
- remove surplus places to release potentially up to £100 million for reinvestment
- bring forward proposals to add new capacity when pupil numbers generate the need
- manage the demand for places and pursue strategies that aim to control the overall level of appeals
- adopt good practice arrangements for forecasting pupil numbers
- identify ‘small’ primary and secondary schools maintained by the authority and determine whether these schools should be retained, expanded or closed
- review smaller sixth forms to ensure their educational and financial health

The Audit Commission has recently reviewed the extent to which authorities have implemented these recommendations since 1996. Many local education authorities (LEAs) have made good progress in removing unfilled places in secondary schools (75 per cent of LEAs) and in primary schools (45 per cent). These changes could have released around £50 million for reinvestment within schools each year. There have been other improvements...

- most LEAs (64 per cent) have reduced the level of overcrowding in primary schools
- one-half of LEAs (54 per cent) have reduced their number of small secondary schools
- the number of LEAs that accurately forecast pupil numbers one year ahead has increased slightly

But action is still needed in some areas...

- the level of overcrowding in secondary schools has increased in 63 per cent of LEAs
- one in three LEAs (35 per cent) continues to have high levels of unfilled primary school places
- one in four LEAs (24 per cent) continues to have high levels of unfilled secondary school places
- the prevalence of sixth forms with fewer than 160 pupils has hardly changed; they continue to make up nearly one-half of all school sixth forms

Although most LEAs have made good progress, some need to do more. LEAs should consult their auditors, who have detailed information that shows how they compare with other similar LEAs and where the greatest improvements in their performance are needed.

LEAs with high levels of unfilled places need to identify surplus capacity and take steps to ensure that money is not spent maintaining vacant places when it could be more usefully directed to supporting the education service. LEAs with high levels of overcrowding should plan for future capacity based on a rigorous assessment of future pupil numbers.
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The Importance of Planning School Places

1. ‘Which school should my child attend?’ is one of the most important questions facing any parent. For the vast majority of parents, the answer involves state education: 93 per cent of pupils attend state-funded schools. This emphasises the need for high-quality public provision that addresses parents’ expectations of the best education for their children. One of the key functions of local education authorities (LEAs) is to respond to these needs and expectations by ensuring a supply of places at schools in their area.

2. Trading Places, and the associated audit of LEAs, focused on four key value-for-money issues:
   - managing supply to avoid expenditure on unnecessary places and to add capacity in the most cost-effective way;
   - accurate forecasting, a requirement for effective planning;
   - managing the mix of provision to ensure that schools and sixth forms are at or above the size where limited scale causes unit costs to rise substantially; and
   - managing demand to achieve a better match between parents’ stated preferences and the places that they are offered.

3. Trading Places was published in 1996. Following the general election in 1997, the Government introduced a series of initiatives which relate directly to the issues that the report raised. As a result there have been substantial changes to the framework within which LEAs seek to balance local supply and demand. These include:
   - the requirement upon LEAs to set up School Organisation Committees and prepare School Organisation Plans;
   - the abolition of grant-maintained status;
   - changes designed to ensure that no children aged 5, 6 or 7 are taught in classes of over 30;
   - codes of practice on admissions and on appeals;
   - changes to the funding regime of school sixth forms; and
   - inspections of LEAs that consider their arrangements for providing school places.
4. This update provides a brief summary of the progress that authorities have made in implementing the recommendations in *Trading Places*. It is based on a survey of local authorities that was carried out early in 2001, using performance indicators identified in the original research and used in the audits. The survey was designed to measure progress since 1996 and assess how far LEAs were providing the right number of places in the right locations. The survey did not touch on the related issue of ensuring that the supply of teachers is also matched to the provision of places. This update provides guidance to LEAs on one aspect of ensuring an effective supply of high-quality provision for children and young people.

