the school that the local authority should be addressing – for example, the fire door was flagged and the local authority subsequently replaced it.

### **Primary school, pre-1919 building, Yorkshire and the Humber**

Through their local council's funding, this school has had pipework, radiators, the heating system and two boilers replaced. When probed around the capital decision-making for these projects, the school noted that "this is not our decision, it is [local council's] decision", which is led by a condition survey. The council looks at all schools that they are responsible for and decide what is urgent. This survey is carried out every two years, then there is a year-long wait for the report, which then goes to a panel for review – a process that the school felt was quite long. The capital work that had been carried out at the school was identified through this process. This contrasts to maintenance spend, which the school define as their rolling programme of repairs.

3.37 Furthermore, as part of this research, local authority maintained special schools were also included. Capital decision-making for these schools was similar to the mainstream local authority maintained schools discussed. However, one special school was in the process of becoming part of a multi-academy trust in the very near future. They noted that this would open doors to different types of capital funding. The school felt that the local authority had a 'one size fits all' approach, so schools would get the same funding irrespective of whether they were a mainstream or special school. This school highlighted that they have a need for special facilities, which are "much more expensive". Furthermore, they identified that their curriculum needs differed to those of a mainstream school. For example, this school's recent capital projects included a greenhouse, which would allow the pupils to learn how to grow and cook their own vegetables – the focus here was on independent living skills and setting the pupils up to move forward with their lives.

***Voluntary-aided schools (responsible body: voluntary-aided governing body.. The diocese may have a role in decision-making, while local authorities have a role in co-ordinating capital funding from DfE with local voluntary-aided partners)***

3.38 In the voluntary-aided schools interviewed, schools often used condition surveys to identify where capital funding was required to improve the condition of their school estate. Schools could then bid for capital funding through their dioceses. One school referred to their diocese as "a gatekeeper for funding". Schools were aware that they would be competing for funding with other schools the diocese were responsible for, and that the local authority would have a say in the decision-making.

## Case study example: Capital decision-making for voluntary-aided schools

### Primary school, 1945-1966 building, London

This school carries out their own condition survey to flag their priorities. Once needs are identified, the school makes a capital bid to the diocese, who combines this bid with information provided from consultancy visits (these are local consultants that work outside the diocese, have a relationship with the schools and provide feedback on the state of buildings for all schools the diocese is responsible for). The diocese will assess this bid against the criteria for their locally co-ordinated voluntary-aided programme (LCVAP<sup>13</sup>): is the building warm, dry and safe? The school noted that due to limited funding, their responsible body must prioritise immediate needs. As such, although there is a bidding process and strategy in place, the responsible body was said to be funding in a reactive manner. The diocese would work with the local authority to discuss what projects needed funding. The diocese oversaw the bidding process, while the local authority administered and allocated the LCVAP funding. Overall, the capital decision-making was a collaborative process.

Examples of successful capital bids included an upgraded fire alarm system, and replacing doors and windows to improve disability access to the school (which was flagged as requiring substantial improvements in the previous year's conditions survey). In addition to this capital spend, the school also employs a premises manager to maintain the school site and grounds through a rolling programme of repairs and improvements (such as repainting classrooms, upgrading lighting, and so on). As such, capital spend was defined as larger expenditure that falls outside of this rolling programme of maintenance.

### **Single academies (responsible body: the trust)**

3.39 In single academies, the school governors played a key role and therefore the process for identifying capital projects was broadly similar to that for maintenance. However, the process for financing capital projects usually involved bidding for CIF funding. Schools noted that understanding what capital projects are likely to be successfully funded was an important consideration in their decision-making, for example:

*“We know the condition of the building across the school. We know that our only route to capital funding is through CIF bid. We are trying to join the two together in terms of what the school needs to have done, and which would make the most successfully CIF bid. All of that goes through our premises committee meeting... That gets discussed with the premises manager and approved before*

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<sup>13</sup> This is capital funding provided by the department for voluntary-aided schools.

*the governors.*” – Chief Financial Officer of a secondary school, single academy, 1945-1966 building, South West

### **Case study example: Capital decision-making for single academies**

#### **Secondary school, 1945-1966 building, East Midlands**

Facilities had been extended on site to accommodate for changes in capacity: from 11-14 years to 11-16 years, which equated to a change in capacity from 600 students to 850.

In 2015-16, the school secured £650,000 for the building of a new six-classroom maths block and £170,000 to replace all single pane windows in the school. It also remodelled four internal classrooms to create extra science, PE and computing facilities. These facilities are in addition to five extra classrooms added to the site in previous years.

In 2016-17, the school bid for funds to develop the site further by adding some replacement flat roofs, which were completed that Autumn.

All the above work was funded through CIF bids, which were drafted by a private company.

In typical circumstances, areas for capital investment are flagged through the school's condition survey. In addition to the survey, the school also discuss with their governors what to prioritise in terms of essentials, health and safety, and what will have the most impact on teaching and learning. Once they have agreed where to invest capital, the school tender for the work and the school governors vote on which company offers best value for money. In contrast, the school considers their maintenance spend as repairs and improvements funded through the school budget. Like capital investment, maintenance spend would also be discussed with the school governors based on the criteria outlined above.

3.40 It was noted that capital projects that were likely to make successful CIF funding bids were not necessarily the projects schools would prioritise based on other needs. For example, across the schools interviews it was perceived that CIF funding was for larger capital projects, and that applications for funding were more likely to be successful if the project offered potential long-term savings.

**Secondary school, 1945-1966 building, South West**

This school stated that they consider what will make a successful CIF bid, though they did not specify what criteria makes a particular bid successful. The school added that, if they did not have to rely on CIF for funding, they would do 'smaller things' that wouldn't necessarily receive CIF funding.

