SUMMARY

Expenditure on secondary education in 1987-88 accounted for over one third of the £13,600 million budget of Local Education Authorities (LEAs). The cost of employing 220,000 secondary school teachers exceeded £3,000 million, with a further £2,000 million needed to pay for all non-teaching costs.

The Audit Commission and its auditors have carried out two major reviews of the service. The first focused attention on non-teaching costs such as cleaning and maintenance of buildings. More recently a review of the management of teaching resources has been completed. In both cases, attention was drawn to the significant problems and opportunities posed by the decline in secondary pupil numbers.

Between 1979 and 1991 secondary age school pupils will have declined by 1.1 million to 3.0 million. Although the trough will have occurred at most LEAs by 1991, the recovery thereafter is slow and by the year 2000, numbers will only have increased to about 3.2 million, less than today’s figure. The decline in pupils of sixth form age will continue throughout the 1990s. This...
will pose additional problems for schools with small sixth forms where it will be difficult to provide adequate educational stimulus and choice with an efficient use of teaching resources. The national curriculum will further intensify the pressure on small schools.

LEAs are well aware of the problems associated with falling rolls and are attempting to get to grips with them. But so far, on average, their efforts have achieved only modest reductions in capacity. On current plans, excess capacity is likely to increase over the next four years.

Many of the ‘easier’ options, such as removing temporary accommodation, have now been exploited. Future progress will rely more heavily on reorganisation and closure. This process is one of the most difficult management problems faced by LEAs (Exhibit 1) and delays in the Department of Education and Science (DES) and Welsh Office do not help. The educational and financial benefits of reorganisation are potentially substantial and present LEAs with one of their major opportunities to improve secondary education standards and reallocate resources to other pressing needs.

This Occasional Paper reviews the progress made by LEAs to date and focuses attention on some of the problems and opportunities which remain. The paper draws attention to the long-term nature of the spare capacity and small school problems and the need for further action both by LEAs and central government.

INTRODUCTION

1 The problem of falling rolls and the removal of surplus capacity in secondary schools has been the subject of two Commission reports. The first in 1984* focused on non-teaching costs; the second, published in 1986, on the management of teaching resources†. The results of the earlier research were used by auditors locally during 1985 and reports submitted to LEAs. These suggested that:

- most LEAs had made plans to tackle the problem but the actual removal of places often fell short of their targets;
- existing LEA plans did not fully take account of the rapid decline in secondary rolls up to the early 1990s and therefore spare capacity was likely to increase, unless further action was taken;
- savings on non-teaching costs such as energy, cleaning, maintenance and interest could be as much as £80 million per annum.

2 The second study recognised the need for LEAs to re-examine their reorganisation proposals, not only on the grounds of economy but because of educational problems which can arise at small schools, notably their inability to support an appropriate breadth of choice within the curriculum. A particular problem will be the difficulty of sustaining viable sixth forms which will be affected by declining rolls until the mid 1990s.

3 Auditors carried out a review based on this work at most LEAs during 1987 and are in many cases currently discussing their findings with officers and members. From reports received so far it is clear that the response to the problem is still mixed and, overall, somewhat disappointing. Efforts have been made to take spare capacity out of use by school reorganisation and other means. Nonetheless there remains a significant number of LEAs whose plans have not yet been agreed, either locally or when submitted to the Secretaries of State (for Education and Science and for Wales).

4 A number of authorities complain that the slow response of the Departments hinders their efforts to reduce costs and feel particularly aggrieved when their proposals are turned down after years of effort locally. Removing spare capacity is also hampered by the restrictions of capital controls, e.g. the limitations placed on the use of capital receipts to finance additional expenditure needed to carry out reorganisation proposals without severe disruption.

‘...the response to the problem is still mixed and, overall, somewhat disappointing...’

5 The far-reaching proposals in the Government’s Reform Bill will change the environment in which LEAs make their decisions on closures and reorganisations. The Commission has already expressed its concern that they may, in the short term, slow down the process of school rationalisation, though it is fair to say that local reports do not yet point to uncertainty about opting out as a significant factor.
impeding school reorganisation. And the proposals to lift LEA imposed capacity constraints may serve to accentuate the differences between popular and unpopular schools. What is clear, though, is that LEAs’ ability to respond positively to the challenges posed by the national curriculum and other provisions in the Bill will be much reduced if a substantial proportion of their resources is tied up in schools operating well below capacity. The Bill therefore makes rationalisation more urgent.