5. One hundred and thirty-five English LEAs took part in the survey – a response rate of 90 per cent. The impact of local government reorganisation between 1996 and 1998 means that some English LEAs did not exist in their current form at the time of the original audit and were only able to provide information about their performance in 1999/2000. In Wales the situation was more complex because only one of the eight former LEAs retained its boundaries. Welsh authorities are therefore not included in this analysis.
6. *Trading Places* reported that weaknesses in planning school places had resulted in a mismatch between pupils and places. Value for money in the supply of school places is served by avoiding the twin dangers of too many and too few places [BOX A]. Having more school places than necessary ties up resources that could be better used to improve the quality of education. Moreover, to delay dealing with surplus places may have educational as well as financial consequences, if it leads to small schools and small sixth forms that are less well placed to provide the full range of options and specialist facilities.

7. It is unrealistic and probably undesirable to aim for a perfect match of pupils and places at each school. Some margin of capacity is necessary to allow parents choice, given that there will be volatility in preferences from one year to the next. Not all unfilled places are ‘surplus’, and not all surplus places can be removed in a cost-effective way. A sensible approach would be to plan for slightly less than full occupancy and accept some unfilled places in some schools and a level of overcrowding in others. Provided that these variations are managed closely, the LEA should be able to ensure that, across its area as a whole, it has a low level of unfilled places and a low number of schools operating beyond their capacity.

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**BOX A**

**Surplus places and overcrowding**

The statistic used to measure the level of surplus places is the difference between the school’s capacity and the total number of pupils in all LEA-maintained primary or secondary schools where capacity exceeded pupils, expressed as a percentage of the total capacity in all LEA-maintained primary or secondary schools.

Overcrowding is measured as the difference between the capacity and the total number of pupils in all LEA-maintained primary or secondary schools where pupil numbers exceeded capacity, expressed as a percentage of the total number of pupils in all LEA-maintained primary or secondary schools.

It is possible for LEAs to have both schools with surplus places and overcrowded schools, even if for the LEA as a whole the number of places matches the total number of pupils. This could arise if the places are in the wrong location for the population, or if some schools are perceived to be popular, while others are unpopular.
Since 1995/96, the level of unfilled places has declined significantly, for example, in secondary schools from 12 per cent in 1995/96 to 8 per cent in 1999/2000 [EXHIBIT 1]. This reflects sustained effort by national government and LEAs to identify and remove surplus places. Over the same period it has become more common for LEAs to have schools operating beyond their capacity. The two changes are not directly linked. Most LEAs that have reduced surplus places have achieved this without increasing overcrowding and the LEAs with increased overcrowding typically started with low or moderate levels of overcrowding.

9. Since 1995/96, LEAs have removed more than 46,000 unfilled primary places and more than 128,000 unfilled secondary places. Surplus places have been tackled by closing temporary classrooms, finding alternative uses for spaces or closing schools. The money that was previously spent on servicing surplus places – for example, in terms of heating or lighting – is freed up to be spent on pupils. Removing surplus places gives the opportunity to make better use of the money that is allocated to schools. Using the methodology developed for Trading Places, the reduction of 174,000 unfilled places could have released around £50 million for reinvestment within the education service each year. Although most LEAs made some reduction in their level of unfilled places, the largest reductions were delivered by LEAs that had high levels of unfilled places in 1995/96 [EXHIBIT 2].

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II More than 10 per cent of places unfilled.
EXHIBIT 1
The percentage of school places unfilled

The level of unfilled places has reduced in all types of LEA since 1995/96.

Source: Audit Commission survey

EXHIBIT 2
Change in the percentage of unfilled places between 1995/96 and 1999/2000 for LEAs with ‘high’ levels of unfilled places in 1995/96

Most LEAs with ‘high’ levels of unfilled places in 1995/96 have made significant reductions in unfilled places.

Source: Audit Commission survey
10. The other aspect of the mismatch between pupils and places – overcrowding – is becoming more widespread among secondary schools. Overcrowding occurs when the number of pupils attending a school exceeds the school's capacity. LEAs provided information on the number of pupils that schools were accommodating over and above their capacity. This number, expressed as a percentage of all pupils in the LEA, provides a measure of overcrowding. Failure to address overcrowding could lead to large class sizes, loss of specialist facilities, or parents becoming dissatisfied because their children cannot get into their preferred school, or possibly their nearest school.