In addition, this school noted that they had to contribute financially in order to receive CIF funding (though this condition is not specified by the department<sup>14</sup>). As they use their reserves to contribute in this way, the school were spending money that they felt could (and should) be used for core resources for teaching and learning.

**Secondary school, post-1976 building, East of England**

When making a CIF bid, this school felt that their proposed solution needs to be long-term, otherwise it would not be successful. On the other hand, 'nice to haves' would not make successful bids. For example, the headteacher placed a CIF bid to expand the canteen (as the school is attended by over 1,300 students but the canteen has a capacity of 190). The school said this bid was rejected because it was not considered essential.

- 3.41 Schools that highlighted they had been unsuccessful in particular CIF funding applications were generally reluctant to re-apply for capital funding for these specific projects. Instead, they felt that they may have greater success in receiving funding if they submitted a new CIF application for a different capital project.

**Secondary school, 1945-1966 building, East Midlands**

This school had placed several CIF bids that were subsequently unsuccessful. This included a gym and changing rooms built in the 1950s, and demountable classrooms that were built in the 1970s and have window frames that have rotted and sealed up. As a result of these unsuccessful bids, the school feels compelled to focus on other areas (such as replacement windows) that may have greater success in receiving CIF funding. Without the successful bids, they are unable to carry out any capital improvements. Currently, the school are required to continue using the gym, changing rooms and demountable classrooms for teaching.

***Multi-academy trusts (MATs, responsible body: the trust)***

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<sup>14</sup> Projects are assessed against a range of criteria. As outlined by the guidance, if schools/responsible bodies offer to contribute to project funding, the project may receive a higher project cost score. For more information, please see:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/750824/CIF\\_2019\\_to\\_2020\\_Information\\_for\\_Applicants\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750824/CIF_2019_to_2020_Information_for_Applicants_.pdf)

3.42 In the larger MATs<sup>15</sup> interviewed, the trust led the capital allocations but the schools noted that they had strong relationships with contacts at their trust. Though schools were not involved in how capital funding was prioritised and allocated, they felt they could go to the trust to flag and discuss school condition issues. This contrasts to the day-to-day running of the schools, which schools said they led rather than the trusts. As noted in the example below, this was due to trusts not seeing the school's day-to-day problems, so schools were considered to have a greater understanding of these priorities. Overall, the interviewed schools in large MATs cited that the trust was responsible for the 'bigger picture', and provided strategic direction across all schools in the trusts.

#### **Case study example: Capital decision-making for large MATs**

##### **Secondary Catholic school, post-1976 building, South East**

As the school is part of a MAT, there are rules and regulations at a local level. For small capital projects, the school must demonstrate value for money to the trust. For larger capital projects (i.e. those over £50,000), the school and trust must carry out a full tender process with at least three suppliers. This tender process will include a member of the trust, who will help identify suppliers, evaluate the responses and select the final supplier.

The school noted that the trust is only involved in the big capital projects, or where maintenance may become a bigger problem in the future. Overall, the trust aims to bring school buildings up to "a reasonable standard". The school noted that this is not limited to putting in bids for large capital projects - the trust is also aware of ongoing issues in the school and the school formally updates the trust every year about what is happening.

At the moment, the school and the trust are looking to place a bid to restructure their windows (likely to cost around £250,000).

Decision-making around maintenance spend, on the other hand, is led by the school and focusses on reactive/emergency work to ensure the buildings remain habitable (such as fixing leaks). The Business Manager interviewed felt that it made sense for schools to have the responsibility to identify these needs, as the trust do not see the day-to-day problems.

3.43 In the smaller MAT, however, there was less optimism about the trust having available funding to carry out capital projects. In addition, the school said that they

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<sup>15</sup> Defined as those with at least five schools and more than 3,000 pupils.

must contribute financially to capital projects so they generally do not put in bids to receive capital funding for these<sup>16</sup>.

### **Case study example: Capital decision-making for small MAT**

#### **Secondary school, post-1976 building, South West**

The Director of Finance and Operations interviewed sits as a trustee as part of their role. As a small MAT, the school discuss their priorities with the board of trustees and require the trust to approve their capital decisions. In general, priorities are based on what the trust can afford and how that fits with the needs.

In the past three years, the school has refurbished their dining room. The school provided £40,000 (£20,000 from their revenue budget, and £20,000 from their capital funding) and they received £190,000 through a successful CIF bid. In this instance, the school decided to bid for the dining room refurbishment as the funding was available and it created more seating spaces for the pupils. In addition, they expect the increased capacity of the dining room to positively impact their catering operating costs.

Overall, this school felt that they had limited capital funding available to them and without such funding they were unable to afford to carry out major capital projects. It was noted, however, that the definition of a major capital project was relative to the size of the school:

*“For us, a five to seven thousand project is not considered a major capital project, it’s just a project. If you speak to a smaller school, if they spend the same amount of money, it is a major capital spending.”*

### **Do schools know whether their responsible body has a capital estate plan or strategy?**

3.44 In general, schools (of all types) were not aware of their responsible body holding a capital estate plan or strategy, though some assumed their responsible body would have one in place for the purpose of prioritisation.

### **What funding is used for financing capital projects?**

3.45 The local authority maintained schools reported that they received funding for capital projects from their local authority (responsible body). There were instances where the schools cited that they were asked for contributions in order to receive the funding. If the schools were in a difficult financial situation and could not

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<sup>16</sup> This condition is not specified by the department. Projects are assessed against a range of criteria. As outlined by the guidance, if schools/responsible bodies offer to contribute to project funding, the project may receive a higher project cost score. For more information, please see: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/750824/CIF\\_2019\\_to\\_2020\\_Information\\_for\\_Applicants\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750824/CIF_2019_to_2020_Information_for_Applicants_.pdf)

contribute the required amount, they would not receive the funding. This would mean the school would have to either seek alternative funding, or use their maintenance budget as a last resort. Alternative sources of funding for capital projects cited by the schools included grants, local and national charities, Open Access (OA) funds and fundraising.