6 In view of the scale of both the problems and opportunities, the Commission decided to carry out a further review of progress. It draws on the findings outlined in auditors’ reports on Better Management of Secondary Schools, supplemented by visits to ten LEAs.

**TRENDS IN PUPIL NUMBERS**

7 The scale of the decline in secondary age school pupils is illustrated in Exhibit 2. This shows that since 1979 pupil numbers have declined from a peak of 4.1 million to 3.3 million in 1988. A low point of 3.0 million will be reached in 1991. Numbers are forecast to increase slowly during the remainder of the 1990s to about 3.2 million in 2000, but this will still be below current levels. It is difficult to forecast accurately beyond the end of the century. The trend in numbers is declining but some LEAs are faced with additional demands. In the Principality, for example, there is an increased demand for Welsh medium education and this has led to the provision of additional classrooms and schools.

8 The educational and financial effects of lower pupil numbers will therefore be significant throughout the 1990s, unless action is taken to address both the problem of small schools and those with surplus capacity.

9 The decline in the size of the population of sixth form age is a particular problem. Sixth form numbers will continue to decline until the mid 1990s. Thereafter numbers are unlikely to recover to the 1987 levels in most LEAs until well after 2000. Exhibit 3 compares the population projections for the 16-18 age group for 1997 with the numbers in 1987 and shows that the catchment population for sixth forms will have declined by some 384,000 (18 per cent). The problem is particularly severe in metropolitan district areas with a decline in numbers of nearly one in four over the next ten years.

10 I here is no sound reason to believe that pupil numbers will recover in the next century sufficiently to take up existing slack. And, in any case, holding capacity open for more than a decade is prohibitively expensive.

### Exhibit 2

**SECONDARY SCHOOL PUPILS AND PLACES, 1979-2000**

**England and Wales**

![Graph showing trends in secondary school pupils and places, 1979-2000](image)

**Sources:** CIPFA (1979-1986)
Advisory Committee (to the DES) on the Supply and Education of Teachers (ACSET)
Auditors’ reports

### Exhibit 3

**TRENDS IN THE 16-18 AGE GROUP POPULATION**

**England**

<table>
<thead>
<tr>
<th>Area</th>
<th>1987 Actual 000s</th>
<th>1997 Projected 000s</th>
<th>% Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>266</td>
<td>235</td>
<td>12</td>
</tr>
<tr>
<td>Metropolitan Districts</td>
<td>499</td>
<td>384</td>
<td>23</td>
</tr>
<tr>
<td>Counties</td>
<td>1369</td>
<td>1131</td>
<td>17</td>
</tr>
<tr>
<td>Totals</td>
<td>2134</td>
<td>1750</td>
<td>18</td>
</tr>
</tbody>
</table>

**Source:** OPCS
The White Paper Better Schools, published in 1985\(^{\dagger}\), sets out a general indication of the size thresholds at which schools of different types can deliver a satisfactory curriculum economically. They were drawn from HMI inspection evidence supported by curriculum modelling and reflect the experience of many LEAs. For secondary education the indicators are:

- middle deemed secondary — minimum 3 forms of entry (FE) (90 pupils);
- 11/12-16 comprehensive — minimum 6 FE (900 pupils);
- comprehensive with a sixth form — minimum 150 pupils in sixth form.

These guidelines were also considered in the DES White Paper Providing for Quality, published in 1987\(^{\S}\), and it was noted that for geographical and other reasons it may not be possible to bring all small schools up to the educationally desirable minimum size at which they operate cost-effectively, but authorities and governing bodies should aim to bring their schools as close as possible to viable size. It was also noted that declining numbers will push more and more secondary schools below the thresholds and that, in many cases, the best answer from an educational and economic point of view will be to amalgamate or close schools in an area, or to reorganise age ranges. Some authorities and educationalists do not accept the validity of these guidelines. But the majority of authorities accept the principles behind them and strive to make them a reality in their area.

