



# Estyn

*Rhagoriaeth i bawb - Excellence for all*

Arolygiaeth Ei Mawrhydi dros Addysg  
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate  
for Education and Training in Wales

## How do surplus places affect the resources available for expenditure on improving outcomes for pupils?

May 2012



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## **Introduction**

This report has been written in response to a request for advice in the annual Ministerial remit to Estyn for 2011-2012. The report is based on a survey of relevant data, consultation in the networks representing all local authorities in Wales and visits to 11 local authorities.

The report identifies and explains issues to do with surplus places in schools, including methods for evaluating the associated costs and the impact of removing surplus places.

## **Background**

One of the statutory functions of a local authority is to ensure that it has sufficient places for all pupils in its schools and that it does not have empty, termed surplus, places in schools. The process of planning school places in Wales is complicated due to falling rolls in secondary schools, rising rolls in primary schools, disparities between urban and rural areas and a growing demand for Welsh medium education. However, there is general agreement that, where there is a higher than necessary level of school places, financial resources are not being used in the most efficient or effective way to improve the quality of education.

The Audit Commission published a report, 'Trading Places', in December 1996. This identified the difficulties faced by local authorities in seeking to provide sufficient school places but avoid too great a surplus in any particular area. It confirmed that too many surplus places tie up scarce resources in under-utilised school premises or protect inefficient small classes, schools or sixth forms. The report was followed by a handbook for local authorities, which provided guidance for action and examples of good practice. However, many of the problems identified by the Audit Commission still exist.

## **Main findings**

- 1 The planning for school places in Wales is complicated by the fact that, currently, pupil numbers are falling in secondary schools but rising in primaries.
- 2 Where there is a higher than necessary level of school places, resources are being deployed inefficiently that could be better used to improve the quality of education for all learners. The Audit Commission reported on this issue in 1996. It concluded that local authorities were wasting resources because excess surplus capacity ties up revenue resources rather than being more effectively deployed in teaching and learning. The problem identified by the Audit Commission still exists today.
- 3 Throughout Wales, school reorganisations have failed to keep pace with falling pupil numbers. In 2011, there were more unfilled places than in 2006 and no local authority has achieved the Welsh Government's recommended level of no more than 10% surplus places across primary and secondary schools. Although some surplus places have been removed, generally local authorities have been slow to identify and complete projects which would lead to significant savings.
- 4 Various methods have been used over time to evaluate the cost of maintaining surplus places in schools. However, local authorities have not done enough to assess the financial and educational impact of previous school rationalisation schemes. The limited data that is available does not provide enough information about the impact of surplus places on all aspects of educational provision. The lack of a standardised method at a national level creates difficulties in maintaining informed discussion about the effectiveness of strategies or performance.

## **A standard method to identify the cost of surplus places**

- 5 Those local authorities that have calculated the cost of surplus places have found the information useful in persuading school communities and decision makers of the need to reduce surplus places. Their work would be strengthened by national use of an agreed standardised method. This would calculate a statistical average across the many complex school funding arrangements of different local authorities in Wales.
- 6 The potential savings from removing surplus places in existing schools are relatively small in comparison to the savings achievable by closing a whole school. The most effective approach to calculating such savings is to identify separately the cost of each surplus place as well as savings that would result from closing a school.
- 7 The most informed analyses show that, in the primary sector in Wales in 2011-2012, the average cost of a surplus place is £260 whilst, in addition, the average saving that results from closing a school is £63,500. The equivalent figures for the secondary sector are £510 per surplus place and £113,000 per school. Therefore, closing a primary school will yield potential savings of £63,500 plus £260 for each surplus place removed. Closing a secondary school will yield potential savings of £113,000 plus £510 for each surplus place removed.

- 8 These figures only reflect the annual savings in delegated school budgets. Any school rationalisation scheme will also impact on non-delegated budgets. Such schemes may increase the cost of home to school transport, but are likely to reduce the central budgets for school improvement, catering, maintenance and other items. In addition, the removal of school places and/or the closure of a school will incur one-off costs such as capital expenditure and severance packages for staff whose jobs are no longer required. All these costs need to be taken into account before local authority officers can determine whether a specific scheme is cost effective.
- 9 The Welsh Government has recommended that there should be no more than 10% surplus places across primary and secondary schools. This study does not address whether or not this figure represents an appropriate maximum. However, it is unreasonable to expect local authorities to fill all surplus capacity because councils have a duty to provide sufficient school places and they need to be able to manage fluctuations in demand as a result of demographic change and parental choice. Maintaining high levels of surplus capacity ties up resources unnecessarily, but the calculations of the costs of surplus places in this report should not be used simplistically. The removal of surplus places in some schools may cost far more than the revenue savings achieved by their removal. In other cases, the removal of a 'surplus' school would generate far more than the removal of the surplus places within it.
- 10 In summary, the savings available from each school reorganisation proposal must be evaluated on a case-by-case basis.

