

PRIME MINISTER

14 December 1984

MORE EFFICIENT SCHOOLING

The Audit Commission have recently published a report on costs in secondary schools. The report suggests ways in which hundreds of millions of pounds could be saved.

1. Tailoring capacity to demand

As everyone knows, the costs of secondary education can be reduced by taking surplus accommodation out of use as pupil-numbers fall. The Audit Commission puts figures on this saving: it suggests that almost £50 million could be saved in the first year, rising to over £200 million in the fifth year.

The report lists five different ways in which such savings can be made, ranging from the closure of whole premises to the removal of temporary accommodation. It also puts forward a four-stage procedure for implementing the necessary changes. And it promises to use the next audit round as a means of ensuring that an appropriate action programme is adopted by every local education authority. The Commission warns, however, that this process will depend on the Secretary of State being willing to approve tough recommendations.

2. Non-teaching costs

The report lists several ways in which LEAs could obtain better value for money on their maintenance work. It also concludes that cleaning costs could be reduced by up to £50 million if LEAs install clearer lines of responsibility, better methods for preventing damage, improved information systems, more inspection of finished jobs and more competition.

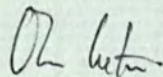


Most important of all, the report suggests that economy, efficiency and effectiveness could be improved if more spending decisions were devolved to individual schools. In particular, the Commission believe that decisions about telephones, heating and lighting, cleaning and maintenance, and the level of teacher support staff could all be delegated to the schools.

3. Conclusion

We recommend that you should write to Keith Joseph, emphasising the importance of the Audit Commission's report, and asking him to consider means of reflecting its findings in the forthcoming White Paper on Schools, and of stressing value of devolving financial decisions to individual schools. You may also wish to make a reference to the report in one of your speeches: this is an invaluable peg on which to hang many of the Government's messages about efficiency in local Government.

Why does PM need to lecture me & her Senior Secretaries & Staff in this way.



OLIVER LETWIN



# Audit Commission

## REVIEW

The Audit Commission  
for Local Authorities  
in England and Wales

December 1984

### Tailoring Secondary School Capacity to Likely Demand

A study of non-teaching costs in secondary schools was undertaken by the Commission during the period November 1983 to April 1984. These amount to over £1 billion a year, or some £285 per pupil. It resulted in the report *Obtaining Better Value in Education: Aspects of Non-Teaching Costs in Secondary Schools*. The report is based on an analysis and evaluation of information from twelve authorities (three outer London boroughs, four metropolitan district councils and five non-metropolitan county councils) and a sample of 140 schools distributed amongst them.

The first section of the report, **Tailoring Secondary School Capacity to Likely Demand**, deals with the problems caused by falling school rolls, and suggests how these can best be managed.

There are currently 500,000 surplus places in secondary schools as a result of the fall in the birth rate in the mid seventies. The forecast decline in secondary school pupil numbers is dramatic, from a total in England and Wales of just over 4 million at the beginning of the 1980s to less than 3 million in the early 1990s. On average, secondary school pupil numbers are expected to fall by 25 to 30 per cent over the next ten years. There is considerable variation around the average, with pockets of more modest decline counter-balanced by expected decline of more than 40 per cent in some areas. The problem is most acute in inner-city areas and those where economic prospects are poorer. The potential costs savings of removing two out of every five surplus places amount to between £100 million and £150 million per annum in non-teaching costs. More important, rationalisation of education capacity should result in a broader curriculum being available to pupils.

The most important conclusion of the study is that changes in approach to the problem of falling school rolls are required.

The Commission believes that action to tailor places available more closely to demand should be a priority for each Local Education Authority (LEA).

Unless authorities are able to tailor education capacity more closely to demand, total costs per secondary school pupil are likely to rise and the quality of secondary education will be lower than it could or should be. Secondary school reorganisation proposals are stiffly opposed at local level. But the costs of doing nothing can be unacceptably high;

- The cost of education suffers since it becomes impossible to provide a wide curriculum within the resources available.
- Costs borne by the ratepayer are higher than necessary.
- Money is wasted since authorities are forced to spend resources that could be better employed elsewhere on

cleaning, heating and maintaining surplus buildings.