From auditors’ reports on Better Management of Secondary Education, it is pleasing to note that in most LEAs there has been no lack of willingness to address these issues. Many, many hours and much effort have been devoted by members and education officers to attempts to devise acceptable reorganisation schemes. But the scale of the decline in numbers has, in most cases, outpaced any solid achievements. Auditors are therefore recommending a further phase of reorganisations and other measures. These are needed both to bring school capacity more into line with pupil numbers and to reduce the problems associated with small schools.

The number of secondary and middle deemed secondary schools has fallen by 515 to 4,407 since 1979 but the average size of those remaining has fallen by 91 pupils to 748 (Exhibit 4). Within these averages, it should be noted that 18 authorities show no reduction in the number of schools in spite of falling rolls. Conversely, some have removed over 40 per cent of their schools. For example, one metropolitan district has closed 15 schools and increased the average size from 700 in 1979 to over 1,100 in 1988.

### Exhibit 4

<table>
<thead>
<tr>
<th>LEAs</th>
<th>Number Reduced 1979-88</th>
<th>Number of Schools 1988</th>
<th>Average Number of Pupils per School</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>109</td>
<td>473</td>
<td>889</td>
</tr>
<tr>
<td>Metropolitan Districts</td>
<td>165</td>
<td>1060</td>
<td>841</td>
</tr>
<tr>
<td>Counties</td>
<td>241</td>
<td>2874</td>
<td>830</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>515</strong></td>
<td><strong>4407</strong></td>
<td><strong>839</strong></td>
</tr>
</tbody>
</table>

Source: CIPFA Education Estimates

### Exhibit 5

**SIZE DISTRIBUTION OF SECONDARY SCHOOLS**

(excluding middle deemed secondary)

Source: DES/Welsh Office

---

\(^{\dagger}\)Cmd 9469 Better Schools
HMSO March 1985
ISBN 0 10 1946902

\(^{\S}\)Circular 3/87 Providing for Quality: The Pattern of Organisation to Age 19 May 1987
VARIATIONS IN PTRS - SCHOOL SAMPLE
1987-88 forecast

When its pupil numbers fell by 15 per cent. This has enabled it both to release resources for other needs, e.g. primary schools, and to ensure that most of its remaining schools are viable in educational and financial terms. But this is the exception.

In spite of these closures nearly half the secondary schools in 1987 fell into the category of being too small to deliver a satisfactory curriculum economically. Over 1,800 schools were well below the guideline of a minimum of 6FE or 900 pupils (Exhibit 5). The situation is likely to get worse over the next few years unless the current rate of about 50 closures a year is increased to over 100. The indications from auditors' reports are that this is unlikely to happen.

A similar pattern is evident among middle deemed secondary schools where nearly four out of ten such schools in England had 300 pupils or less, well below the DES guideline of a minimum of 3FE (360 pupils).

As noted in paragraph 11 above, maintaining small schools may have both educational and financial consequences. Auditors' reports note examples of educational effects such as a lack of choice, and the response of many LEAs to increasing resources at small schools to sustain the curriculum. The additional teachers allocated to small schools are reflected in lower pupil teacher ratios (PTRs) and consequently higher costs per pupil. Exhibit 6 illustrates this situation in a sample of schools at a county council and reflects the comparatively high teaching resources needed at many LEAs.

Auditors' reports received to date suggest that the additional teaching costs—above those indicated by the authority's staffing policy—incurred by LEAs in sustaining small secondary schools were £2.3 million on average. This indicates an annual cost of £250 million in all LEAs. If present trends continue, this cost is likely to rise.

SIXTH FORMS

The position at many sixth forms also gives cause for concern and, without a major programme of reorganisation, can only get worse as sixth form rolls continue to fall until the mid 1990s and remain below current numbers until after 2000. In 1987 over 1,800 schools (75 per cent) with sixth forms fell below the DES guideline of a minimum of 150 pupils (Exhibit 7).
Source: Auditors' reports

With 383 sixth forms containing fewer than 50 pupils—some have fewer than ten—it is not surprising that auditors report on a number of special difficulties. Educational stimulus, choice and efficient use of teaching resources becomes more limited. Some schools have sought to maintain staffing ratios in sixth forms by 'borrowing' more staff time from the lower forms but this only reduces the problem at the expense of pupils in other years. A number of LEAs have sought to reduce the problem by an exchange of staff or pupils between schools but this is not feasible in remote areas. Group sizes of as low as one or two are reported in the very small sixth forms.