### **Reducing surplus places**

- 11 Currently, a wide range of strategies is being used across Wales to reduce surplus places. School closures and amalgamations secure the largest savings for re-investment to raise standards. However, these particular strategies often need quite considerable financial investment and political commitment.
- 12 Any school reorganisation strategy should set out to improve standards. School reorganisation programmes should be primarily about school improvement rather than a resource management exercise that is separate from the interests of learners. In 2007, Estyn recommended that local authorities should identify the contribution that new and refurbished school buildings make to raising standards and school improvement. This would help to inform the debate about future schemes. However, there has been little progress in implementing this recommendation. Too often, local authorities make generalisations about the benefits of reorganisation without monitoring the impact on learner outcomes from the resources released.

## Recommendations

### **The Welsh Government should:**

- R1 consider the adoption of a standardised method to be used at a national level across all schools in order to identify the average cost of surplus places and surplus schools;
- R2 promote the reduction of surplus places as evidence of better resource management and impact on school improvement rather than as an end in itself;
- R3 work with local authorities to develop and promote good practice in evaluating the impact of school reorganisation schemes;
- R4 require local authorities to conduct impact assessments on school reorganisation schemes where Welsh Government money is being used to support implementation; and
- R5 work with local authorities to identify those school organisation and asset management strategies that contribute most positively to outcomes for learners and promote their use across all local authority consortia.

### **Local authorities and local authority consortia should:**

- R6 ensure strategic leaders prioritise school organisation and asset management, taking into account the impact on school effectiveness;
- R7 engage all elected members, officers and headteachers in the drive to free resources in order to invest in improving outcomes for learners;
- R8 carefully monitor and evaluate all school reorganisation projects in order to identify freed resources and their impact on improving outcomes for learners;
- R9 improve officers' use of all available data to drive strategic developments and evaluate their impact, using challenge from the authority's scrutiny arrangements; and
- R10 work collaboratively within consortia to promote good practice, particularly in relation to identifying and implementing action to address underperformance.

## Surplus places

- 13 It is not reasonable to expect an exact match between pupil numbers and school places. A certain level of surplus places is necessary in order to deal with fluctuations in population and growth in demand for particular provision such as Welsh medium education. Local authorities have to allow for the effect of demographic change on school populations and it may be appropriate to maintain unfilled places until expected additional pupils enter the system. These variations will reflect local circumstances. However, allowing surplus places to remain for no strategic purpose, particularly in urban areas, can increase the drift of pupils away from schools located in less-advantaged communities. This happens if families think there are extra benefits for children who are educated in more socially and economically advantaged neighbourhoods. In due course the disadvantaged communities can be left with schools that are no longer viable.
- 14 Nevertheless, even where unfilled places are genuinely surplus to requirements it may not always be cost effective to remove them. The nature and layout of the school building may not make it easy to remove surplus classrooms; or if there are no alternative schools within reasonable travelling distance, closure of a whole school may be unrealistic.
- 15 There is no consensus on what is an appropriate level of unfilled places. Advice from the Welsh Government has suggested a target of no more than 10% unfilled places in an authority as a whole. This has been reinforced by the recommendations produced by the review into the costs of administering education in Wales<sup>1</sup>. At the same time, authorities are told by the Welsh Government to act purposefully to reduce surplus places in schools with more than 25% unfilled places.
- 16 The starting point for the effective management of the supply of school places is reliable and accurate information. The Welsh Government provides updated guidance to improve the quality of this information<sup>2</sup>. Its purpose is to ensure that school capacities and admission numbers are calculated more consistently across Wales. This guidance describes the method of assessing the capacity of primary and secondary schools and deriving appropriate admission numbers from the capacity. This method was determined following joint working with local authorities and can be used for planning school places, reporting on surplus capacity and setting school admission numbers.
- 17 In the current financial climate, local and central government are evermore committed to improving efficiency. Surplus places cost money because schools and local authorities with surplus places have to run and maintain buildings that are bigger than they need to be. However, at the level of the individual school, the easiest and most immediate actions to reduce surplus capacity have generally already been taken by, for example, the removal of surplus demountable classrooms. It is generally impractical and too costly to remove a classroom from within an existing building, while assigning it to alternative use is often not feasible.

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<sup>1</sup> The Structure of Education Services in Wales, Vivian Thomas – March 2011