11. The level of overcrowding in secondary schools increased in 63 per cent of LEAs between 1995/96 and 1999/2000. In part this is associated with the 9 per cent increase in secondary school rolls that took place during the second half of the 1990s. It appears that beyond the take-up of unfilled places, the growth in the secondary school age population is being met more by an increase in overcrowded schools than by the addition of new capacity in some LEAs. Building new schools is one way of adding capacity when large increases in local demand justify it. It is more common for LEAs to extend existing schools to provide additional forms of entry.

12. The increases in overcrowding are concentrated among those LEAs that in 1995/96 had comparatively low or moderate levels of pupils in excess of capacity. Over the last four years the number of LEAs with low levels of overcrowding has decreased, while the number with moderate levels has increased. LEAs that had comparatively high levels of overcrowding in 1995/96 largely reduced their level of overcrowding [EXHIBIT 3].

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In calculating places, LEAs are required to use the MOE (More Open Enrolment) formulae for physical capacity as set out in Annex A to Circular 11/88 (secondary) and Annex D to Circular 6/91 (primary).

Levels of pupils in excess of capacity: low (under 1 per cent), moderate (1 – 4 per cent) and high (over 4 per cent).
EXHIBIT 3
Change in ‘overcrowding’ in secondary schools between 1995/96 and 1999/2000

Most LEAs that had low or moderate levels of overcrowding in 1995/96 have increased their level of overcrowding; those that had the highest levels have generally reduced their level of overcrowding.

Source: Audit Commission survey

13. Most LEAs – 64 per cent – reduced their level of overcrowding in primary schools between 1995/96 and 1999/2000. The improvements have been concentrated among those LEAs that had the highest levels of overcrowding in 1995/96. The Government’s Infant Class Size Initiative may have contributed to this change. The initiative was designed to ensure that children aged 5, 6 and 7 are not taught in classes of more than 30 pupils. However, the guidance to LEAs made it clear that when LEAs considered adding capacity they should be looking to expand good and popular schools wherever possible.
14. LEAs need to ensure that their plans for school places minimise the level of surplus places and the number of schools that are operating beyond their capacity. Exhibits 4A and 4B show the relationship between excess pupils and unfilled places in primary and secondary schools. The charts provide one way to assess how well the supply of places in an LEA matches local demand. LEAs in the bottom left-hand section of the chart have achieved a relative balance to the extent that they have neither high levels of unfilled places nor high levels of excess pupils. By contrast, LEAs in the top left-hand section of the chart have relatively high levels of unfilled places while those in the bottom right-hand corner of the chart have high levels of overcrowding. Individual authorities should review their results and ensure that their plans for future provision are focused on achieving a balance between supply and demand over the medium term.

15. The key change since 1995/96 for primary schools is the move of LEAs from the bottom right-hand section of the chart to the bottom left-hand section. This reflects the action taken in most LEAs to reduce levels of overcrowding. Approximately 40 per cent of LEAs have achieved a balance between the supply and demand of primary places. However, 35 per cent of LEAs have high levels of unfilled places. This suggests that there is some scope to remove surplus places further. The majority of these LEAs experienced falling school rolls over the last four years. LEAs in this group need to ensure that they set targets for reducing their number of unfilled places and develop options for rationalisation that allow them to take a proactive approach to further reductions in pupil numbers.

16. Nearly one-half of LEAs (45 per cent) have achieved a balance between the supply and demand of secondary places. The number of LEAs in this group has increased significantly since 1995/96 due to efforts to reduce the level of unfilled places, and the consequent reduction in the number of LEAs in the top left-hand section of the chart. The LEAs that remain in the top left-hand section of the chart are likely to still have surplus capacity, some of which could be removed. LEAs in the bottom-right section of the chart have comparatively high levels of overcrowding in secondary schools. This suggests that they are making full use of their existing capacity and that demand from pupils outstrips...
the supply of places. The number of LEAs in this group has increased since 1995/96, and in 1999/2000 they made up three in ten LEAs (29 per cent). These LEAs need to plan future capacity based on a rigorous assessment of future pupil numbers. They must also determine how to add capacity in the most cost-effective way.