*“We do apply for grants. Often lots of conditions around those, and because maintained school can’t get money for it, charities want match funding and we can’t do this. Put in bid for new changing rooms because we are not compliant for disabled users. We had that bid in and plans costed up, but the charity would only fund some of it. We would have to pay the rest.”* – Headteacher of a secondary community school, 1945-1966 building, North East

*“The local authority did the kitchen because it was identified as one that needed doing. One year’s worth of Devolved Formula Capital was contributed by school.”* – Business Manager of a special school, post 1976 building, North West

- 3.46 There were a few examples where the schools had used revenue funding on capital projects. For example, one school mentioned they were in need of ICT, and as a consequence of not being able to secure capital funding, they used revenue funding. Other examples included an extension to a school, which was partly funded by revenue, and a sixth-form renovation, which was fully paid for using revenue funds.

### **Are schools bidding for condition funding?**

- 3.47 In general, academies were aware of funding opportunities and actively sought funding through CIF bids every year. To ensure they secured funding, a few schools specified they submitted two bids every year, and if one was unsuccessful, they would try again the following year. Despite reporting their reliance on CIF for capital projects, they also used other sources of funding such as DFC, academy trust funds, reserves, and grants.

- 3.48 Some schools contracted private companies to write CIF bids, with mixed success.

*“The windows had been left in a state of disrepair costing us a lot of money in higher energy bills. Got an external organisation to put in the CIF bid.”* – Finance Manager of a secondary school, multi-academy trust, 1945-1966 building, Yorkshire and the Humber

- 3.49 In some interviews, the participant believed that their school had to make a financial contribution in order to receive CIF funding, even though this is not a condition stipulated by the department.

*“I find it morally wrong. The CIF bid should come without the school’s contribution, in my personal opinion.<sup>17</sup> For one of the bids we used 50k from our own reserves as the school’s contribution in order to be successful and getting that money. But obviously, in turn, that means that our revenue reserves are reduced. And that has an impact on our three-year forecast. It’s a really tough one. We’re only contributing those reserves in order to be successful on the CIF bid. Otherwise we would be planning to use that money to go on the frontline, to core resources.”*– CFO at a secondary school, single academy trust, 1945-1966 building, South West.

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<sup>17</sup> This condition is not specified by the department. Projects are assessed against a range of criteria. As outlined by the guidance, if schools/responsible bodies offer to contribute to project funding, the project may receive a higher project cost score. For more information, please see: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/750824/CIF\\_2019\\_to\\_2020\\_Information\\_for\\_Applicants\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750824/CIF_2019_to_2020_Information_for_Applicants_.pdf)

## 4. How responsible bodies decide how to allocate condition funding to schools

### Background

- 4.00 The 'responsible body' is the organisation that is responsible for maintaining the condition of a school's buildings. The type of school determines the responsible body: the local authority for community, foundation and voluntary-controlled schools; the governing body for voluntary-aided schools (with the diocese playing a role for many schools); and the academy trust for academies (including free schools, university technical colleges and studio schools).
- 4.01 The day-to-day involvement of a responsible body with the school can vary considerably. Local authorities will generally have limited say in how a school is run or manages its revenue budget. In some academy trusts, the trust itself may be directly setting the curriculum, staffing structures, and timetabling. As such, there are likely to be different relationships between schools and their responsible bodies and how decisions are taken.

### Relationship with school(s)

- 4.02 There was variation in the closeness of relationships between responsible bodies and the schools they were responsible for. Relationships ranged from responsible bodies being involved in all building maintenance and capital project decisions, to responsible bodies leaving decisions entirely for schools to make based on their needs and within the available funds. This variation depended to some extent on the type of responsible body.
- 4.03 The smaller trusts interviewed tended to work closely with schools to allocate funds. This collaboration was mainly in order to better understand schools' needs through meeting with headteachers, and then to make use of experienced trust staff for commercial decisions, allowing schools to focus on teaching and learning. However, the bigger trusts that were interviewed appeared to have much less involvement in maintenance and capital investment decisions, placing greater responsibility on schools.
- 4.04 The local authorities interviewed were generally responsible for hundreds of schools each, so relationships between them tended to be less close, with funding decisions often based on surveys and data.
- 4.05 The dioceses interviewed were involved in the allocation of capital funding to schools, but did not have a close relationship with them. They obtained information from formal school bids and consultants who would visit the schools.

## Decision-making process

### Building maintenance spending

#### Role of responsible bodies and extent of involvement in building maintenance decisions

- 4.06 Some responsible bodies were involved in all types of building maintenance decisions, including day-to-day maintenance. Whether responsible bodies were involved in these decisions seemed to be linked to the number of schools they were responsible for and similarly, the closeness of their relationship. The responsible bodies interviewed who were involved in smaller building maintenance decisions therefore tended to be smaller MATs.
- 4.07 For the MATs that did get involved in all types of building maintenance, the seniority of decision makers in the trust depended on the level of funding involved in a particular decision. Some trust CEOs (Chief Executive Officers) and CFOs (Chief Financial Officers) explained that they were not personally involved in decisions on items below a certain value (from £500 to £1000). Decisions on smaller maintenance and repairs were delegated down to someone else in the trust, such as an estate manager who would oversee these small decisions and bring bigger issues to the CEO.
- 4.08 Where trusts were involved in all types of decision-making, this approach was used to take all commercial decision-making away from schools to allow headteachers and schools to spend their time focusing on teaching and learning. Additionally, one responsible body explained that trust staff who have greater specialist expertise are better placed to make these strategic decisions than the schools themselves.
- 4.09 Some responsible bodies were not involved in smaller building maintenance at all, and delegated this responsibility down to schools. The local authorities interviewed and some trusts mentioned that they were not involved in day-to-day maintenance until it exceeded a set threshold. Local authorities generally delegated smaller building maintenance decisions down to schools.
- 4.10 The dioceses interviewed were not involved in building maintenance of the schools either, other than sometimes suggesting maintenance priorities to schools.