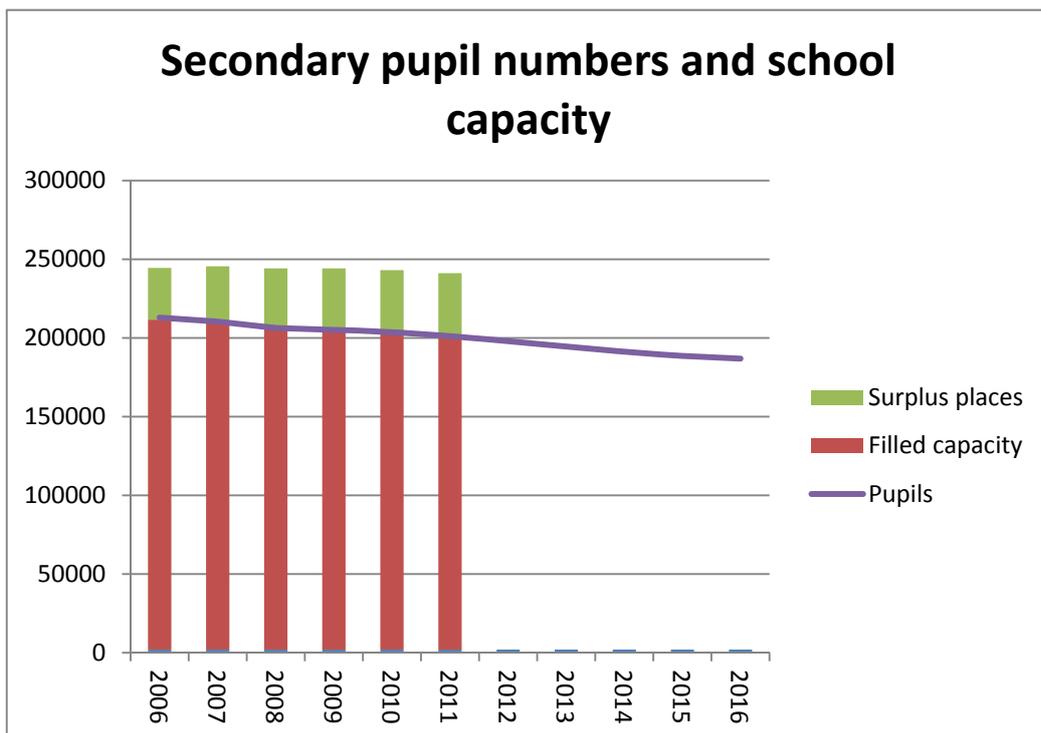
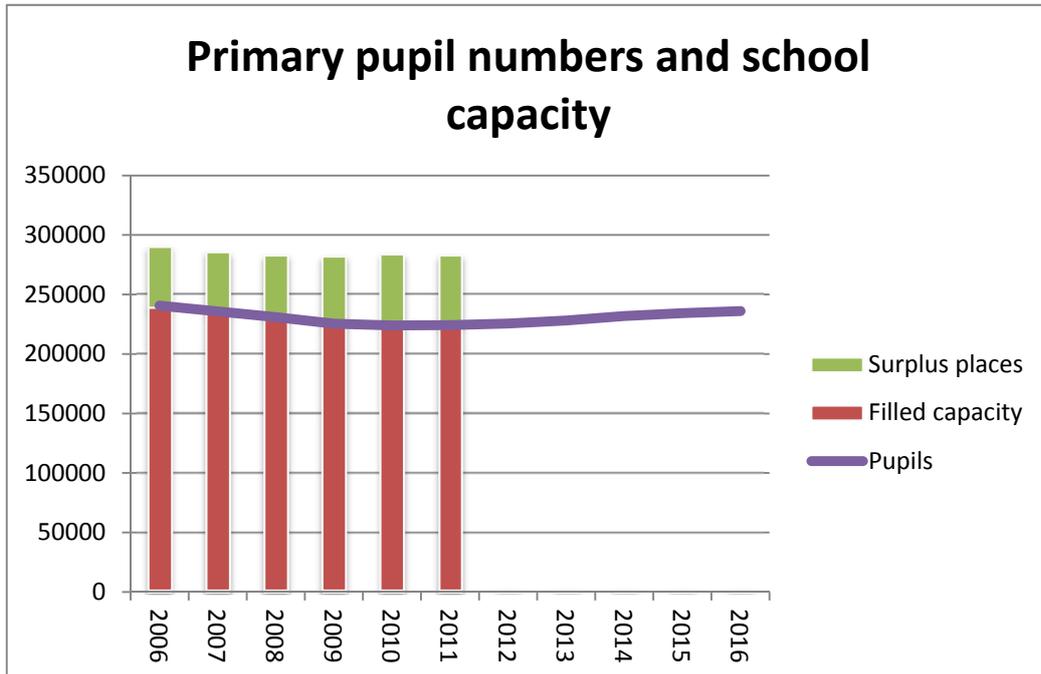
<sup>2</sup> Measuring the Capacity of Schools in Wales, National Assembly for Wales Circular No: 021/2011

- 18 The removal of surplus places is therefore most effective in terms of the potential savings when it is achieved through the reorganisation of groups of schools to reduce the number of buildings and the total capacity. Welsh Government funding is a catalyst for assisting local authorities in rationalising their schools estate.
- 19 The introduction of the 21st Century Schools Transitional Grant in 2009-2010 required local authorities to be more strategic in their application of Welsh Government capital funding. As a result of a reduction in capital grant by the UK central government, the Minister for Education and Skills in Wales, in partnership with the 21st Century Schools Programme Board, required local authorities to review the cost effectiveness of their programmes of investment. In addition, the Welsh Government now only provides match funding of 50%. This requires local authorities to be more creative in their use of capital receipts, prudential borrowing and limited resources.
- 20 The rationalisation of the number of schools results in a saving of the cost of both running and maintaining the surplus school buildings whether or not they had surplus capacity. In addition, there is a reduction in management and staffing costs partly by virtue of the fact that classes would become larger but more homogenous in terms of their composition. There are fewer mixed age classes in larger schools.
- 21 The costs of maintaining a school are considerably more than the sum delegated to it. In particular, there are significant overheads such as transport costs and the provision of primary school meals that do not appear in schools' delegated budgets and which cannot easily be apportioned at the level of the individual school. School reorganisation frequently increases transport costs, thereby reducing the revenue savings made as a result of the reorganisation.
- 22 Many local authorities have been reluctant to take decisions on school rationalisation despite a significant decline in pupil numbers. This reluctance is often due to strong local opposition from communities and their local political representatives. Even in those local authorities that have merged or closed schools, the evidence shows that reorganisation has generally failed to keep pace with falling pupil numbers. In January 2011, there were 58,000 empty places in primary schools, and a further 40,000 unfilled places in secondary schools across Wales. In both the primary and secondary school sectors, there were more unfilled places in 2011 than there were in 2006.