A further problem is reflected in the limited choice of subjects available to pupils in small sixth forms. Exhibit 8 illustrates the inequality of choice of 'A' level subjects available to pupils in sixth forms in a county council in the 1986-87 academic year. It shows that those pupils in sixth forms of less than 80 pupils had a choice of between 6 and 16 subjects, whereas those in larger sixth forms could choose from 14 to 23 subjects.

Apart from these educational effects, the diseconomies of small sixth forms, as with the school as a whole, tend to be reflected in higher costs per pupil. Exhibit 9 shows the higher teaching costs associated with small sixth forms in a metropolitan district.

Such additional costs may be unavoidable in remote rural areas. But there are examples reported by auditors where three or four schools and often a college are in close proximity and a similar choice of A level subjects is offered at all the establishments. As the 16-19 year old population continues to decline, there will be increasing competition to attract them, not only from educational providers but directly into employment. Secondary school sixth form provision is just one part of the picture and LEAs will need to review the overall post 16 provision urgently, if they have not already done so.

DES Circular 3/87§ points to the need for a comprehensive review of the whole range of 16-19 provision, taking into account the variety of courses

---

\*SCHOOLS

---

Source: Auditors' reports
The emphasis of the latest study of secondary schools was on size but auditors were also asked to review action being taken to remove surplus places. Exhibit 10 shows the situation at 39 LEAs in 1987 with a forecast of the likely position in 1991.

SURPLUS PLACES

The Commission’s non-teaching costs report highlighted a number of ways by which LEAs could remove surplus places and the potential financial implications (Exhibit 11). The methods included school closure and the removal of temporary accommodation. In the five years to 1985, for each place removed by means of permanent closure, one was removed by closing temporary accommodation. The latest data available, for 1986, shows that 47,582 places were removed as a result of closure and 23,874 from all other means, a ratio of two to one. Auditors’ reports suggest that most of the ‘easier’ options have been used up and future progress will rely more heavily on reorganisation and closure.

LEA ARRANGEMENTS

In its report on non-teaching costs, the Commission recommended that all LEAs should undertake a comprehensive review of secondary school capacity. The review entailed four main stages:

1 Measuring needs and places
2 Generating and evaluating options
3 Implementation of the chosen option
4 Follow-up and review.

Few LEAs have, so far, carried out reviews of the results of completed reorganisations but most have carried out some work on the other stages. Based on the comments made by auditors and officers at the LEAs visited, a number of problems were noted.

Exhibit 10
FORECAST NUMBER OF SPARE PLACES

Source: Audit Commission analysis of auditors’ reports, 1988
**FINANCIAL IMPLICATIONS OF METHODS OF REMOVING SURPLUS PLACES**

<table>
<thead>
<tr>
<th>METHOD OF REMOVING SURPLUS PLACES</th>
<th>POTENTIAL SAVINGS</th>
<th>POTENTIAL COSTS</th>
</tr>
</thead>
</table>
| Premises closure/disposals through school closures or amalgamations | All premises costs eliminated  
Some savings in teaching and support staff costs - by avoiding the diseconomies of small schools  
Capital receipts generated if schools can be sold | Administrative burden e.g. publications of notices, public meetings etc.  
Home-to-school transport costs will increase to some extent | Possible redundancy costs |
| Alternative use of schools | All premises costs are transferred to new user - provided that full costs are identified and an economic charge is levied | |
| Mothballing whole schools | All premises costs - except for basic maintenance and rates | |
| Piecemeal mothballing of schools | Savings mostly from:  
(a) Fuel and light - if heating systems are zoned so as not to heat certain areas (£175 per room per annum)  
(b) Cleaning assistance (£250 per room per annum)  
Small savings from decorating and maintenance costs (£75 per room per annum) | |
| Removal of temporary accommodation | Fuel and light - temporary units usually have high energy consumption costs, typically five times that of permanent accommodation  
Repairs and maintenance  
Cleaning assistance  
Income (if the temporary units can be sold) | Removal costs |