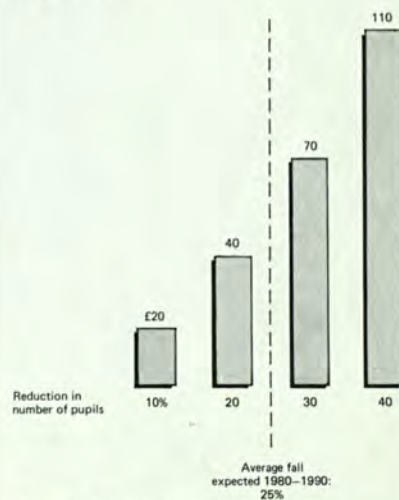
There are other consequences of failure to take action that may not be so apparent. The grant-related expenditure formula for education is based largely on school rolls with a 21 month time lag. So whether or not the LEA acts to bring capacity into line with demand, the present block grant system assumes that it has, and the grant is reduced accordingly. Thus the costs of failure to act in time will be carried by the local rate payers and by those services where there is an increasing demand for the local authority's support.

There need to be detailed plans for implementation, which will have taken into account all the options open to the authority with costs and educational consequences attributable to each. The criteria for achieving the necessary reductions in places should be agreed in advance and procedures should be clearly defined to enable the communities involved to know the facts and consequences of implementing or failing to implement the plans. The report suggests that each authority should deal with its problems in a comprehensive rather than a piecemeal manner.

#### FINANCIAL IMPLICATIONS OF TAKING SURPLUS ACCOMMODATION OUT OF USE

England and Wales		
Assumed Numbers of School Closures (over 5 years)	Annual Average	Annual Savings
Total		£m
220	44	43
440	88	85
660	132	128
880	176	170
1,100	220	213

Unless action is taken soon, non-teaching cost per pupil will rise by £50-60 a year as rolls fall  
INCREASE IN NON-TEACHING COSTS PER PUPIL  
£/year, at 1983 prices

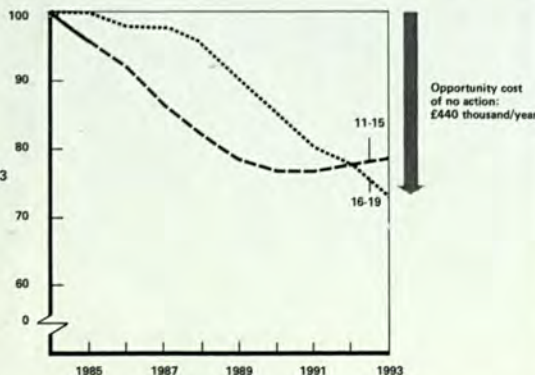


#### SHIRE COUNTY EXAMPLE

PROJECTED SECONDARY SCHOOL ROLLS: 1984-1993  
Index 1984 (September) = 100\*

\* Assumes current participation rates

Source: Lincolnshire County Council





# Action by Local Education Authorities

The Commission recommends in its report that all LEAs undertake a comprehensive review of secondary school capacity to determine whether changes are needed.

This review would comprise the following four main stages:

## Stage One: Measuring needs and places

Compare present building capacity with likely future capacity requirements based on the LEA's projection of pupil numbers over the next decade.

Important considerations to take into account include:

- The needs of pupils aged 16 and over
- The requirement for single sex provision
- The impact of neighbouring LEAs on both demand and supply
- The quality of existing buildings
- A minimum desirable size of school
- The impact of provision in and policies of voluntary schools

## Stage Two: Generating and evaluating options

LEAs facing a serious shortfall between capacity and demand will have to consider closing schools completely or partially. The LEAs surveyed in the report believed that school closures would generate significant financial saving and educational advantages. However, there was considerable reluctance to go down this route since school closures almost invariably provoke vociferous local opposition from parents, governors and staff, as well as local MPs.