Schools in Wales	% unfilled places 2006	% unfilled places 2011
Primary	17.5%	20.5%
Secondary	13.5%	17.0%

- 23 None of the 22 local authorities achieved the Welsh Government's recommended level of no more than 10% surplus places across both their primary and secondary school sectors.
- 24 The graphs below show that, over the last five years, the reduction in surplus places has failed to keep pace with the fall in pupil numbers. The graphs also show that the demographic trends over the next five years are likely to help to reduce the number

of surplus places in primary schools. However, in secondary schools, without decisive action, the situation will get even worse over the next five years.



## Identifying the cost of surplus places

- 25 It is very difficult to determine the precise cost of a surplus place. This will depend on where the surplus place is located and whether and how it can be removed. Factors affecting the cost include:
- the size and type of school in which the surplus place is located;
  - the funding formula of the authority in whose area the school is located;
  - whether the surplus place can be removed by closing a whole school or closing a single classroom; and
  - if a school is closed, the destination of the displaced pupils.
- 26 Hence, at best, the cost will be an estimate relating to particular sets of circumstances.
- 27 Various methodologies have been used over time to evaluate the cost of maintaining surplus places in schools. Most use the section 52 funding formula<sup>3</sup> in an individual local authority to assess the impact on delegated school budgets of changing the number of schools or the number of classrooms. The results from an individual authority can then be averaged across several others, as it was done for example by the Audit Commission in 1996 as part of the 'Trading Places' report.
- 28 Such methods, based on delegated school budgets, do not take account of the many additional costs and benefits associated with school reorganisation. Additional factors include the capital cost of new school buildings, capital receipts from asset disposals, the long-term maintenance costs of schools school transport costs, severance packages for staff and the impact on other non-delegated budgets such as the school improvement service and catering. Further costs and benefits, such as the impact on educational achievement, are far less tangible.
- 29 It would be helpful to be able to assess the financial and educational impact of previous rationalisation schemes. However, the limited data that is available tends not to cover the impact on all aspects of educational provision and is, by definition, specific to an individual set of circumstances.
- 30 The lack of a standardised, agreed methodology at a national level makes it difficult to make comparisons that can inform discussion about the effectiveness of strategies or performance.

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<sup>3</sup> The section 52 funding formula is used to calculate funding centrally retained by local authorities and the budget share for each individual school.

## **An evaluation of existing methods used to identify the cost of surplus places**

- 31 In evaluating methods used to identify the cost of surplus places, this report focuses on the costs of delegated school budgets. The additional costs referred to in the previous section will be very specific to a particular set of proposals and need to be evaluated separately. This section evaluates the different methods used currently to evaluate the costs of surplus places.

### **Trading Places methodology**

- 32 The first major exercise to determine the cost of surplus places across England and Wales was carried out by the Audit Commission in 1996. The Trading Places report set out an audit methodology to estimate the number of surplus places that might be removed in any local authority area, both through school closures and through removing surplus classrooms. The study team looked at the school funding formula in a number of fieldwork authorities to assess the financial impact of removing a theoretical number of schools and classrooms. The funding formula was divided into three elements:
- pupil-led (that would be unaltered by any changes to the number or capacity of schools);
  - site-specific (that would be determined by the physical capacity of a school); and
  - school-specific (that would change only if the number of schools changed).
- 33 Each place by which capacity was reduced was assumed to achieve a proportionate saving to the site-specific element of the Individual Schools Budget (ISB). Similarly, each school that was closed was assumed to achieve a proportionate saving to the school-specific element of the ISB.
- 34 The average saving for each surplus place removed was calculated to be £203 in a primary school and £281 in a secondary school (in 1996 prices). This would be equivalent to £312 and £432 in 2011 prices if the retail price index (RPI) index is used, but more if figures were inflated by the increase in school budgets over this period.
- 35 There are three main difficulties with this type of methodology. Firstly, the results are specific to the funding formula in individual authorities and are difficult to average across a wider number of authorities. For example, the Trading Places report based its average on only five fieldwork authorities. Secondly, many funding items are not explicitly pupil-led, site-specific or school-specific. For example, teachers' threshold payments are not directly related to the number of pupils or to the physical attributes of a school. Finally, the distribution of pupils between schools affects the overall costs. For example, the reallocation of pupils from a closed school may affect a neighbouring school's entitlement to a small-school threshold payment.