*Source: Audit Commission, 1984*
MEASURING NEEDS AND PLACES

31 The definition of a school place is not an exact science and some LEAs have carried out a remeasurement exercise and review of the method used. This has resulted in a significant variation in the capacities of some schools. A few examples were noted where the number of pupils exceeded the designated places for the school. Similarly, schools which had a recorded surplus of several hundred places were considered to be near capacity, following the review. Major adjustments of this kind raise serious doubts about the robustness of the definitions at the very least. Several officers thought that it was an opportune time for the DES or the Audit Commission to review the methods used and, in particular, to take account of the changing pattern of provision, e.g. GCSE and the effects of the national curriculum.

32 A recent survey of forecasting methods and procedures used by LEAs has been carried out by Dr Stephen Simpson of Sheffield Polytechnic*. One of the general conclusions of the study was that methods were not sufficiently robust. Many LEAs were not accustomed to assessing their past forecasts and were not therefore taking advantage of the potential benefits of improved accuracy. He also noted that only half the LEAs had a computerised forecasting system.

33 The lack of accuracy of some forecasting methods has also been highlighted in auditors' reports, which noted a bias towards overestimating pupil numbers. As a result, more teachers are employed than were necessary. In one county the cost of the additional teachers was £400,000. Clearly there are difficulties in forecasting secondary numbers, particularly for sixth form pupils. Nonetheless the potential costs of getting them wrong would justify a review of procedures.

34 The Commission’s report on falling rolls in 1984 noted the considerable reluctance of many LEAs to consider all the means of tackling the problem. This applied to the closure option in particular, even though there was a general recognition that this method would secure the most significant educational and financial benefits. The current position in a number of LEAs remains the same, with action being limited to the removal of temporary accommodation or, in a few cases, by mothballing premises.

35 Even with these other methods the process is not without its difficulties. Not surprisingly, once accommodation has been allocated to an establishment there is a considerable reluctance to give it up. One county council approached its head teachers to try to secure the release of temporary accommodation but found the response to be less than encouraging. The Commission’s report on property management in 1988 emphasised the need to consider property as a dynamic resource and to take a corporate approach to its management. Authorities which already tackle property in this way tend to have a good record in identifying and disposing of surplus premises and land.

36 Most of the LEAs visited during this review with experience of closure proposals had undertaken extensive analysis of the nature and extent of the falling rolls problem. Options had been evaluated in educational terms but financial issues tended to take less prominence and were limited to a review of prospective capital and running costs. The opportunity costs of keeping a school open were not reported. Some LEAs felt that a lower profile should be given to finance to enhance the prospects of ‘selling’ a reorganisation proposal, whereas others considered that both educational and financial issues should be explicit and used to secure the changes needed. The need for a rigorous capital appraisal and monitoring system was also noted by one treasurer to limit the costs of a mismatch of premises and demand in the future.

IMPLEMENTATION OF THE CHOOSEN OPTION

37 The Commission recognised in its report in 1984 that the procedures associated with school closure were time-consuming and fraught with difficulties at all stages. Nearly all proposals meet with substantial opposition and ultimately may be rejected by the Secretaries of State. As the report noted, it is difficult to overstate the difficulties involved. Nonetheless, over 500 secondary school closures have taken place in the past ten years (paragraph 14).

38 A number of key requirements for success were noted in the 1984 report.

*Forecasting Pupil Numbers for Educational Planning, Simpson and Lancaster, Sheffield City Polytechnic 1987
at those LEAs which had taken a positive lead on surplus capacity. In addition to political courage, these included sound staff work, a comprehensive and open approach and the use of incentives. These requirements were noted at many of the LEAs visited, although the use of incentives was rather limited. The main 'direct' incentive used by LEAs was based on a retention of a proportion of the capital receipts arising from disposals. Indirectly, it was considered by some LEAs that the prospect of improving the educational viability of a school, sometimes accompanied by better premises, was sufficient incentive to all concerned. Others felt that to reduce the difficulties associated with the whole process would be incentive enough.