The following steps should form the basis of any review of options:

- Determine the nature and extent of the potential problem for the authority as a whole, making a range of assumptions about key demand variables such as new local housing development, staying-on rates and so forth. These will need to be shown on a division by division or town by town basis.
- Determine the cost of doing nothing in financial and educational terms, *before* any options are considered.
- Agree in advance the main decision criteria. These will almost certainly need to be a mixture of educational and logistics, e.g. maximum and minimum sizes for particular classes, acceptable maximum travelling distances and times.
- Identify and cost the main options. In addition to all the normal teaching and non-teaching costs, the evaluation should take account of the opportunity cost of continuing to occupy the building and grounds.
- Evaluate the options both in educational and financial terms, taking into account the possible risks, and the timing of changes, calculating the net present value or revenue profiles of the various choices.

## Stage Three: Implementation of the chosen option

The Education Act of 1980 sets out the statutory steps necessary to undertake a reorganisation of the schools and reduction of intakes in respect of the closure or amalgamation of schools. Public notice needs to

be given where admissions are expected to be reduced by one fifth or more. Thorough consultation regarding proposed school closures is required with governors, parents, teachers and the local community.

The experience of LEAs who have faced the problem of school closures indicates that there are five key requirements for success:

- Sound staffwork on likely capacity/demand imbalances. It is the general experience that protestors almost invariably begin by denying that the problem exists. All the numbers and critical assumptions will be challenged. Mistakes are expensive; and it pays to err on the side of optimism. It also pays to be very explicit about the critical assumptions made, so that these can be discussed openly and rationally.
- A comprehensive rather than piecemeal approach, so that the support of potential beneficiaries of changes can be enlisted to counter-balance the inevitable protests and to provide those concerned with a broad perspective.
- An open, staged approach. Rumours are almost always more damaging than reality. The following steps will help to combat opposition:
  - releasing a discussion paper outlining the problem and the costs of doing nothing.
  - holding a series of local meetings at which those interviewed are invited to put forward options for dealing with the situation.
  - publishing the decision criteria *before* any detailed options are developed.
  - publishing the full range of options with the cost and educational implications spelled out for discussion *before* the LEA has decided what course to adopt.
- Incentives to encourage the acceptance of the changes. In about one half of the sample LEAs, at least a share of the capital receipts from the disposal of surplus buildings is given back to the education committee, and in the other LEAs, capital receipts go into a central "pool" and are lost to the education committee.
- Diversion to alternative uses of the whole or large parts of schools is fairly common, e.g. use by further education, day centres for the elderly, magistrates court accommodation. But the associated costs have to be quantified (including the opportunity costs) so that members are aware of the costs of their decisions.

## Stage Four: Follow-up and review

LEAs must make sure that the intended cost and benefits did accrue. Consideration of the effects of past decisions can improve future appraisals as well as current management performance.

## Action by Central Government

After the local authority has completed its part of the process, the decision to close a school must be referred to the Secretary of State for approval before it can be implemented.

The Commission points to the implications for the local authority of a rejection of proposals for secondary school reorganisation and underlines the need for effective central support for difficult local decisions.

FINANCIAL IMPLICATIONS OF METHODS OF REMOVING SURPLUS PLACES

METHOD OF REMOVING SURPLUS PLACES	POTENTIAL SAVINGS	POTENTIAL COSTS
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 eg. 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	Mothballing costs
Piecemeal mothballing of schools	Savings mostly from:– (i) Fuel and light – if heating systems are zoned so as not to heat certain areas (£175 per room per annum) (ii) 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



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# Audit Commission

## REVIEW

The Audit Commission  
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December 1984

### ACHIEVING BETTER VALUE FOR MONEY Non-Teaching Costs In Secondary Schools

The Audit Commission's report on non-teaching costs in secondary schools concludes that considerable savings can be made and standards of work raised by improving systems for cleaning and maintaining school premises and giving more control over budgets to head teachers.