#### Building maintenance strategies

- 4.11 Responsible bodies were generally involved in more significant building maintenance decisions, and there was overlap in terms of what was considered to be building maintenance and capital projects.
- 4.12 The process for identifying and allocating funding to building maintenance was often based on school condition surveys and visits to schools. Surveys were used to form an impartial, evidence-based approach to prioritisation of issues. This data was sometimes combined with information from speaking to schools or from

independent professionals (such as private companies, local consultants, engineers) who would visit schools.

4.13 The responsible bodies interviewed often had a school estate strategy or prioritisation plan for school building maintenance, but some were in the process of developing a plan and others didn't have any formal plan. Responsible bodies generally mentioned significant and urgent projects as being part of their strategies.<sup>18</sup>

4.14 Those who had or were developing plans tended to involve schools in its development to make sure that they understood schools' needs. Those who did not have a plan reported that they did not have the level of detail about school estates required for a formal plan, so dealt with issues on an ad hoc basis.

4.15 For example, a Finance Business Partner in one of the interviewed local authorities said:

*"I haven't seen any evidence of any sort of plan or strategy since I've started here. In my previous role we had all our maintenance and repairs categorised, so we'd make sure all our 'A' projects were done or [schools] would be closed, then our 'B' and so on. I haven't seen that here."* - Senior Finance Business Partner, local authority, London

### Consideration of potential future costs

4.16 Some responsible bodies considered potential future costs when thinking about current maintenance. This included value calculations of the maintenance costs compared with replacing items, such as boilers. One diocese interviewed said they did not have the authority to make schools act on its suggestions, but they mentioned that they flagged issues to schools that they thought would lead to bigger problems and higher costs in the future.

4.17 It was also mentioned that some schools themselves considered potential future issues when thinking about spending. For example, schools might think about the impact of a bad winter on their heating maintenance, and bid for funding accordingly.

4.18 However, across responsible bodies interviews it was explained that as all their spending was on urgent issues or statutory requirements, often there were no questions asked when deciding to spend capital funds to address issues. There

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<sup>18</sup> Please note, that the responsible body and school interviews were not 'paired' which means the perceptions of the schools interviewed may not reflect the experiences reported by the responsible bodies here.

was therefore no opportunity for future costs to affect current maintenance decisions as they had to deal with immediate issues only. This meant that opportunities to plan strategically were reduced, given that even in cases where responsible bodies were well aware of potential future costs, including those where they could see an opportunity for saving were the issue to be addressed earlier, they did not have the funds available to address the issues.

- 4.19 Sometimes responsible bodies were unable to carry out the works they wanted to due to the fabric of school buildings, despite thinking about future costs and potential savings. This meant that they had to replace like with like, rather than upgrading buildings to improve efficiency. Other responsible bodies that were able to change their buildings mentioned upgrading items to meet current requirements rather than replacing items to what they were before.

#### **Executive headteacher and trust CEO, MAT, South West**

The trust is responsible for small rural schools that are listed buildings. When they had to replace windows for example, they tried to go for higher specifications in the hopes of saving on energy costs in the future. However, due to schools being listed buildings they had to replace the expensive sash windows like with like, rather than with cheaper and better plastic windows. They reported that needs were often driven by the type of buildings in this way, rather than looking to invest and save money in the future.

## **Capital projects spending**

### **Role and extent of involvement of responsible bodies in capital decisions**

- 4.20 The responsible bodies interviewed reported a range of processes for allocating funding to capital projects. Some made decisions for schools based on the responsible body's priorities, some left schools to work within the available funds or asked schools to put forward bids for projects they had come up with, and others worked together with schools to make decisions on capital funding allocations.
- 4.21 In cases where group discussions were held about capital projects, these discussions could include headteachers, responsible body directors, admissions teams and other relevant roles. For example, one approach involved headteachers coming up with ideas and then bringing these ideas to the responsible body. The ideas were then discussed as a group and looked at in more detail. If they decided to take an idea forward, the trust facilities manager would become involved (or the headteacher would lead if there was more of an educational benefit). External advisors could also become involved at this point to draw up plans. The responsible body would then cost, appraise and evaluate the plan to reach a final decision. Responsible bodies that were heavily involved in school spending decisions aimed to minimise the headteacher or school's involvement after the development stage

so that schools could focus on teaching and learning rather than project management.

- 4.22 Taking a different approach, the dioceses interviewed had a system where schools put forward bids for locally co-ordinated voluntary-aided programme (LCVAP) funding (which is condition allocations for voluntary-aided schools). Consultants also visited the schools, so that the diocese would already have an understanding of the needs of the schools. In some cases, the diocese did not agree with schools' bids, so would reject the bid and add a new bid for an issue they saw as more urgent. One diocese was also in the process of setting up an 'information and decision panel', with the aim of bringing more people into the decision-making process. This panel aimed to include building professionals, CFO or COO (Chief Operating Officer) of the diocese, the Director of Education, independent colleagues from the Church of England, and other colleagues from the diocese that have not typically been involved in the process to provide 'an outsider's perspective'.
- 4.23 Another approach was to have one-off discussions with schools about specific projects with no formal rounds of bidding. There were also some opportunities for schools to bid for specific funds, such as the special educational needs fund.
- 4.24 Responsible bodies sometimes agreed capital plans with their schools. This involved schools raising issues with responsible bodies, surveys and visits to schools, as well as responsible bodies explaining to schools how and why capital decisions had been made. The capital plan could also be combined with the plan for building maintenance. Additionally, it was mentioned that responsible bodies generally had to work closely with schools in terms of the logistics and operational aspects of projects.
- 4.25 Some responsible bodies conducted a risk analysis process or a prioritisation process based on various factors (such as energy rating, split sites, size) to identify the highest needs, and consequently told schools what works would be possible, rather than receiving bids from schools. Other schools were responsible for deciding what work to do based on need and the available funds, with little involvement from the responsible body other than distant oversight of works.