The need for sound staff work was generally accepted but it was not always matched by sufficient staff to cope with a continuous process of school reviews. Some proposals had suffered as a result and a few LEAs have now allocated additional staff at a senior level to overcome such problems.

Most Directors of Education agreed that school reorganisation was one of their major problems which needed a high input of their own time and that of senior politicians. In one London borough, for example, the education committee chairman attended all school meetings concerning closure proposals. It was generally considered that, without such commitment, proposals could founder at any one of the hurdles encountered in a process which takes four years and more to complete. One county council has established a small committee of officers and members who are responsible for reviewing closure proposals and progress on a continuous basis.

"...Most Directors of Education agreed that school reorganisation was one of their major problems..."

The need for a strategic response and comprehensive approach was widely accepted in principle although practice varied on its application. The smaller urban LEAs were better placed to proceed with comprehensive reviews of the whole authority, whereas the larger shire counties tended to undertake reviews on an area basis over a period of years. Experience at most of these authorities suggested that, whichever approach was taken, there was a need for a clear strategic response with options developed fully and contingency plans ready if the first choice fell locally or after submission to the Secretaries of State.

Exhibit 12
MANAGEMENT FEATURES - REVIEW OF SECONDARY SCHOOL CAPACITY

41 The difficulties of securing a clear strategic response and approach to the problem have increased at many of the LEAs which, in recent years, have no political majority. But this is not inevitable and a few hung councils have had a good record of cross-party support and achievement. These, and other councils with a successful record on reducing spare capacity, display a large number of the features outlined in Exhibit 12.

EXTERNAL OBSTACLES

43 In addition there are numerous 'external' problems for LEAs to tackle and overcome. Most of the officers at the LEAs visited expressed concern with two in particular:

- Departmental procedures and delay in dealing with proposals
- Concern over the restrictions of capital controls.

Exhibit 12
MANAGEMENT FEATURES - REVIEW OF SECONDARY SCHOOL CAPACITY

PRE-CONDITIONS

- Strong member/officer commitment and partnership
- Corporate approach, e.g. to property management
- Clear strategic response
- Sound and sufficient staff work

PROCESSES

- Sound planning and forecasting of needs and places
- Comprehensive approach to reviews
- Extensive and careful consultation with all parties
- Options evaluated in educational and financial terms
- Contingency proposals available
- Continuous monitoring of progress
DES PROCEDURES

44 A National Audit Office review in 1986 on DES procedures for school closures* noted that the average time taken to process and reach a decision was about seven months. The sample reviewed included four cases which had taken a year or more to finalise. Many of the LEAs visited were able to cite examples of such lengthy delays which caused particular concern. The uncertainty surrounding a reorganisation proposal combined with the delays often led to a school 'dying on its feet', as staff and parents anticipated the outcome. Worse still, is when a hard fought proposal is rejected at the last hurdle and the LEA is faced with starting the process again.

45 Exhibit 13 below shows the number of formal proposals outstanding at 31 March 1988. Seven of the 30 proposals have been outstanding for nine months or more; this is a similar proportion to that noted in the Commission's report on Better Management of Secondary Education in 1986.

46 The DES set up a review of the procedures for the reorganisation of schools in England (the Mitchell Report). The study was carried out in 1986 and the report submitted made a number of recommendations which would have met many of the problems experienced by LEAs. The main thrust of the recommendations was designed to limit central control to major proposals and to clarify and speed up the procedures where referral was still needed. In addition, the report also suggested the introduction of a scheme of incentives by DES to try to encourage LEAs to respond to the problem of falling rolls.

47 However, the Secretary of State for Education and Science did not accept most of the recommendations, particularly those which ran counter to the steps being taken by the Government to secure greater autonomy for schools. It was agreed that the DES should update the published guidance criteria for the consideration of proposals and this was included in DES Circular Providing for Quality in 1987. It was also agreed that the DES should take steps to accelerate its procedures and to decide on all proposals, wherever practicable, within six months of their publication. Exhibit 13 above suggests this pronounced acceleration has not occurred and that many proposals are still outside this guideline.