This is true irrespective of action taken to reduce the surplus capacity of schools created by falling rolls (also covered by the report: see separate review).

In the three areas of special study the report concludes:

● **Maintenance:** Financial constraints have been met by Local Education Authorities (LEAs) cutting back on routine structural maintenance, even though this will increase long-term costs.

Day-to-day maintenance, accounting for around 50% of total, remains costly and inefficient, with quality of work and response times being particularly criticised by school staff.

The report recommends a move towards a two to one split in favour of routine maintenance and immediate improvements in day-to-day services. Better supervision, the use of mobile teams and caretaker/handypersons and competitive tendering are suggested as ways of achieving immediate but lasting improvements in day-to-day work.

Investment in routine maintenance would lead to an eventual drop in emergency call-outs. Initially however an increase in expenditure of perhaps 30-50% is likely to be necessary in many cases to bring the conditions of school buildings up to satisfactory standards.

● **Cleaning:** The report suggests that costs could be reduced by as much as 25% nationwide by a mixture of improved productivity and investment in modern equipment. Existing agreements negotiated at regional level are often out-of-date and less effective than productivity schemes originating with individual authorities. Nationally, savings of up to £50 million are achievable. A target of 33 metre<sup>2</sup> cleaned per person per hour is realistic within the existing agreements. Productivity of this kind would mean an increase in wages but a greater increase in output.

In both the cleaning and maintenance fields authorities are hampered by a lack

of information. Many do not have details of the size of schools (sq ft) or of the types of building to be maintained. Some do not know how maintenance expenditure is being spent. Many employing Direct Labour Organisations (DLOs) cannot quote rates for particular jobs to compare with prices available from private firms. Few keep up-to-date information on the nature and area of surfaces which have to be cleaned.

● **Delegation:** The 5% of non-teaching budgets currently in the control of head teachers and governing bodies should be increased. New areas which would come within the ambit of individual schools include telephone charges, heating and lighting, cleaning and day-to-day maintenance, in-service teacher training and technical and administrative staff. Eventually perhaps 25% of school costs could be under local control, within the overall school budget.

Some head teachers will lack the managerial skills to cope with increased budgets and others may resent being

allotted additional non-teaching areas of work. A gradual approach using pilot schemes is recommended. Careful consultation, accurate information and training will be essential if delegation is to be a success.

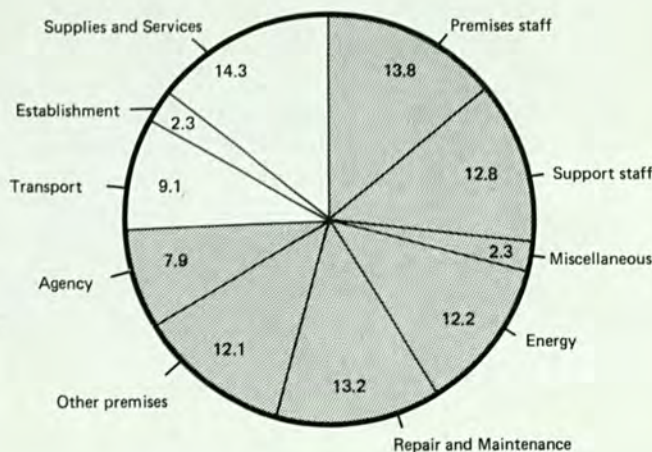
#### The report

At around £12 billion a year, at present, education in England and Wales accounts for around half of all local authority expenditure.

Non-teaching costs in secondary schools cost £1.35 billion or £285 per pupil. The Audit Commission has looked at areas which account for three quarters of this sum to suggest ways of obtaining better value.

The report's conclusions are derived from a representative survey of 140 secondary schools in 12 authorities carried out over the five months to April 1984. The authorities surveyed comprised three outer London boroughs, four metropolitan district councils and five non-metropolitan county councils.

