OCCASIONAL PAPERS

DELEGATION OF MANAGEMENT AUTHORITY TO SCHOOLS

SUMMARY

The provisions of the Education Reform Bill relating to delegation are as far-reaching as any of the others. All Local Education Authorities (LEAs) are to be required to establish schemes for allocating budget shares to their maintained schools (apart from special schools) and for delegating control of those budget shares to most of the schools involved.

LEAs should now be engaged in planning their implementation of this part of the legislation. The laid-down timetable is extremely tight (Exhibit 1) and in every LEA several departments will be involved, not just the education department. Any department which provides services to schools may have to redefine its relationship with them.

A wide range of detailed management and administrative arrangements will need to be overhauled. For instance, schools' new financial powers will need to be supported by quickly responsive financial information systems and any conflicts between Standing Orders and

Exhibit 1
THE TIMETABLE FOR THE IMPLEMENTATION OF DELEGATED MANAGEMENT AUTHORITY
proposed delegated authority will need to be resolved. When the provisions of an LEA's scheme have been settled, introduction of the scheme will call for careful scheduling.

All these are essentially practical questions, but in addition two major questions will pose particular difficulties for members and officers: the definition of a formula for allocating resources to schools and the redefinition of the LEA's residual role, especially in relation to inspection of schools. The allocation formula must relate resources provided to the resources needed by schools to carry out the duties laid upon them. This link is essential as a basis for holding schools to account, a process in which the role of LEA inspectors will be crucial. Since other intervention from the LEA centre will diminish, the local inspectorate will become the main instrument by which the LEA discharges its duty to ensure the provision of satisfactory education.

2 In earlier reports* on education, the Commission commended increased delegation of management authority to schools even in the absence of legal requirements. It therefore welcomes the broad lines of the Government's proposals.

INTRODUCTION

1 The provisions of the Education Reform Bill relating to delegation are as far-reaching as any of the others. The Bill will require profound changes in all LEAs, even those with the most developed delegation schemes. School governors and head teachers will have far greater power and responsibility; schools with delegated powers will take the majority of their management decisions without reference to officers of the LEA. Similar changes will apply to LEA-maintained further and higher education.

2 In earlier reports* on education, the Commission commended increased delegation of management authority to schools even in the absence of legal requirements. It therefore welcomes the broad lines of the Government's proposals.

3 This Occasional Paper aims to help LEAs, as well as head teachers and governors, prepare to meet the new legislative requirements on delegation. The Commission does not seek to recommend a particular approach to delegation. Indeed, it recognises that any comments made now may require amendment as time passes; this is therefore very much a 'green' paper. But the Commission also knows that many LEAs would welcome advice, and sees its role as helping to ensure that LEAs' delegation schemes serve the interests of efficiency, effectiveness and economy, within the Government's guidelines where these have been made clear. Commentary on some of the more detailed issues will be included in a letter from the Commission's Controller to appropriate LEA chief officers. Both this paper, and the further guidance, may also be of interest to members of school governing bodies and to head teachers.

4 This paper draws on recent investigations by the Commission which form part of a more general study of educational management and administration and which include a study of all the most advanced existing delegation schemes.

THE CHALLENGE FACING LEAS

5 The Bill requires each LEA to establish a scheme for:

—allocating budget shares to all the schools it maintains (apart from special schools); and
—delegating control of those budget shares to most of the schools involved.

These requirements apply to LEAs in inner London in the same way as to LEAs elsewhere although the deadlines are different.

6 The Draft Consultative Document† issued by the Department of Education and Science (DES) makes it clear that the Government intends to shift responsibility for the majority of managerial administration and decision-makingpowers to schools. The guidance places a tight limit on the fraction of an LEA's general schools budget which can be excepted from delegation and left in the LEA's direct control.

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*Obtaining Better Value in Education: Aspects of Non-Teaching Costs in Secondary Schools
HMSO December 1984 ISBN 0 11 701092 8

Towards Better Management of Secondary Education
HMSO May 1986 ISBN 0 11 701294 7

At the same time, LEAs will retain overall responsibility for the provision of education. In practice, their work will shift away from the control of resources in individual schools towards the monitoring of outcomes in those schools. The division between LEAs and schools will, in some ways, parallel the client/contractor split needed in the case of local authority services subject to compulsory competition. The LEA will be responsible for setting objectives, the schools for delivering performance which makes those objectives a reality.