### Running costs of school buildings

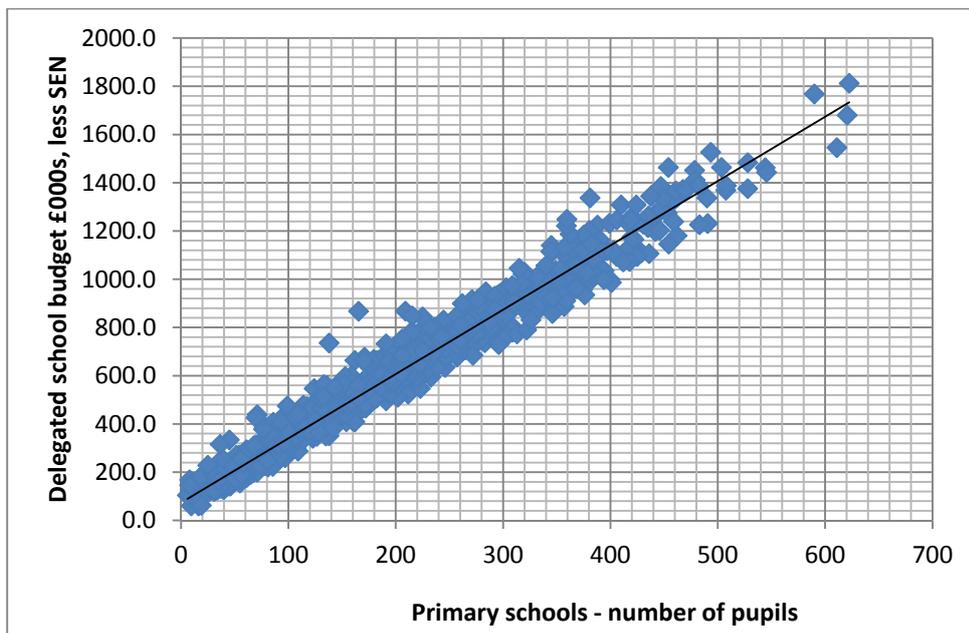
- 36 A number of authorities in Wales have estimated the annual costs of running school buildings by reference to Building Bulletins produced by the UK Government. Building Bulletin 82 (BB82) states that the recurrent cost for cleaning, maintenance, heating, lighting, insurance and rates will be “equivalent to at least £50 per square metre (m<sup>2</sup>) in 2002”. Based on the average gross area per place, this would be equivalent to £342 in primary schools and £507 in secondary schools if the RPI is used.
- 37 This methodology is appropriate for determining the impact of removing surplus classrooms, either demountable buildings or permanent accommodation, which can be demolished or assigned to other users. However, the methodology takes no account of the additional costs that can be saved by closing a whole school. These costs will include the salaries of the headteacher and management team, administrative support and caretaking.

### Simple Regression Analysis

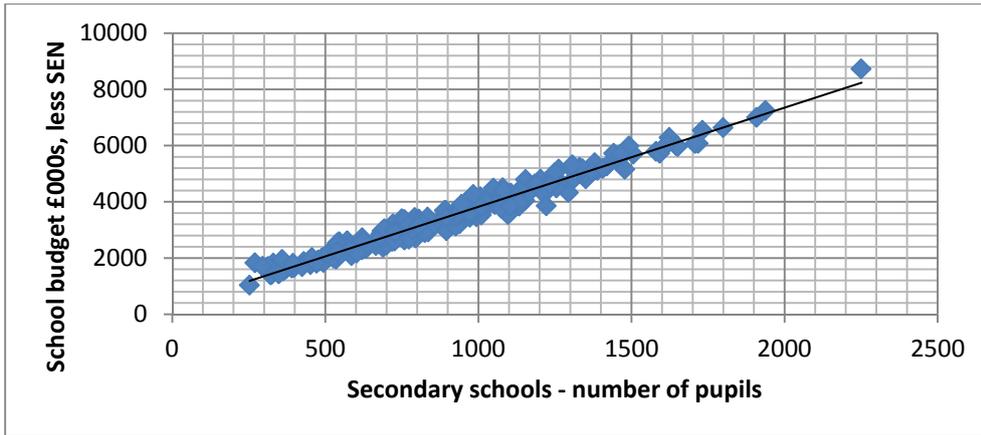
- 38 The education service in Ceredigion has analysed school budget data across Wales to determine a relationship between school budgets and pupil numbers. The result of a linear regression suggests that the average school budget in 2011-2012 is made up of a lump sum plus a fixed cost per pupil. The average budget for primary and secondary schools is calculated on the basis of a lump sum plus an additional cost for each pupil.

	Lump sum	Cost per pupil
Primary school	£72,500	£2,825
Secondary school	£431,000	£3,666

- 39 This is illustrated by the straight lines in the following graphs.



How do surplus places affect the resources available for expenditure on improving outcomes for pupils? May 2012



- 40 This relationship implies that the lump sum (£72,500 or £431,000) must be shared equally between all places, whether they are filled or empty. Thus the cost of a surplus place will depend on the size of the school. A primary school with 100 pupils on roll will have a cost of £725 per surplus place, whereas a school with 200 pupils on roll will have a cost of £362 per surplus place.
- 41 This methodology treats all schools with a particular number of pupils in the same way, making no distinction between those that are full to capacity and those that are designed for a much larger number of pupils. Therefore the logic of the relationship is that no savings are attributable to removing surplus capacity from a school unless the numbers on roll change, or the school is closed. As such, the methodology may be appropriate for determining the savings attributable to closing or merging schools, or to the costs of falling school rolls, but not the savings attributable to removing surplus classrooms.