Study has covered almost three-quarters of relevant costs  
**BREAKDOWN OF NON-TEACHING COSTS IN  
SECONDARY SCHOOLS**  
1983-4 Estimates



Source: CIPFA



## Maintenance: spend more now, to save later

Three principal criticisms are levelled at the current maintenance performance in secondary schools:

- That too little is being spent on routine jobs like repainting and rewiring.
- That day-to-day (emergency or response) maintenance absorbs too large a percentage of total costs.
- That performance on day-to-day maintenance in particular is unsatisfactory both in terms of cost and of quality.

### Increasing maintenance budgets

LEAs in England and Wales spend £180 million on secondary school maintenance, of which perhaps half is on day-to-day maintenance. The average of £46 per pupil disguises a range from £39 per pupil in the case of metropolitan districts to £78 for ILEA (adjusted for London Weighting).

Despite a real increase in the amount spent over the past five years the Society of Chief Architects of Local Authorities (SCALA) estimates that an increase in expenditure on maintenance of 44% is necessary to achieve adequate standards. This figure is supported by evidence from Her Majesty's Inspectors and the Royal Institute of Chartered Surveyors.

Many LEAs are not, therefore, maintaining school buildings in a satisfactory condition. But basic information is often lacking. What evidence there is suggests routine maintenance is a particularly neglected area. A survey by SCALA for the Audit Commission showed authorities were more often than not failing to achieve their own targets in areas like roof repairs, repainting and resurfacing.

Redecoration in particular has been neglected. Many authorities have not redecorated schools internally for 10 years. In one authority current practice means schools would wait 50 years for redecoration.

### Redressing the maintenance balance

The surveyed LEAs spent 60-70% on day-to-day maintenance, and only 30-40% on longer-term maintenance.

To bring this into line with the 35%: 65% short- to long-term recommendation of the Department of Education and Science Architects and Building Group would require an immediate increase of around 50% in total expenditure.

This investment should lead to long-term savings and a better service as the increase in routine work reduces the number of emergency call-outs.

### Improving performance

Education departments and head teachers were dissatisfied with the performance of DLOs in particular, citing poor work, slow response and lack of accountability as major criticisms.

The report suggests five ways to improve the day-to-day service:

**1. Clear lines of responsibility:** Either the education or the technical department should take full and final responsibility, with individual officers dealing with indi-

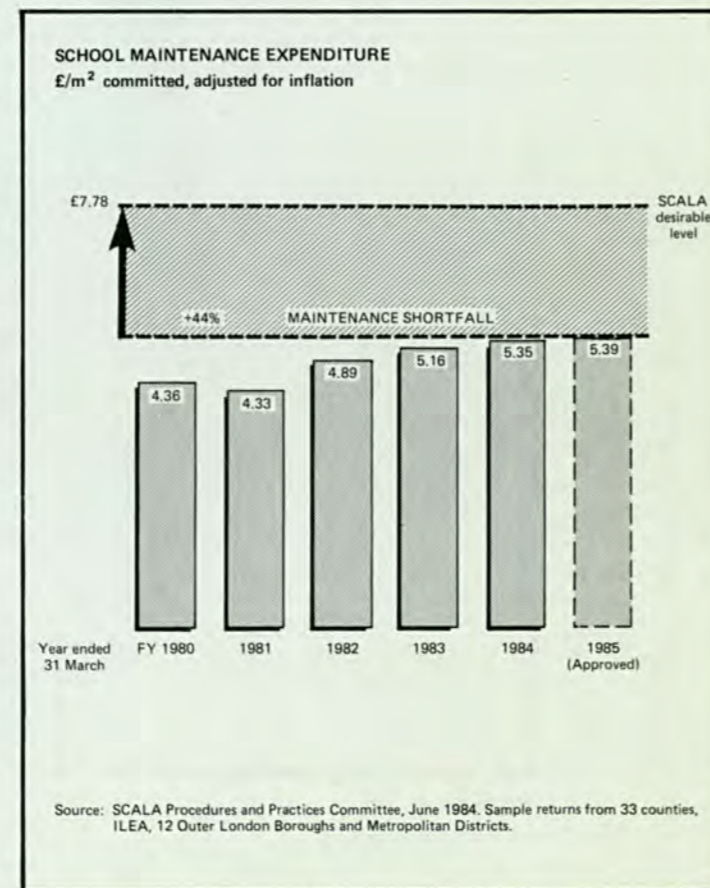
vidual or groups of schools. Surveyors would thus be directly accountable to head teachers and any duplication of duty or paperwork avoided.