### **Responsible bodies' priorities for capital investments**

- 4.26 Priorities were similar for building maintenance and larger capital projects. Many responsible bodies mentioned that capital funding was allocated based on highest absolute need. In general, capital spending addressed issues that were essential and needed to be dealt with immediately.
- 4.27 The main priority for determining highest need was generally health and safety, which included fire and water safety, safeguarding and security. Closely linked to health and safety, compliance with statutory requirements emerged as another top priority and included maintaining or upgrading buildings to current required standards.

- 4.28 A local authority mentioned that their plans for education spending sat within wider local authority spending, so other priorities across the local authority were considered when allocating funding to schools. Funding was allocated to meet statutory requirements, but any non ring-fenced funding beyond that was often allocated to other local authority needs.
- 4.29 Keeping buildings open and operational was often mentioned. Building issues that were addressed as a priority included issues with boilers, roofs, windows and doors. The diocese explained that their criteria for the LCVAP programme required buildings to be warm, dry, and safe. All the works they carried out were in order to keep schools open and, beyond that, they had no funds to redecorate or refurbish schools.
- 4.30 One responsible body highlighted school staff and pupil welfare as their key priority. This responsible body was aware that more money could be put aside for capital projects and building maintenance to improve the school environment and increase efficiency, but funding was instead focused on the children and their education.
- 4.31 In a similar vein, the educational benefits of projects and creating sufficient school places were priorities for some responsible bodies.

#### **CFO, small mainstream academy trust, East Midlands**

The trust recently carried out a project to add a new three-classroom teaching block to a school in the trust. When they took this school on, the teaching and learning was considered to be poor (due to the school's results). Increasing capacity was one idea to turn the school around, by increasing from a 1.5 form entry to a two-form entry school. This project was therefore put through for consideration for funding on the educational impact it would have. It was approved on this basis and on the value for money it offered, but they did not expect any revenue savings as it was an addition to the school rather than a replacement.

- 4.32 Local authorities also mentioned the increasing focus on SEN as a high priority for capital projects, with schools invited to bid for specific SEN funds.

#### **Other factors involved in capital decisions**

- 4.33 Other factors involved in capital project decisions that were mentioned included:
- age of building - *"Older buildings cost more. It's not rocket science!"* CFO, academy trust, West Midlands
  - fabric of buildings;
  - current state of repair; and
  - culture (e.g. a more technologically advanced school may prioritise spending on ICT).

## Relationship between building maintenance and capital spending

4.34 Responsible bodies seemed aware of the potential for investing in capital projects to save on revenue expenditure in the future, and some mentioned analysing cost implications of projects at the development stage. These savings calculations were sometimes included in bids for projects.

*“For example, we’re doing a big heating job on a school at the end of this school year. Everything - radiators, plumbing – so we have to work very closely with the schools about when we can start, where we can go first. The cost will be big upfront but in the long-term it’ll save.”* - Strategic Head of Education Property, local authority, London

4.35 Some responsible bodies had policies that aimed to reduce revenue expenditure to some extent. Upgrading lighting to LED was a common example. It was also noted that it is becoming harder to see the realisation of these savings however, due to fluctuation of energy markets and the length of time it would take recoup on costs. Insulation was also mentioned as an example for improving efficiency of buildings, and this was a standard responsible bodies process rather than a specific, carefully thought out plan to reduce costs. Some trusts mentioned centralised purchasing from suppliers and bulk buying for all schools in the trust where possible, such as for gas and electricity.

4.36 Other responsible bodies mentioned that there should be a relationship between building maintenance spending and capital spending, and placed the responsibility onto schools to consider this. However, they also noted that schools were too stretched and spent their time “putting out fires” so were unable to think about long-term savings.

*“There should be [a relationship], when they go to make an improvement like that they should think about the whole life cost of that building – we need to let them know that if they’re doing a small scheme on a class room, they need to think for a bit more revenue money they could do a slightly bigger job and save that money in the long-term.”* - Strategic Head of Education Property, local authority, London

4.37 Similarly, it was also mentioned that the funds simply weren’t available to spend money on more strategic projects, and that these projects were not the highest priority. As mentioned above, the majority of capital works were responding to urgent or basic needs. This meant that some responsible bodies felt that their capital investments had little impact on future revenue spending.

*“Sadly, capital funding is based on an absolute need to replace rather than thinking it will save money in the future”* – Executive headteacher and trust CEO, MAT, South West

4.38 A small number of responsible bodies felt that schools did not tend to consider long-term impacts of building maintenance or areas where efficiencies could be made,

because they didn't have the expertise or training in building management. For example, a responsible body highlighted that a school was not clearing away leaves in their drains and gutters, which could lead to flooding in the future.