CAPITAL CONTROLS

48 The National Audit Office report in 1986 also considered the issue of financing the changes needed by reorganisation, and concluded at the time that there was no evidence that a reduction in places was hampered by a shortage of capital funds. It went on to note, however, that future reductions will be significantly more dependent on capital spending than in the past. This is borne out from comments made in auditors' reports and at many of the LEAs visited. A number of LEAs report that, having secured a hard fought set of proposals, they were then faced with a further wait of several years before they could be fully implemented. Auditors have drawn the attention of several LEAs to the need to ensure that adequate financing will be available which can be of the order of £2 to £3 million a school. The removal of temporary accommodation is also being delayed because of insufficient capital allocation. Capital receipts are often available but could not be used fully because of the controls.
Since the Commission's previous work on falling rolls and surplus capacity, the Government has published its far-reaching proposals, including provisions on a national curriculum and the ability of schools to opt out of the maintained sector. The Commission, in its response to the Secretary of State's consultation papers on the Bill has speculated what effect these proposals will have, particularly on the will and ability of LEAs to press on with reviews and reorganisations. They add more uncertainty to a problem which many Directors of Education already consider to be their most difficult task. The indications from auditors' latest reports are that the scale of the reduction in places is slowing down, but it is not possible generally to ascribe this to the impact of the Bill.

From the efficiency perspective, the different provisions of the Bill will work in different ways. The removal of capacity constraints may accentuate the differences between popular and unpopular schools. This could mean sharper distinctions in terms of capacity utilisation, with more schools operating at full physical capacity while others fall to 50 per cent utilisation, or even below. This would increase costs and add to the pressure on LEAs to rationalise capacity. At the same time, the delegation of management authority to schools may encourage small and declining schools to close. But the ability of schools to opt out of local authority control will reduce the directing power of the LEA and, perhaps, make reorganisation more difficult to achieve. And, in the short run, authorities with overcapacity may continue to add teaching resources to smaller schools where the resource allocation formula is devised to take account of the small school problem. This has already happened at one LEA with a delegation scheme.

Overall, however, it is difficult to escape the conclusion that the national curriculum, coupled with continued public expenditure restraint, may be the dominant factor, making it more important than ever for LEAs to make the most cost-effective use of the resources available to them.

**CONCLUSIONS**

This Occasional Paper confirms the conclusions of the Commission's earlier reports on education that there are substantial educational and financial opportunities to be secured both by reviewing school organisation and size, and removing spare places. In financial terms the value added resulting from such action could be as much as £330 million in teaching and other costs.

The effects of falling rolls will not go away in 1991 when the trough in secondary pupil numbers is reached. Pupil numbers will still be below the 1988 levels in 2000; the costs and opportunities associated with the problem are therefore long-term. This is particularly evident in sixth forms where the catchment population will be 18 per cent below that prevailing in 1987 and yet the majority of sixth forms are already well below the DES minimum guideline of 150 pupils. As a result, unit costs of these small sixth forms are high and are often accompanied by a narrower choice of options at those schools.

In spite of the potential benefits, the scale of reorganisations and spare places removed has not kept pace with the fall in pupil numbers and the situation is likely to get worse over the next four years. Most LEAs have reviews in various stages of progress but auditors are suggesting the need for further action. Some LEAs have still made very little progress.

The reorganisation process is recognised as being one of the most difficult management tasks undertaken by LEA officers and one reorganisation proposal can take four years and more before implementation. Regrettably there remain a number of obstacles which can hinder or put off even the most willing LEA. Capital controls and the Departmental processes and delays are considered to be the main problems by LEAs. The Commission and others have made recommendations to improve matters in these specific areas but little progress has been made.

Locally there are still a number of processes which LEAs need to review to achieve the comprehensive review of secondary school capacity outlined in the Commission's report on falling school rolls. In particular, they should include a review of pupil forecasting methods, the assessment of school capacity and the full evaluation of options for reorganisation and closure. In view of changes such as GCSE and those in prospect such as the national curriculum, the means of measuring school capacity will need to be reviewed.