These changes will present enormous challenges for all LEAs. The Commission's investigations of existing delegation schemes suggest that no current scheme would be likely to meet the requirements of the legislation without substantial modification. Exhibit 2 summarises key features of the present state of development of a number of existing delegation schemes and illustrates the ways in which they fall short of what is now required. This is not to criticise Cambridgeshire, or Solihull, or anywhere else. It is simply to recognise that what is now envisaged is an order of magnitude beyond what has been accomplished hitherto.

"...no current scheme would be likely to meet the requirements of the legislation..."

Moreover, the challenges will raise issues for the whole authority, not only the education department. And, perhaps most importantly, it will test the management skills of governors and head teachers to the full. The remainder of this Occasional Paper looks first at some of the authority-wide effects, then at some changes to financial and administrative arrangements which need to be tackled urgently. It concludes with a discussion of two major issues facing the education department: the allocation of budget shares and the role of the inspectorate. (This paper does not directly address the school-based management issues; a Chartered Institute of Public Finance and Accounting-led association will be producing training material and other guidance for schools later this year).

Exhibit 2
FEATURES OF A NUMBER OF EXISTING DELEGATION SCHEMES

<table>
<thead>
<tr>
<th>Survey</th>
<th>Kent</th>
<th>East Sussex</th>
<th>Cambridge-shire</th>
<th>Norfolk</th>
<th>Cheshire</th>
<th>Northumberland</th>
<th>Oxfordshire</th>
<th>Solihull</th>
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</tbody>
</table>

Notes:
- References to primary and secondary schools include middle schools deemed to belong to these two phases.
- The column headed 'DBS' describes the DES's requirements of LEAs, so far as these have been made known.
- The DES requirement for primary schools is stated in terms of pupil numbers on roll. The figure given here is an estimate of the proportion of schools affected.

* For 2 of the schools only, the estimate is 80%
AUTHORITY-WIDE EFFECTS

10 Many departments of an education authority provide services to schools: property management, personnel administration and legal and financial support in relation to schools are typically provided by departments other than the education department. The Government have said† that central administration is to be a mandatory exception from delegation, but it is not clear how non-administrative functions will have to be treated. Moreover, the Secretary of State will review the scope of items to be excepted in the light of experience and may well bring in to the scope of delegation more services from outside the education department.

11 At present, departments do not usually distinguish between their support to the education service which is identifiably related to schools and support of a more general nature. In particular, the recharges which other departments levy from the education department cover both categories. The distinction is likely to be important in the future because services to schools could become part of the aggregated schools budget (as defined in the legislation) whereas general services will not. Authorities should set up costing and charging procedures which recognise this distinction.

12 Where services from other departments are to be part of the aggregated schools budget, recharging mechanisms may need to be altered further. Current mechanisms are commonly crude and rely on apportionments of the cost of the service across departments according to some rough indicator of consumption. Under the new legislation, the aggregated schools budget has to be broken down into individual school budget shares and the recharging mechanism will need to adapt to this radical change. There are added implications for monitoring the expenditure on services by individual schools.

13 A further question for service departments will be the terms under which their services should be supplied to individual schools. Possibilities range from the completely ad hoc supply of services to schools through fixed term contracts to insurance premium arrangements. In one LEA the authority’s architect has responded to the delegation scheme by offering schools a range of service contracts.

ADMINISTRATION AND FINANCE

14 On the financial management side, the most urgent task is to ensure that each LEA’s coding system classifies expenditure by school as well as by expenditure head...

15 Many administrative arrangements need not be altered to accommodate a shift of management authority from LEA to school: a delegation scheme is not undermined if payment for minor works is effected by the LEA as long as the decision to have work done and the specification of work rest with the school. Nonetheless, the introduction of a scheme of delegation presents an opportunity to reconsider the worth of all the relevant administrative arrangements, because some will certainly have to be altered. Exhibit 3 shows the

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Exhibit 3
ADMINISTRATIVE ARRANGEMENTS TO SUPPORT DELEGATION SCHEMES

<table>
<thead>
<tr>
<th>Requiring to be changed</th>
<th>For reconsideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of accounting information from LEA office to schools and from schools to LEA office</td>
<td>Appointment of staff</td>
</tr>
<tr>
<td>Standing Orders and Financial Regulations</td>
<td>Payroll</td>
</tr>
<tr>
<td>Internal and external audit</td>
<td>Maintenance of general personnel records</td>
</tr>
<tr>
<td>Supply to head teachers of up-to-date information on the law in areas such as employment, health and safety, accident liability</td>
<td>Processing of invoices</td>
</tr>
<tr>
<td>Cash flow from LEA to school</td>
<td>Cash flow from school to the outside world</td>
</tr>
</tbody>
</table>
main administrative areas where revision is necessary or recommended.