**2. Minimising requirements:** Firstly, by trying to prevent deliberate damage. Vandalism costs an average school £1,800 p.a. and some as much as £5,000. Security measures can reduce this cost and lower insurance premiums. Secondly, by tackling minor jobs using the school's own resources: a caretaker/handyman on site does not have the administration and travelling time costs of a maintenance team.

**3. Improving response:** Several LEAs have computer-based systems to ensure that most urgent repairs receive priority attention. Within some education departments, mobile 'instant response' teams have been set up to deal with emergencies.

**4. More inspection of finished jobs:** As few as 10% of maintenance jobs carried out by DLOs are inspected independently on completion in some authorities; the report suggests that in LEAs where complaints about quality of work are commonplace, 30-50% of jobs should be inspected.

**5. More competition:** The Commission believes that a well-run DLO can compete with private contractors on cost and quality. But competition must be open and on a basis fair to both sides. Some LEAs offer contracts in a form which makes them difficult for private firms to tender e.g. offering all the authority's day-to-day maintenance as one contract. Restrictive practices of this type can increase costs and reduce maintenance effectiveness.



## Cleaning: improvements worth up to £50 million a year

The report concentrates on identifying ways to reduce the £190 million annual cleaning bill for secondary schools, without lowering standards.

The disparity between typical high and low spending authorities shows considerable potential for economy, ranging between £56 and £31 per pupil in 1983-84 for non-metropolitan county councils and between £105 and £38 for London boroughs.

Using the criterion of cost per square metre cleaned, the results from the 140 schools surveyed show a difference of 25% between the best 35 and the worst 35. If all schools in the survey matched the best 35 and if these results were mirrored nationally, the potential yearly saving would be about £50 million.

To obtain these improvements four proposals are suggested:

### Updating provincial agreements

Conditions of service for caretakers and cleaners are negotiated at national, regional and local levels. Provincial councils negotiate the substance of many agreements, but the terms of these vary greatly: by as much as 92% on the cleaning hours allowance allocated

to an average school. In addition they are often badly out of date and do not take account of new cleaning technology, for example.

### Productivity schemes

Though modifications to provincial agreements can produce improvements, local productivity schemes have proved more effective.

Incentive bonus schemes, whereby individuals or groups are rewarded on daily or weekly performance, are a possibility but they require extensive supervision and monitoring. Productivity schemes which determine the level of work necessary and allot a set payment for its completion are more popular with LEAs. They have the effect of regulating staffing.

At the lower end of the scale, productivity schemes are on average 8% more effective than provincial schemes. For the best 25% they are 15% better. Already around one third of school cleaners are on some form of productivity scheme.

It is important that bonus schemes are regularly reviewed and that information on the areas being cleaned is updated.

A 1974 scheme based on a cleaning rate of 33 metre<sup>2</sup> per hour (twice that of comparable provincial agreements) was found to be the most effective in use among the authorities surveyed.