**EXHIBIT 4**

**Balance between unfilled places and excess pupils in 1999/2000**

A: Primary schools

![Graph showing percentage of places unfilled and percentage of pupils in excess 1999/2000 for primary schools.]

**Source:** Audit Commission survey

B: Secondary schools

![Graph showing percentage of places unfilled and percentage of pupils in excess 1999/2000 for secondary schools.]

Note: A few LEAs lie outside the range shown, and have been omitted for ease of presentation.

*Source: Audit Commission survey*
17. Effective planning depends on accurate forecasting. Significant changes in the supply of school places are likely to take several years to achieve. It would be inefficient to embark on work to build a new school, or to close existing schools, without some assurance that the new pattern of provision would reflect demand. The national report Trading Places, and the associated handbook, provided guidance on different approaches that LEAs could use in making forecasts. LEAs should aim to produce forecasts for one year ahead that are within 1 per cent – either above or below – of the actual number, for both primary and secondary pupils. Good practice in forecasting takes time to develop and refine, and even robust methods can be stretched by sudden fluctuations in local populations, for example, due to migration.

18. In 1995/96, more than one-half of LEAs made forecasts for one year ahead that were accurate to within 1 per cent of the actual numbers (60 per cent of primary school and 57 per cent of secondary school forecasts). When these authorities were followed up four years later, the proportion of LEAs whose forecasts came within 1 per cent had increased, to 66 per cent for primary school pupils and 60 per cent for secondary school pupils. More than one-half of each type of authority now achieve accurate forecasts, except London boroughs for secondary forecasts [EXHIBIT 5]. The number of London boroughs making accurate forecasts – for primary and secondary pupil numbers – has declined since 1995/96; this change is particularly associated with authorities in outer London.

19. The majority of LEAs were able to forecast numbers of pupils for one year ahead to within 1 per cent of the actual number for 1999/2000. This group includes a substantial number of LEAs that have improved the accuracy of their forecasts since 1995/96. However, a minority of authorities whose forecasts differed by more than 1 per cent from the actual number in 1995/96 showed no sign of improvement by 1999/2000 [EXHIBIT 6]. In addition, accuracy deteriorated to over 1 per cent in some LEAs. London boroughs were the most likely of all types of LEA to show deterioration in accuracy.

20. The evidence suggests that LEAs need to review and refine their methods, not only to achieve higher levels of accuracy but also to ensure that good standards of forecasting, once achieved, are maintained. Where forecasting is difficult, for example where pupil populations are changing – either increasing through population growth, migration or changes in
cross-border flow, or from contraction – LEAs should be looking to make effective use of all data sources, such as new house building or births. All LEAs should be planning how they intend to use data from the 2001 Census of Population in order to fine-tune their forecasting methodology.

EXHIBIT 5
The percentage of authorities forecasting pupil numbers one year ahead to within 1 per cent of the actual number

More than one-half of each type of authority achieved accurate forecasts, except London boroughs for secondary schools.

Source: Audit Commission survey

EXHIBIT 6
Accuracy of pupil forecasts in 1999/2000 compared with 1995/96

A minority of LEAs have not improved the accuracy of their forecasts.

Source: Audit Commission survey

1 The chart excludes information for unitary councils because few were able to provide information for both 1995/96 and 1999/2000.
21. As LEAs seek to manage the relationship between pupils, places and educational outcomes, it is likely that they will need to reassess the role played by individual schools, particularly those that are small. There is no exact definition of what constitutes a small school. Analysis of school expenditure per pupil against numbers on roll shows a marked increase once numbers of pupils fall below a particular point. For example, spending per pupil in primary schools shows a marked increase for schools with fewer than about 90 pupils [EXHIBIT 7].