## Financing capital projects

### Types of funding used for capital projects

- 4.39 The MATs interviewed largely discussed using DFC and reserves (that have been built up over the years) for capital projects. It was noted that the main use of DFC was for ICT, due to the (small) amount of funding available. Some also mentioned using a percentage of schools' revenue funding.
- 4.40 There was a sense across MAT interviews (and participants based in local authority maintained schools) that although there are reserves now that have been built up in the past, these reserves are diminishing (due to increasing budget pressures, including staff costs increasing as a proportion of the budget and curriculum changes requiring further training) and they would struggle to sustain this approach to funding in the future when these reserves have been used up. As a result, some responsible bodies felt that they were in a less financially secure position for the future if unforeseen urgent issues were to arise.
- 4.41 Local authorities mentioned a greater range of funding sources for capital projects, with some ring-fenced for expansions or new school buildings. These sources included:
- DFC;
  - grants directly from DfE;
  - development contributions;
  - council reserves;
  - school reserves;
  - special educational needs fund;
  - healthy pupils fund;
  - potential to borrow for schools from the public loan board; and
  - revenue funding.
- 4.42 Some MATs mentioned bidding for CIF, but it was highlighted that their understanding was that they can only bid for this funding once a year and only when there is an issue of serious concern. The trusts' approach to issues of serious concern was to address them immediately, so they did not find CIF helpful.

- 4.43 The diocese interviewed used only LCVAP funding for capital projects. However, they were looking to move to SCA in the near future, as this type of funding is provided directly to the diocese rather than first to the local authorities<sup>19</sup>. They reported having difficulties in working with some local authorities, which resulted in delays to starting projects.
- 4.44 It was also mentioned that due to pressures on revenue budgets, some schools are diverting funding away from capital projects to fund projects that are in the overlap between what could be considered capital or revenue.<sup>20</sup>

## **Surpluses and funds for future capital projects**

- 4.45 Responsible bodies tended to hold some funds as a contingency for emergency needs or overspend on capital projects. For example, a revenue reserves policy was mentioned, whereby a MAT would hold centrally a certain percentage of their overall income as a contingency against unforeseen circumstances.
- 4.46 Beyond these emergency funds, some responsible bodies reported that there was no money left over at the end of the year to build surpluses (although they did not incur deficits either). Some explained that if there was money left over, it would be used for other projects rather than held as reserves.
- 4.47 It was also mentioned that some schools would build up their own revenue reserves. This was considered good practice for schools to hold some funds for unforeseen needs. However, in larger MATs, it was noted that these reserves should not exceed a certain amount, or else the school would risk being excluded from prioritisation for use of the MAT's central pot.
- 4.48 A small number of responsible bodies mentioned that some schools had reserves that were carried over when the school converted from local authority maintained to an academy. This was not seen as a sustainable funding source for maintenance, so was used for capital projects.
- 4.49 A diocese interviewed explained that they were not able to build up reserves over years as unspent money would be taken away. This was an issue for them, as they were unable to save for bigger projects in the future, and in some cases had to spend money inefficiently on projects split over two years. This led to increases in costs, such as for scaffolding, which had to be put up and down twice rather than once.

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<sup>19</sup> From 2020-21, DfE plans to retire LCVAP and move VA schools to the same capital funding mechanisms as other schools.

<sup>20</sup> This was reported by schools although there should be local rules governing what should be considered revenue and capital funding.

4.50 The diocese explained that if money is leftover once allocated to the agreed projects, the local authority acts as a broker to “gift” the money to the Catholic Church for needed work on schools.

4.51 In terms of putting aside funding for future capital projects, some responsible bodies mentioned that they put aside a small amount of funds, but others were unable to put aside any funding. It was mentioned however that they would consider doing so if they were to have surpluses.

## 5. Is there a relationship between capital and revenue funding and spend?

5.00 A key objective, which is explored in this section, is the relationship between capital and revenue spend (if there is one) from the perspective of schools and responsible bodies and the part it plays in financial decision-making (if at all).

### Impact of spending on building maintenance

5.01 The research explored the extent to which revenue spending on building maintenance resulted in revenue and capital savings at a later stage.

5.02 Revenue spend on building maintenance was usually in response to an immediate need and the resulting future revenue budget savings were not apparent according to participants.

*“Most revenue decisions are driven by day to day operations”* – Director of Finance and Operations at a secondary school, multi-academy trust, post-1976 building, South West.

5.03 In order to see a reduction in future revenue spending, schools would have to be more proactive in how they spend their money, i.e. looking to minimise costs of repairs before they happen (break) and therefore, cost more to repair.

### Impact of spending on capital projects

5.04 Participants reported a number of savings on building maintenance or other revenue expenditure resulting from investment in capital projects. Examples included:

- Closing an unnecessary kitchen, extending the dining hall and refurbishing the space, which reduced the revenue funding required to maintain two school kitchens.
- Replacing the school dishwasher to avoid depleting revenue budget to continually fix it.
- New windows which have reduced energy bills.
- A Salix grant was used to replace a boiler which will result in savings once paying off the loan has finished, in terms of energy reduction and lower maintenance costs.

5.05 Participants reported additional revenue streams from sources including renting out classrooms for two days a week to a local music centre, renting out sports facilities, drama and singing classes, charging for car parking facilities and fundraising by the

PTA. This included investment in capital projects which generated future income. For example, investment in kitchen equipment allowed a school to set up a school meals service to smaller schools in their area. Another example included investment in the school dining room, increasing the seating, meaning the caterers could serve more and therefore reduce the amount the caterers charge the school to deliver the service.

### **Case study examples: Additional revenue streams**

#### **Secondary school, local authority maintained, 1945-1966 building, East Midlands**

A number of classrooms are rented out two days a week to a local music centre. They also have exercise groups that use the junior halls and the dance studios, a football club that uses the fields, a singing instructor and a drama company that use the performance block, and a few 'one offs' where a local company that does a children's charity clothes swap have paid the school a nominal fee to use the caretakers. They estimate this brings in an additional £120,000.