### Better use of caretakers

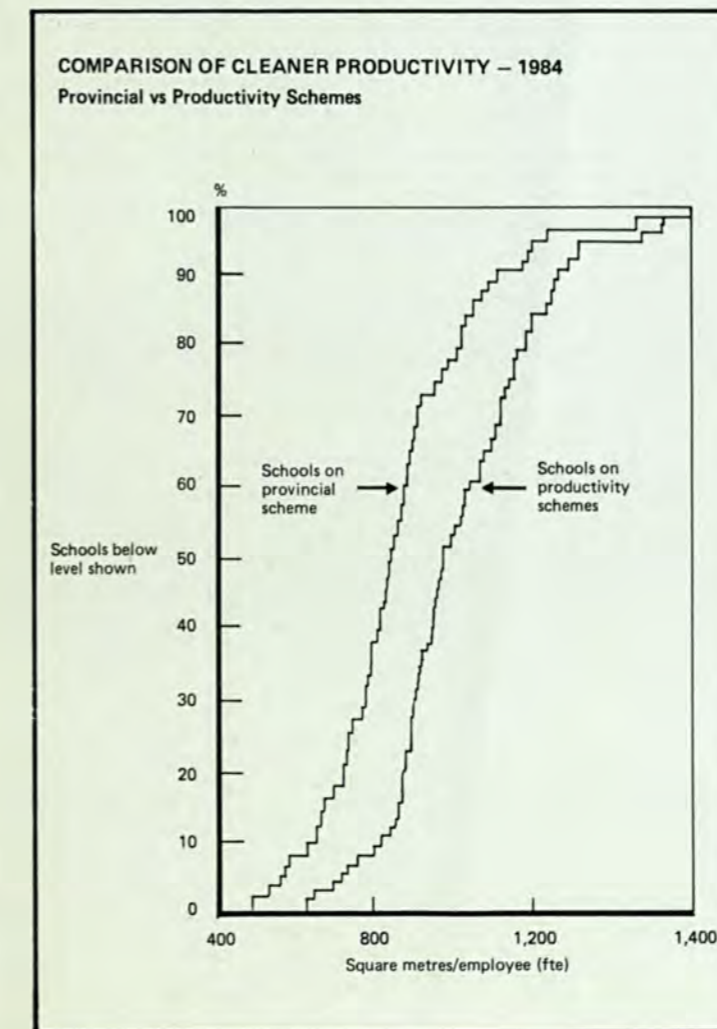
A caretaker is twice as expensive to employ as a cleaner but many undertake cleaning duties. Caretakers have a range of statutory duties and their job descriptions are well-defined, but free time which they have would be more efficiently spent on day-to-day and minor maintenance jobs. Tasks like replacing tap washers, boarding broken windows and repairing desks fall into this category.

The job of assistant caretakers, found in larger schools, is less well-defined and these spend a greater proportion of their time on cleaning duties. One of the London boroughs surveyed has reacted to this by phasing out some assistant caretaker posts.

### More modern equipment

Savings achievable in cleaning equipment costs are small. Local authorities should, however, look at increasing mechanisation. Many authorities do not have vacuuming and polishing equipment necessary for basic requirements; nor do they monitor changes in surfaces which have to be cleaned and consider such changes when purchasing.

On the other hand one authority is saving £180,000 a year over previous spending through investment in modern equipment. When new spending on training, supervision and maintenance is deducted the net saving is still £120,000 p.a.





# Delegation: local people usually know best

The Audit Commission takes the view of both Central Government and the 1944 Education Act in wishing to see more delegation of financial responsibility from LEAs to schools, as a way of improving economy, efficiency and effectiveness.

Currently schools control directly a capitation allowance often amounting to less than £25 per pupil in an average school, or 5% of total budget. This is principally for the purchase of books and other supplies and equipment. Local control of expenditure within the overall budget could be increased to 25% by devolving responsibility for the following:

## Telephone charges

An authority which has implemented this is finding all schools reducing their bills by 20-30%. The saving is retained by the schools for spending in other areas of their choice.

## Heating and Lighting

Insulation and energy saving programmes can save 10% on an average annual bill of £30,000. Training for staff, pupils and caretakers in energy saving and the appointment of an energy officer are other suggestions of the Energy Efficiency Office in the Department of Energy. To achieve energy saving it is important to set targets each year and to do this fairly, technical surveys of schools are needed.

## Cleaning and maintenance

Specifically much day-to-day maintenance can be assigned to the caretaker/handyperson. Cleaning can probably be dealt with efficiently at authority level by means of productivity schemes.