SUPPLY OF ACCOUNTING INFORMATION

16 The LEA will retain responsibility for accounting for the funds delegated to schools. So it will fall to the LEA to specify forms of records to be kept by schools to satisfy the LEA’s audit and financial management needs. Schools also need financial information to support their exercise of delegated authority, in particular commitment accounting information—information on expenditure to which they are committed but which they have not yet made. In most large schemes information is stored on the LEA central computer system but reporting to schools is not quick enough. Schools therefore tend to keep manual ledgers which duplicate much of what is held centrally. One authority has introduced a scheme for computerised school commitment accounts, but this covers only a limited range of expenditure.

17 Authorities need to develop computer systems which can be used within the schools for management of their delegated resources. Outside advice is available from a variety of sources but authorities might consider employing their own specialist staff, if only as ‘client representatives’.

STANDING ORDERS AND FINANCIAL REGULATIONS

18 If Standing Orders and Financial Regulations were drawn up before the delegation scheme was in prospect, a review of them can bring to light requirements incompatible with the operation of the delegation scheme. For instance, Standing Orders may give to a personnel committee the responsibility for determining the numbers and grades of non-teaching staff to be employed in schools. Auditing arrangements, both internal and external, will also require adjustment; external auditors appointed by the Commission will be proposing new working arrangements to LEAs in due course. There is little doubt that authorities will need to review Standing Orders and Financial Regulations.

'...There is little doubt that authorities will need to review Standing Orders and Financial Regulations...'

LEGAL INFORMATION

19 Decisions on the appointment of staff or on the letting of contracts entail important legal commitments, often for the LEA centrally as much as for the school. In future, head teachers and governors will be responsible for important decisions, such as dismissals of staff, which could have serious and expensive legal consequences. They must be kept abreast of relevant legal developments; authorities will need to consider how best to ensure that they are able to do so.

APPOINTMENT OF STAFF

20 The Education Bill explicitly provides that schools will have management authority for the appointment of staff. But the associated administration need not all be undertaken by school staff; indeed schools may consider this responsibility burdensome. LEAs should choose the most efficient administrative arrangements. If efficiency is not affected, the LEA may decide to let schools decide how their appointments should be administered.

INVOICE PROCESSING AND CASH FLOW

21 In most existing delegation schemes schools do not make any payments themselves. Schools authorise payments and do some of the associated paperwork but funds are transferred to employees and to outside creditors by the LEA centrally. In keeping with the spirit of delegation, LEAs may wish to consider enabling schools to make payments themselves. This would require the transfer of schools’ entitlements to the schools, probably in phased blocks. Before opting for such an arrangement, LEAs should ensure that schools have adequate arrangements for investing surplus funds and plan carefully the handling of interest accrued and foregone. The alternative is to leave current cash processing arrangements in place.

'... the resources must follow the responsibilities...'

22 In all revisions of administrative arrangements, the resources must follow the responsibilities. Whether in the education service or elsewhere in the authority, it is equally important to increase staffing and associated resources where new responsibilities are assigned and to reduce staffing and resources where responsibilities are shed. For example, where schools take over administrative duties from the LEA centre, full-time or part-time support from a bursar may be appropriate.
**INTRODUCTION OF DELEGATION**

23 The legislation will require LEAs to work within a tight timetable: most LEAs must submit schemes by September 1989 and move to full implementation no later than April 1993. This requires much quicker action than any LEA has achieved so far. Solihull began their scheme in 1981 and Cambridgeshire in 1982, and neither has done as much as the law is likely to require. While those authorities’ experiences are already proving valuable to others, both emphasise that their schemes’ development is far from complete.

24 LEAs need now to schedule the introduction of their schemes so that key elements are not skimped. The key elements are:

- consultation
- phasing
- training and
- central support for delegated school management.

**CONSULTATION**

25 The experience of those involved in developing the existing schemes of delegation has shown the importance of explaining their principles and practices to governors and head teachers. Authorities will therefore find it valuable — and timesaving in the long run — to consult extensively before they settle on the structure of their delegation arrangements. The consultation must be designed to ensure that head teachers and governors are satisfied with the process for allocating budget shares. It may not always be possible to secure unqualified support for the process but school management needs to be convinced that their budget shares could enable them to provide education in accordance with Government and LEA policies. Exhibit 4 shows the kind of issues which should normally be the subject of consultation.