22. Trading Places found that there were few small primary schools in London or the metropolitan authorities, but in some rural authorities over one-third of primary schools fell into this category. In 1998, the government published guidelines for small rural schools that included a ‘presumption against closure’. The focus has shifted instead to identifying how schools in rural areas can be best supported so that they continue to contribute to the well-being of rural communities. Information provided by LEAs suggests that there has been little change in the numbers of small primary schools since 1996. The data for counties that retained their boundaries between 1996 and 2000 show that only one in four has reduced its proportion of small primary schools by 5 per cent or more.

23. There is wide variation between LEAs in the proportion of their secondary schools which are small. These are defined as schools with fewer than 600 pupils (or 700 if they have a sixth form). The variation between authorities is partly related to authority type [EXHIBIT 8] but it does not appear to be related to differences in population density. Small secondary schools are more common in county LEAs than in other types of LEA but there are no significant differences between London boroughs, metropolitan districts and unitary authorities. The variation between LEAs narrowed between 1996 and 2000. One-half of LEAs (54 per cent) have reduced their proportion of small secondary schools over this period. The bulk of this change came from LEAs that previously had relatively high numbers of small secondary schools. Looking ahead, LEAs need to ensure that where they have decided to retain small schools, they have also put arrangements in place to ensure proper financial and educational support for those schools.

24. Like small primary and secondary schools, small sixth forms are more likely to have higher pupil costs than their larger counterparts. While sixth forms with fewer than 160 pupils are not unusual, they are more likely than larger sixth forms to require subsidy from the rest of the school budget. In addition, small sixth forms may be less able to keep...
pace with the diversification of the post-16 course options. In 1995/96 the average LEA in England had approximately 46 per cent of its sixth forms with fewer than 160 pupils. By 1999/2000, the proportion of small sixth forms had decreased slightly to 44 per cent. LEAs should actively review the issues faced by small sixth forms in their area and assess the support that they require, particularly in relation to the coming changes in funding, in order to prevent financial or capacity problems from impacting on the education of pupils.

EXHIBIT 7
Cost per pupil in primary schools
Unit costs are much higher for schools with fewer than 90 pupils.

Source: Audit Commission School Financial Comparisons Website 2001

EXHIBIT 8
Percentage of secondary schools with fewer than 600 pupils (or 700 if the school has a sixth form) in 1999/2000
Small secondary schools occur in all types of LEA.

Source: Audit Commission survey
25. Any parent who is not offered a place for their child at a school of their choice has a right of appeal. *Trading Places* reported that the number of appeals against admission decisions increased during the first half of the 1990s, although the proportion of successful appeals remained broadly constant. Rising numbers of appeals may result from an increased awareness of the appeals system and high levels of motivation among parents who are trying to get the best possible education for their children. But they may also reflect unmet parental expectations which, given the high rate of unsuccessful appeals, must often remain unmet. Successful appeals may satisfy the appellants but they may bring difficulties for the school, which could face an increase in class size.

26. Statistics for 1999/2000 show that the level of primary admission appeals stood at approximately 5 per cent of admissions, which is close to the level in 1995/96. Appeals against secondary admissions have, by contrast, increased from approximately 6 per cent of admissions in 1995/96 to nearly 10 per cent in 1999/2000 [EXHIBIT 9].

27. No single factor explains the trend in appeals at a national level, and the national picture conceals important differences between different areas and different types of LEA. Even within a single LEA, an increase in appeals may be associated with one or two very popular schools. While three in four London and county LEAs received more secondary appeals in 1999/2000 compared to 1995/96, among the metropolitan and unitary LEAs, two in five actually received fewer secondary appeals.