## A standard method to identify the cost of surplus places

- 42 Those local authorities that have quantified the strategic cost of surplus places have used this information effectively to persuade local authority senior officers and elected members, as well as school communities, of the need to reduce surplus places. However, there is no nationally agreed standardised method. As a result, it is not possible to calculate a statistical average across the many complex school funding arrangements of different local authorities in Wales. The following analysis sets out and evaluates a methodology which could be used to meet that challenge.

### Multiple Regression Analysis

- 43 Many of the disadvantages of the existing methodologies can be overcome by extending the Simple Regression Analysis approach to include an additional variable that measures the pupil capacity of each school. Based on the Trading Places methodology, school budgets are assumed to be made up of a fixed lump sum, a cost element that is proportional to the physical capacity of the school and a cost element proportional to the number of pupils on roll. However, unlike the methodology in the Trading Places report, the regression approach averages the results across all schools in Wales rather than across a small number of individual authorities.
- 44 The regression has been carried out using school budget data for 2011-2012 and school capacity data for January 2011. School capacity is measured by local authorities in terms of pupil places, according to the rules set out by the Welsh Government<sup>4</sup>. The regression shows that average delegated budgets for primary and secondary schools can be expressed as follows:

	Lump sum	Cost per pupil	Cost per available place
Primary school	£63,502	£2,425	£262
Secondary school	£112,742	£3,125	£510

- 45 Using this formula, the annual delegated budget for primary schools across Wales, would comprise:
- a lump sum of £63,502;
  - a cost per pupil of £2,425; and
  - a cost per available place of £262.
- 46 The annual delegated budget for secondary schools across Wales would comprise:
- a lump sum of £112,742;
  - a cost per pupil of £3,125; and
  - a cost per available place of £510.

<sup>4</sup> Measuring Capacity of Schools in Wales (MCSW), Welsh Circular No. 09/2006

- 47 These figures can be used to define the average cost of a surplus place. However, rather than simply defining the cost of a surplus place, they determine separately the cost of a surplus school (£63,502 for primary or £112,742 for secondary) as well as the cost of a surplus place (£262 for primary or £510 for secondary). For example, closing a 100-place primary school would save £89,702 (£63,502 + £262 x 100). In contrast, reducing the capacity of an existing primary school by 100 places will save only £26,200 (£262 x 100), if that school remains open.
- 48 The multiple regression analysis produces unreliable results when carried across a smaller number of schools, or across a group of schools with broadly similar capacities. It should not be applied at the level of an individual local authority but at a national level. At a strategic level, local authorities could use the figures derived from the regression across all schools in Wales, as set out above. This will provide a reasonable estimate of the cost of maintaining a particular number of surplus places, but it will not necessarily reflect the savings that can be achieved by any specific scheme to remove them.
- 49 When evaluating any specific school rationalisation scheme, local authorities estimate the revised capacities and revised numbers of pupils in every school within the relevant area. They obtain a much more accurate estimate of the scheme's impact on delegated budgets by using these data. They apply their school funding formula (including the special educational needs element) to the likely configuration of school characteristics and pupil numbers that exists before and after implementation of the scheme. The difference represents the likely saving in delegated school budgets.
- 50 When evaluating a specific school rationalisation scheme, local authorities calculate its impact on non-delegated expenditure. They estimate the impact all non-delegated expenditure, such as home to school transport, school improvement, primary school catering and centrally held repair and maintenance expenditure. In rural areas, school transport costs will be a significant factor that is taken into account. In addition there are a number of one-off costs and benefits, for example the capital cost of the scheme, the cost of removing a demountable classroom, the cost of redundancies, the impact on the backlog of repair and maintenance commitments, and capital receipts from asset disposals. The total costs and financial benefits of each individual reorganisation scheme are analysed carefully. The results of these financial calculations are weighed against other non-financial costs and benefits, both educational and social, in the context of raising standards. In some cases there may be no cost effective action available to address an apparently excessive number of surplus schools or places.

## Assessment of the efficacy of school reorganisation strategies in reducing surplus places

- 51 Currently a range of strategies such as schools closures, amalgamations and removal of redundant buildings and demountable classrooms are being used across Wales to reduce surplus places. Local remodelling of mainly primary sector provision has replaced many unsuitable and inefficient buildings with appropriate new provision, often serving wider areas than before. Some local authorities in rural and urban areas are already developing all-through schools for children and young people from three to 19 years of age. In each case these proposals address areas for improvement such as improved transition between key stages, rather than removing surplus places. However, the proposals do also achieve this in both primary and secondary sectors.
- 52 Reorganisation is driven by a range of factors, not all of which are strategic. In some cases there has been a drive to use reorganisation as one element in a wider strategy to raise standards. Other schemes are more opportunistic. For example, when money becomes available or there is the likelihood of an appropriate head teacher retirement, then a project is taken forward.
- 53 In Rhondda Cynon Taf, Welsh Government feasibility funding provided the impetus for a range of worthwhile projects which have removed significant numbers of surplus places. The quality of these feasibility studies helped secure political support for the projects and for prudential borrowing in order to fund them.
- 54 Considerable capital funding is required for many proposals that deliver significant reductions in school places. However, in a number of recent projects, primary schools have been brought together for a relatively small capital cost. In urban areas particularly, there is scope for freeing up resources in the primary sector estate in this way. Nevertheless, all such projects need an element of 'investment to save' and for secondary schools the level of investment is considerable because of the scale required.
- 55 It is not always easy to identify the source of such investment in a period of reducing budgets but one authority has agreed that 50% of all revenue savings go to fund prudential borrowing for capital investment. In this authority, all capital receipts from the sale of school sites are used to fund school modernisation and 90% of council-wide capital receipts also go to school modernisation.
- 56 The success of any school reorganisation strategy depends on agreed principles and committed political leadership. In the most effective schemes schools, communities, councillors and local authority officers need to agree about objectives and principles. There is good communication between these stakeholders based on trust. When governors, the head teacher and local elected members act to block a proposal simply to protect the status quo, whatever its limitations, then progress will be halted. Effective leadership by headteachers has accelerated reorganisation projects. This has been secured in some cases where any threat to the terms and conditions of headteachers and staff has been mitigated by, for example, opportunities for early retirement. Local authority officers identify this as important in all cases, but essential in the context of secondary reorganisation.