**PHASING**

26 The Department of Education and Science (DES) has laid down a clear framework for the implementation of schemes of delegation. For most LEAs the scheme is to come into force on 1 April 1990 and to be fully implemented for all schools by 1 April 1993. Schemes may specify dates during the intervening three years for delegation to take effect in different schools but once delegation takes effect in any school it is required to be total, i.e. the school must then have control over the whole of its budget share.

27 The Commission believes that LEAs should have the option of choosing to phase across schools or across budget heads or both (at least one authority intends to do the latter).
Phasing across budget heads need not conflict with the DES framework so long as the LEA scheme does not show delegation as taking effect in any individual school until the phasing of delegation across budget heads is complete for that school. In other words, the LEA may gradually delegate management authority as long as the formal entry of a school into the scheme only takes place when arrangements for its whole budget are in place.

"...the scheme is to be fully implemented by 1 April 1993..."

TRAINING

28 It is certainly none too soon to begin planning and budgeting for the training of head teachers, governors, education department officers and relevant officers of other departments. A partnership of the Chartered Institute of Public Finance and Accounting, the Local Government Training Board and the Society of Education Officers will be producing training material and other guidance for schools later this year. However, some of the content of training material can only be finalised once key contextual issues have been settled such as:

— the precise legal status and powers of governors (e.g. the extent of their liability to personal penalties);
— the position of governors in relation to employment legislation, including modifications to legislation made by Order of the Secretary of State under the Act;
— the relationship between schools and the various departments of the authority, including the contractual or quasi-contractual position.

CENTRAL SUPPORT

29 Some LEAs have judged it worthwhile to appoint central staff dedicated to assisting with the establishment and running of their delegation schemes. The limited experience available suggests that the employment cost of these staff varies between about £50,000 and £90,000 per annum and is not closely linked to the number of schools in the scheme. The three key roles of such staff have been:

— responding to practical ad hoc enquiries from schools and sometimes from other staff;
— contributing to training;
— maintaining the impetus of the programme in the face of problems which initially arise.

30 There is no doubt that the work of delegation scheme staff, where they have existed, has been valued by staff in schools. There is also a benefit to the LEA as a whole because the delegation 'team' rapidly develops a thorough understanding of the operation of the scheme—understanding which can be tapped when extensions and other changes are being planned. But there is a danger that the team will come to assume a disproportionate role in the formulation of policy. If such a team is appointed, it is essential for it to have a clear brief within the mainstream of the LEA management structure and a finite life. Some LEAs may judge it better to avoid the use of dedicated staff and to provide any necessary support from within the overall revised structure of the LEA.

31 All these are essentially practical questions. They will require quick solutions, since the required timetable is short. The key skills will be careful planning and accurate implementation. Two major questions will, however, stretch the abilities of senior management—both politicians and officers—to the limit: the definition of a resource allocation formula, and the redefinition of the LEA's residual role, particularly in relation to its inspectorate functions. The experiences of existing schemes help in the former case, though no existing schemes meet the new requirements. But there is no useful precedent to guide authorities to a solution of the latter problem.

LEA ALLOCATION OF BUDGET SHARES TO SCHOOLS

32 In devising a resource allocation formula, each LEA needs to ensure that the formula is suitable for all schools in the scheme—whether or not they manage delegated funds and no matter how small they may be. It is important to note that budget shares must be allocated to all schools, even those not now considered large enough to manage them independently.

33 The allocation process, and in particular the formula, must relate to a realistic assessment of the level of resources needed by each school to provide education in line with national and local policy. Unless there is a clear
The link between resources and what schools are called upon to deliver, it will not be possible to hold schools to account. Furthermore, the appreciation that such a link exists can help motivate governors and head teachers.

The Commission believes that it is perfectly possible for authorities to formulate schemes of delegation which relate resources to assessments of need without conflicting with two basic requirements:

- the ability of the LEA to contain the aggregate of all schools' budget shares within a laid-down total; and
- compliance with the DES stipulation that formulae be clear and be linked to pupil numbers weighted for differences in age.