28. Population sparsity could be one influence on levels of appeals. LEAs in counties, where schools are some distance from each other, typically receive around 4 appeals per 100 secondary admissions compared to more densely populated metropolitan and unitary councils that average 9 appeals per 100 admissions. In London, where many secondary pupils have the opportunity to travel to schools in other boroughs, LEAs average 16 appeals per 100 secondary admissions [EXHIBIT 10].
EXHIBIT 9
Appeals as a percentage of admissions from 1993/94 to 1999/2000

Appeals against secondary admissions have increased throughout the 1990s. Appeals against primary admissions have not changed significantly since 1996/97.¹

Source: Department for Education and Skills

The chart shows the number of appeals relative to the number of admissions. The number of primary admissions has declined by approximately 2 per cent from 560,000 per year in 1993/94 to 548,000 in 1999/2000. Over the same period, the number of secondary school admissions has increased by 8 per cent from 584,000 to 629,000.

EXHIBIT 10
Appeals as a percentage of admissions in 1999/2000

London boroughs tend to receive more appeals than other types of LEA. However, there is considerable variation between LEAs of the same type in the level of appeals that they receive.

Source: Audit Commission survey
29. The extent of the differences between LEAs of the same type indicates that population sparsity cannot be the only factor. When some LEAs receive as many as 20 appeals for every 100 admissions, there are likely to be specific problems in the supply of school places locally. The level of appeals reflects a combination of factors, including the degree of choice available to parents, the proportion of schools that are oversubscribed, and the existence of schools that are perceived as unpopular. For example, LEAs in which more than 10 per cent of places are provided in single-sex schools typically report higher levels of appeals than LEAs with few or no single-sex schools. While some of these factors are not within the immediate control of LEAs, there are things that they can and should do in the short to medium term to prevent unnecessarily large numbers of appeals. In seeking to reduce the volume of appeals, LEAs should look at their general admissions criteria and process, they should identify specific problem areas or ‘hot spots’ and aim to improve the help that they provide so that parents can express realistic preferences.
Many local authorities have improved... but some need to do more to ensure that resources are used effectively.

30. Many local authorities have improved their arrangements for planning school places since the publication of *Trading Places* in 1996. LEAs with high levels of unfilled places have taken action, the accuracy of forecasts has improved overall and there are now fewer small secondary schools. Crucially, more LEAs demonstrated a close match between numbers of pupils and places in 1999/2000 than did so when *Trading Places* was published.

31. Some LEAs need to do more to ensure that resources are used effectively. Approximately one in four LEAs has high levels of unfilled places in secondary schools. These LEAs need to identify surplus capacity and take steps to ensure that money is not spent on maintaining vacant places when it could be more usefully directed to supporting the education service. In other LEAs, increases in the level of overcrowding are a cause for concern. Although most schools have the flexibility to accommodate some children over and above their capacity, persistent overcrowding can result in the loss of specialist facilities as well as in parents becoming dissatisfied because their children cannot get into their preferred school, or possibly their nearest school. Three in ten LEAs report high levels of overcrowding in secondary schools. These LEAs need to plan capacity based on a rigorous assessment of future pupil numbers and determine how to add capacity in the most cost effective way.

32. Authorities need to maintain their efforts to balance the supply and allocation of school places and should bring forward proposals for rationalisation where they are justified in financial and educational terms. The planning of school places and admissions procedures will continue to be a focus of the LEA inspections that are carried out by OFSTED and the Audit Commission. This follow-up will help authorities to identify areas where they could improve their processes and performance. The Commission’s auditors assist each authority to do this, using specially designed software to provide a more detailed local analysis of performance. Chief executives and chief education officers should discuss their authority’s performance on these issues if they have not already done so.
Following up value-for-money studies and audits

The Audit Commission follows up selected national studies and associated local audits that it has carried out to see what changes have taken place. It does this by identifying key indicators – value-for-money indicators (VFMIs). These are based on the recommendations made by the study and compare new data for these indicators against the data collected at the time of the original audit. The choice of studies depends on the continued relevance of the topic and recommendations, and the scope for change. The results provide not only a valuable national picture of change, but they also allow auditors to work with individual authorities to gauge their own progress against that of other, similar authorities. Separate results are produced by auditors for each individual authority using computer software that allows them to select indicators and tailor comparative groups to particular local needs. The information for planning school places has recently been given to auditors, and chief education officers should discuss the mechanisms for local feedback with their auditor if they have not already done so.