- 57 School closures and amalgamations can be difficult and protracted exercises but they are the most effective examples of strategies that will remove surplus places and release savings for re-investment to raise standards.
- 58 In some local authorities, there is increasing use of federation of schools to improve efficiency and reduce salary costs. It is too soon for there to be enough evidence to support judgements about the viability and effectiveness of these approaches in terms of cost and educational outcomes. Such an approach will neither remove surplus capacity nor reduce the need to maintain inefficient buildings.
- 59 However, federation has non-financial benefits that are illustrated in a number of cases across Wales. Parents and other stakeholders in the community come to appreciate how remodelling of services can benefit children and that is before the major release of resources that can follow removal of buildings. Thus, federation of schools can be a way of bringing about appropriate change in communities where there is little trust in the motives of local or central government. Sharing facilities and staff without formal federation can also achieve modest savings.
- 60 Schools increasingly work in partnership with other statutory and voluntary agencies to meet a range of community needs. Such use is aligned to the priority of developing the community focus of schools and can result in surplus areas within a school being used as the base for other services. Where this happens there are opportunities for closer multi-agency working with the police, library services, health or social services. However, although such practice is increasing, it is still unusual to see surplus capacity used in this way.
- 61 While there are potential benefits in this approach, they do not always generate funds to improve provision. Building Bulletin 99<sup>5</sup> recommends that a dedicated, additional funding stream should be identified for such use of 'supplementary area'. This would provide income to the school in order to maintain the space used by other agencies, thereby releasing more of the school's budget to provide for its pupils. However, although, in a few cases there is formal leasing of such space to other agencies, this is often not the case and additional income is rarely made available to finance school improvement. Although surplus places are notionally removed, the cost of these places is not released, and the school and local authority still have to pay for the heating, lighting and maintenance of part of the building which is no longer used for educational purposes.
- 62 Focusing on meeting targets to reduce surplus places in isolation from the strategic management of the school estate often leads to poor management practice. This includes the artificial removal of surplus places by 'creatively' defining existing surplus classrooms as learning resource or specialist areas. The capacity formula identifies schools that have excessive resource space and the information is essential for the efficient management of a local authority's assets.
- 63 There is evidence that local authorities are challenging schools more effectively about the accuracy of their reports on capacity. It is a feature of the work of authorities where there is a strong focus on maximising resources to drive improvement. However, even the best authorities admit that there is still likely to be

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<sup>5</sup> See paragraph 36 and glossary

'hidden' surplus capacity and are unsure whether in future they will have the capacity to be as rigorous in their scrutiny.

- 64 The proper management of the school estate and efficient allocation of resources are of great importance. However, the priority in any overarching strategy should be to reorganise schools to improve standards. All reorganisation proposals should be seen as school improvement projects primarily and not primarily as resource-management issues that are somehow separate from the interests of learners. Improving standards should be the priority and removing surplus capacity is only one of a number of factors contributing to that aspiration.

### **Assessment of the use of resources freed as a result of reorganisation**

- 65 School closures and amalgamations release substantial salary savings from associated redundancies and voluntary redundancies, but these are partially offset by the costs of those severance packages. There are revenue savings following re-organisation including the costs of heating, lighting and maintenance. There are also capital receipts from the sale of redundant buildings but these are not always as significant as might be anticipated. For some authorities the schools that are redundant are in areas that are not attractive to developers. This means that the education budget is often stretched to fund demolition or the costs of security to prevent trespass or vandalism of increasingly dangerous, empty buildings.
- 66 In a very small number of local authorities, specific school improvement projects have benefited from contributions from resources realised following reorganisation. One example is the establishment of a team of officers to challenge and support 14-19 Learning Pathways. Another is the recruitment of a community worker to improve early intervention with targeted families to encourage them to engage more productively in learning opportunities. This initiative was funded from the savings made by the amalgamation of a junior and infant school. However, too often local authorities simply divert these saved resources to help meet efficiency savings. This does not necessarily improve outcomes for learners.
- 67 There are also additional costs that have to be managed, including one-off costs such as the increasingly common use of consultants to advise on school organisation projects as well as other long-term commitments like transport costs. In rural areas transport costs can be significant and need to be balanced against potential savings from reorganisation. A project cannot be said to be financially successful if a number of small local schools with many surplus places are closed and replaced by a larger area-school where the transport costs outweigh the released resources. Authorities have found that the rates bills for remodelled provision can be very high. In one case, the 'new' rates charge was five times the original. It is clear that many factors need to be considered beforehand and financial considerations must be set against the less easily quantified impact where value is being measured rather than cost.
- 68 In one rural authority, six primary schools have been closed in the last two years. This has released £220,000 after additional travel costs are taken into consideration.