## Teacher support staff

i.e. administrative, clerical, technical and educational support staff. The needs of individual schools for library, laboratory and other support staff vary widely. This is one reason why head teachers may be in the best position to assess their school's needs – although the LEA is, of course, responsible for staff terms and conditions of service.

## Achieving delegation

Delegation on the scale suggested cannot take place immediately. A phased approach is proposed to ensure success. Specifically:

- **Strategy:** careful pre-planning is essential. Delegation should be gradual to allow changes to occur smoothly, otherwise staffing and paperwork may increase rather than reduce. Pilot schemes should be promoted in schools sympathetic to the scheme;

and the results should be monitored carefully.

- **Structure:** to avoid duplication of effort the LEA management organisation structure and staffing must change as head teachers take over their new responsibilities.

- **Systems:** schools must have sufficient, timely and accurate information on spending to enable them to handle their new responsibilities. The ground rules, e.g. on virement (transfers between budget heads) or on carrying forward savings, must be clear and agreed in advance.

- **Staff training:** head teachers, teachers, governors and others taking on new responsibilities will need support in the form of training and information monitoring.

## A Sample Budget

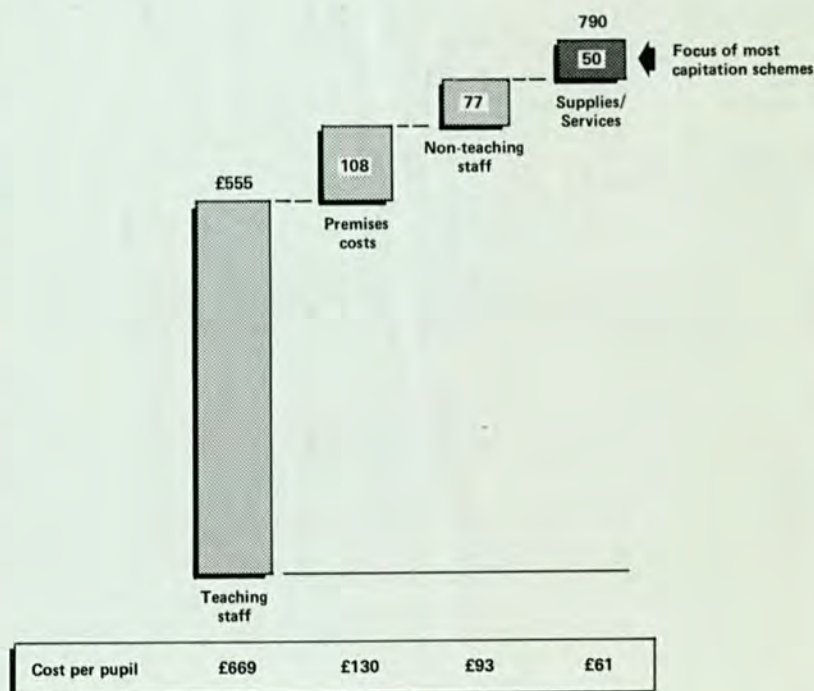
An appendix to the report gives an example of how delegation could work in practice. For a school of 1050 pupils and 60 teachers with a floor area of 7875 square metres the budget might look like this:

### Illustrative delegated budget (£'000s)

Telephone costs	3.0
In service training of teachers	7.8
Examination fees	11.3
Books	13.9
Material and supplies	17.2
Heating and lighting	43.0
Cleaning materials and maintenance	6.3
Teaching support staff	23.5
Income (net) from lettings	0
	<hr/>
	126.0

Scope for most capitation schemes is limited  
ANNUAL REVENUE EXPENDITURE – 1983  
£'000

TYPICAL SECONDARY SCHOOL



Source: Accounts of a secondary school of 830 pupils

## If you want to know more:

A complimentary copy of the full report  
**Obtaining Better Value in Education: Aspects of Non-Teaching Costs in Secondary Schools**  
has been sent to each authority. Further copies can be obtained, price £4.20 (to cover printing and distribution costs only), from HMSO.