#### **Secondary school, single academy, 1945-1966 building, South West**

The school says that it seeks to maximise the value of its facilities as much as it can. It estimates they get £30-40,000 a year from renting out the sports hall but this is most likely because the sports hall is relatively new (built in 2010) and outside sports pitches. They also do car park ticketing on the field which also brings in revenue. They are still looking at ways to maximise the income across the estate, which serves to help balance the books rather than generate additional income.

5.06 Some school participants did not believe that it would make financial sense to hire out facilities to generate additional income as they would need to spend money in order to be able to do this (for example, requiring toilets to be available, installing locks on other school buildings).

5.07 Spending on capital projects was also important for non-financial reasons for some school participants as they believed it was good for pupils' wellbeing and learning to be educated in a building that was in a decent condition.

*"My primary concern is that I want the children to have a decent experience so we have tried to improve the IT facility for teaching and learning."* – Headteacher at a secondary school, local authority maintained, 1945-1966 building, East Midlands.

### **Impact of unsuccessful capital bids**

5.08 In some interviews, it was noted that unsuccessful applications for capital funding (including CIF funding) had resulted in higher revenue costs to repair and/or maintain the school building.

*"We didn't receive CIF funding for a new roof and this resulted in the water coming through the roof which set the fire alarm off and we have to pay the fire brigade £60 each time they are called out. Caretakers are diverted from their usual job as*

*they have to mop floors. We are losing money through the roof as it lacks insulation.*” – Finance Director at a secondary school, multi-academy trust, 1945-1966 building, Yorkshire and Humberside.

*“As a result of the unsuccessful CIF bids, we are having to put more money into the repair and maintenance of the demountable buildings and gym – e.g. spent £6k on air con/heating for the demountable buildings, plus paid for patching up and decorating.”* – Business Manager at a secondary school, single-academy trust, 1945-1966 building, East Midlands.

## **Is it possible to make efficiencies through schools’ spending to improve the condition of their buildings?**

5.09 Looking firstly at responsible bodies, as reported in the previous chapter, some had policies that aimed to make efficiencies through spending on building maintenance and/or investing in capital. For example, upgrading lighting to LED and improving the insulation of buildings to make them more energy efficient. However, in some cases they were constrained by the (old) age of the building which meant they had to replace like with like rather than use more efficient materials.

5.10 Overall, school participants believed that it was possible to make efficiencies through improving the condition of the school building – for example:

*“During the last two-three years, all old metal framed windows have been replaced by double-glazed UPVC. They were failing but the need for energy efficiency in terms of heating was pushing the decision. It was not possible to conduct the work across the whole school in one summer so it was completed across two summer holidays. The funding for this came from a successful bid to the Condition Improvement Fund.”* – CFO for Secondary Academy Converter, 1945-1966 building, South West

5.11 For many schools, the examples provided were hypothetical rather than a reflection of current practice.

*“I can see how we would save if we were able to address certain issues. The boiler is inefficient, but it still works. We would also like new windows, which in turn would save on heating. These are issues we would love to address but are not pressing enough to warrant the funding... Savings could be made in a number areas, primarily around heating which takes up a large amount of the revenue in the winter time.”* – School Business Manager at a secondary school, single academy trust, 1945-1966 building, London.

5.12 There was a clear commitment from participants to source items as efficiently and cost-effectively as possible.

*“I benchmark everything - what we spend on teachers and resources – we don’t just accept what we are given – will get multiple quotes and see if we can get cheaper – we can’t afford it and would rather spend money on the children. I am always ringing round to get better quotes – we try hard.”* – Headteacher at a primary school, diocese, pre-1919 building, North West.

5.13 However, there was a perception that capital funding was only available to fix urgent issues rather than being available for preventative issues, thereby making it difficult to make efficiencies.

*“The boiler has “been on the brink of collapse” for a while but can’t get funding until it becomes a more serious issue, such as breaking down completely and forcing a school closure. This could be averted with more proactive funding.”* – School Business Manager at a secondary school, single academy trust, 1945-1966 building, London.

5.14 One local authority maintained school said that their responsible body did not wish to fund replacements, saying that, if items can be patched up it is the school’s responsibility. Though it was noted that it may be more efficient to replace an item (using capital funding) than keep maintaining it (using revenue funding), the relationship between this school and their responsible body was a potential barrier to making this trade-off decision.

## **To what extent do schools and responsible bodies perceive the relationship between capital and revenue funding and spend to be a trade-off?**

5.15 A key objective of the research was to uncover whether schools perceive there to be a relationship between revenue and capital spending. While the department have carried out quantitative analysis which looks at the condition of schools and expenditure on maintenance and energy (revenue), how schools conceive this relationship (if at all) was less clear in this research.

5.16 For some participants there is no relationship between capital and revenue funding. They are perceived as coming from separate funding streams and were not interlinked in current or future decisions made by the school.

5.17 Revenue funding was seen as being primarily used for immediate issues that arose – any long-term considerations in its use were secondary to its primary purpose, which was to address urgent issues. These were often related to health and safety - for example, making sure there are no uneven floors, proper fire doors. As such, there was not a ‘choice’ or ‘trade-off’ to be made.

*“When the budget is set, we have a preventative maintenance programme – we have a list of what needs doing which we prioritise. Main way of prioritising is health and safety – making sure there are no uneven floors and proper fire doors. We have no choice but do maintenance on these things.”* – School Business Manager at a secondary school, single academy trust, post-1976 building, East of England.

*“It’s rarely a choice when we’re weighing things up. It’s absolute necessity. The money that’s available does not cover the necessary, let alone anything beyond that. It’s never a choice.”* – Headteacher at a secondary school, local authority maintained, 1945-1966 building, East Midlands.

*“I’ve not come across this because building maintenance is based on immediate need rather than any long-term considerations. E.g. No other benefit from a new fire alarm apart from stopping it going off all the time.”* – School Business Manager at a secondary school, single academy trust, post-1976 building, East of England.