However, the savings made from further closures to meet the overall 10% surplus place target will be outweighed by additional transport costs.

- 69 In their planning, local authorities show clear commitment to securing resources through efficient practice and an often-stated belief that this work must always be seen in the context of improving outcomes for learners. Provisional figures from the 21st Century Schools Programme indicate that local authorities' proposed schemes will remove almost 23,000 surplus places.
- 70 Several authorities have provided data on the financial impact of specific local rationalisation schemes that have already taken place. In one authority, an amalgamation of two schools had a minimal impact on the net number of surplus places, but yielded annual savings of £55,300. In a second authority, three primary school closures reduced surplus places by 134 and yielded annual savings of £107,000 after additional school transport costs were taken into account. A third authority estimates that it has made annual savings of £500,000 from the closure of eight small primary schools. It expects to make additional annual savings of £1,680,000 from a planned net reduction of 21 primary schools, even after assuming that one fifth of the savings will be spent on additional school transport costs.
- 71 Evidence of the impact on learner outcomes from resources released through reorganisation is only rarely evident in the reports of authorities included in this survey. In one exception, the impact of an area project to close unsuitable schools and replace them with 21st century provision is being tracked carefully.
- 72 Local authorities assert that reorganisation that involves constructing new buildings has a positive impact. Typically they argue that additional resources have directly helped to improve the environment for learning, which has led to improved attainment, attitudes, attendance, wellbeing, and health and safety, but these benefits are rarely quantified. Many authorities intend to initiate research on the impact of reorganisation but capacity for this kind of work is limited. In 2007, Estyn completed an evaluation of the impact of significant refurbishment or new build on school performance<sup>6</sup>. This review recommended that local authorities should identify the contribution that school buildings make to raising standards and improving provision, to better inform elected members, so that the quality of school buildings features prominently in Council priorities. This survey has shown that there has been little progress in implementing that recommendation.
- 73 In a number of authorities, reorganisation and the identification and release of redundant capacity in particular allow officers to plan an effective response to growing demand for Welsh-medium education.
- 74 In the small number of initiatives that are partly funded through school reorganisation, local authorities assert there has been a positive impact because they have been able to secure additional resources. However, they are usually not able to provide more than anecdotal evidence to support their claims. There are exceptions. At least two authorities fund literacy programmes from resources entirely secured through the remodelling of schools and services. They are able to demonstrate impact through the detailed records of progress made by individual learners and by cohorts of learners across the authorities.

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<sup>6</sup> An evaluation of performance of schools before and after moving into new buildings or significantly refurbished premises – January 2007 [www.estyn.gov.uk/uploads/publications/6417.pdf](http://www.estyn.gov.uk/uploads/publications/6417.pdf)

## Appendix 1 – Evidence base

The findings and recommendations in this report draw on:

- discussions with the Association of directors of education in Wales (ADEW) finance and planning of school places (POSP) networks representing all local authorities in Wales;
- visits to the following local authorities to interview senior strategic leaders and operational managers and review relevant documentation: Caerphilly, Cardiff, Carmarthenshire, Ceredigion, Merthyr Tydfil, Neath Port Talbot, Powys, Rhondda Cynon Taf, Flintshire, Wrexham, and Vale of Glamorgan; and
- analysis of school budget data for 2011-2012, and annual school capacity (and pupil numbers) data from January 2006 to January 2011.

In producing this report, the inspection team also reviewed a range of relevant literature including:

- Small Primary Schools in Wales (2006) Estyn;
- An evaluation of schools before and after moving into new buildings or significantly refurbished premises (2007) Estyn;
- Trading Places (1996) Audit Commission;
- Measuring the Capacity of Schools in Wales (2011) National Assembly for Wales Circular 021/2011;
- The Structure of Education in Wales, Vivian Thomas (2011) Welsh Government; and
- Building Bulletins 82, 98 and 99 (1996-2011) Department for Education.

## Appendix 2 – Glossary/references

### **Delegated school budget**

The budget delegated to the governing body of a school under section 49 of the School Standards and Framework Act 1998 and the Education (Budget Statements) Wales.

### **Non-delegated school budget**

Resources used by schools that are paid for from the local authority education service's central budget on their behalf.

### **Simple regression analysis**

An approach to modelling the relationship between one variable (eg, the cost of running a school) and a single explanatory variable (eg, the number of pupils).

### **Multiple regression analysis**

An approach to modelling the relationship between one variable (eg, the cost of running a school) and two or more explanatory variables (eg, the number of pupils and size of the buildings).

### **Section 52 funding formula**

The regulations and guidance on calculating individual school budgets from Section 52 of the School Standards and Framework Act 1998 and the Education (Budget Statements) Wales.

### **Individual Schools Budget (ISB)**

The amount councils allocate to schools via the Section 52 funding formula.

### **Building bulletins**

Produced by the Department for Education to offer guidance on a range of subjects, from whole school design schedules to detailed engineering specifics.

## Appendix 3 – The remit author and survey team

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