- 5.18 As is reflected in the point made above, there is a perception that capital funding is not proactive or preventative.

*“In a sense, yes [there is a relationship], but it would require a change in mentality around how capital funding is allocated. If there were more proactive ways of funding, (mentioning costs around heating/boiler/insulation) then there would be more funding for revenue in the long-term without a doubt.”* – School Business Manager at a secondary school, single academy trust, 1945-1966 building, London.

- 5.19 This was often underpinned by uncertainty around the availability of future capital funds for the school, meaning that participants believed they could not factor in the long-term relationship between revenue and capital funding streams. This made it difficult to plan for the future. Revenue funding was therefore spent on addressing immediate needs to ensure the school building was safe for pupils.

- 5.20 The impact of this, according to schools, is that they are unable to make necessary improvements to their school. For example, one school participant said they would like to make their school more modern as it is old and needs a lot of regular day-to-day maintenance.

*“I have a number of jobs that are essential, such as ensuring the school is up to standard, but ideally would love to make efforts around making the school more modern, as it currently is aged and needs a lot of regular day-to-day maintenance.”* – School Business Manager at a secondary school, single academy trust, 1945-1966 building, London.

- 5.21 A perceived relationship between revenue and capital funding was expressed by some participants. While prioritisation was often driven by immediate need (for example repairing a broken fire alarm), participants did provide examples which

suggested a longer-term consideration of the impact of revenue expenditure now on longer-term capital expenditure i.e. a trade-off. For example, a decision to replace rather than repair a door, a decision to replace a boiler now rather than continue to repair it and then having to replace it (following further depletion of their revenue budget) and the decision to replace areas of the school grounds with artificial grass.

- 5.22 A key objective of this study was to assess whether there is a relationship between capital and revenue funding and potential trade-offs between the two types of expenditure.
- 5.23 Whilst responsible bodies considered potential savings on future ongoing costs, they faced two key barriers. As a responsible body, they are not necessarily able to direct the school to act in a particular way – so have no authority over the school to implement any efficiency identified. The second was the need to prioritise urgent issues and so being unable to make investments that may yield long term savings.
- 5.24 Overall, schools believed that it was possible to make efficiencies through spending on building maintenance, but the examples given in interviews tended to be hypothetical rather than a reflection of current practice. And, in general, schools did not view their expenditure as being a trade-off between revenue and capital (i.e. one leading to savings on the other). The different funding streams and their intended uses created a clear distinction when it comes to decision-making. Furthermore, schools felt that the overall level of funding available meant making a choice between meeting immediate needs and investing to make future savings – schools tended to prioritise the former.

## 6. Appendix

### Sampling

6.00 The sample of schools encompasses a cross-section of primary, secondary and special schools by age, financial position (revenue and capital), and condition of the school estate.

6.01 The sampling was carried out using an extract of all open state-funded schools from the Department for Education's 'Get information about schools' service. For each individual school this includes data on:

- the school type (e.g. academy, local authority school);
- school phase, size, and location; and
- local authority and, where relevant, the academy trust and/or diocese, and hence the responsible body.

6.02 To this school-level data, we matched:

- data on local authority maintained school balances from the Consistent Financial Reporting returns, and the average revenue balance per academy from the schools financial benchmarking website (grouped by high, medium and low);
- data on academies in receipt of a conditional improvement fund allocation (high and low);
- school condition allocations at local authority or multi-academy trust level divided by the number of schools in that local authority or trust (high, medium, low); and
- age and condition of school from the school property survey (condition placed into four groups<sup>21</sup> and age grouped as pre-war, 1945-1966, 1967-1976, post-1976).

6.03 Sampling weights were applied to ensure balance between number of primary and secondary schools.

6.04 The initial random sampling was carried out to identify combinations of school age and financial position, giving 16 mainstream schools – school age and capital position (high or low), school age and revenue position (high or low).

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<sup>21</sup> The property data survey reports area of the school estate that are categorised as A (good), B, C, D (bad). Schools were ranked by the proportion of the estate that was categorised as C or D.

- 6.05 A further 12 schools were identified by – 2 x each level of capital funding, 2 x each level of revenue funding.
- 6.06 The final four slots were reserved for randomly selected special schools and new build schools.
- 6.07 The resulting sample was then checked and modified to ensure it included:
- a mix of schools in single and small academy trusts, larger academy trusts, dioceses (for voluntary-aided schools) and local authorities;
  - primary and secondary schools of varying sizes and special schools; and
  - different school locations (region and area type).
- 6.08 Given the number of schools being sampled and the underlying quality and completeness of some of the data (in particular on capital expenditure) the research has been designed so as to provide a broad spread of school circumstances rather than being a fully representative national picture.

## Achieved sample

6.09 In total, 29 schools were interviewed (table below).

Age of Building	Capital Spending	Capital Spending	Revenue Spending	Revenue Spending	Revenue Spending	Type	Phase/Size	Condition
	High	Low	High	Low	Medium			
9 schools pre-1919 or inter-war	1	2	4	3	2	10 single or small academy trusts	1 large primary	14 schools in group 1
9 schools 1945-1966	0	3	5	0	4	2 multi-academy trusts	7 medium primary	5 schools in group 2
3 schools 1967-1976	2	0	2	0	1	9 local authority maintained schools	2 large secondary	6 schools in group 3
8 schools post-1976	5	1	1	0	7	6 voluntary-aided schools	13 medium secondary	4 schools in group 4
						2 large special schools	3 small secondary	
						1 small special school		
						2 schools on the Priority School Building Programme		

6.10 11 responsible bodies were also interviewed, including relevant individuals in five multi-academy trusts (three small and two large), two dioceses, and four local authorities.



Department  
for Education

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**Reference: RR925**

**ISBN: 978-1-83870-063-8**

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