On the first requirement it is argued that a needs-based approach, such as activity-led staffing, can lead to unacceptably high financial demands. A preliminary appraisal of needs may indeed point to a resource requirement in conflict with a laid-down LEA total budget—i.e. indicating an unacceptably high total spend. But this does not have to be the end of the process. A second needs-based appraisal can then be made, less generous in its assumptions about schools' provision than the preliminary appraisal. For example, the preliminary appraisal might assume maximum class sizes in primary schools of 28 pupils where the age range was 12 months or less and 25 pupils where the age range is wider. If the LEA judges that relaxation of these limits is less damaging than other ways of tightening provision, it could base a second appraisal on assumed maximum class sizes in primary schools of 30 pupils (age range up to 12 months) and 27 pupils (wider age range). If the level of spend indicated by the second appraisal still does not match the laid-down total, a third appraisal can be made, based on a new adjustment to postulated provision. The process continues until an allocation is achieved which can be contained within an acceptable total. This iteration between available resources and enabled provision is already widely used in budgeting, particularly capital budgeting. It informs the debate on resources and service levels which is as helpful to the case for resource reduction as it is to the case for higher service levels. It is especially helpful to discussion about changes in LEA priorities. As all education authorities recognise, changes in priorities, both local and national, rightly have a major impact on budgets and on longer-term plans.

If the LEA has established a mechanism for needs-based determination of annual budgets, that mechanism can be readily adapted for separate use in long-term planning.

...it is possible to formulate schemes of delegation which relate resources to assessments of need...

It may also be argued that a needs-based approach conflicts with the movement towards greater local autonomy. But this need not be true. However its budget is calculated by the LEA, the school will retain the right to spend it as the governors and head teacher see fit.

The DES requires that the 'central determinant' of need 'should be the
number of pupils in each school, weighted for differences in their age'. It also requires that 'the basic rules of the formula should be simple, clear and predictable in their impact'. Although the derivation of a needs-related budget formula is complex, it is entirely possible to reduce its result to a formula which complies with both these requirements. A more detailed discussion of the way this can be done will be included in the Commission Controller's letter to LEAs.

38 One of the major discussion points in authorities which have implemented delegation schemes is the costing of teachers. The Draft Consultative Document says:

'The formula will need to allocate resources on the basis of average figures for items such as teachers' pay, but the scheme should give schools an incentive to manage the total resources under their control effectively by charging actual sums (including actual pay) against the school's budget.'

39 This requirement, if confirmed in the final version of the Document, will be difficult to meet in practice. Exhibit 5 shows how incremental drift (which schools do not control) can upset a school's budget. The Commission would favour the adoption of schemes based on the principle that the LEA acts as a non-profit-making broker of teachers. It 'buys' teachers on the market at market rates (i.e. at their current positions on the incremental pay scale) and 'sells' them to schools at a fixed price which just covers its costs, i.e. at authority-wide average rates. This mechanism is displayed in Exhibit 6. By this means arbitrary 'windfalls' or 'penalties' in individual schools arising from the age and service profile of their staff may be offset at the authority level.

'...incremental drift can upset a school's budget...'

40 LEAs currently allocate a portion of their resources in pursuit of particular policies (e.g. policies to make instrumental music tuition available through peripatetic teachers) or in recognition of certain schools' circumstances, such as social deprivation. The legislation as drafted does not preclude this type of allocation but it will have to be accommodated in the new management arrangements in
one of two ways. One way is for the budget share formula to contain provision for the allocation, in which case the funds will not be earmarked for any specific use. The second way is for the resources to be allocated as a discretionary exception outside the formula, in which case their use can be earmarked. The Government proposes to limit the total value of discretionary exceptions. The Commission's view is that LEAs should feel free to exercise their own discretion within the Government limits where they have particular policies which may be most effectively pursued through earmarked funding.

**THE ROLE OF THE LEA INSPECTORATE**

41 One of the major questions which LEAs will need to resolve very quickly is the future role of their inspection of, and advice to, schools. Hitherto LEAs have been able to direct and influence schools partly through their inspectorates but partly, too, through specific control of the resources used. For example, an LEA can respond to deficiencies it perceives in schools by altering the balance of expenditure across the authority between laboratory technicians and library books; it can even purchase a particular piece of equipment for use in a particular school.

42 Under the Bill, LEAs will lose much of their control of the use of resources in schools. But they still have a responsibility to ensure that all pupils are being educated satisfactorily and in accordance with local and national policies, to which the National Curriculum is of course central. They will have to pay even greater attention than previously to educational outcomes in schools. This will have a number of consequences for inspectors (more usually known as advisers) and for other LEA staff.

'...LEAs still have a responsibility to ensure that all pupils are being educated satisfactorily...'

43 First, as matters stand, inspectors fill two roles: they inspect schools and report to the authority and they support schools with advice and certain types of practical help. The balance between these two roles varies widely from authority to authority but there is little doubt that in most LEAs it will have to change. Formal inspections will have to be undertaken more often, there will be a need for more systematic record keeping (of formal inspections and of informal visits to schools), and inspectors will be less involved in awarding resources to schools. Inspectors will, as hitherto, act as officers of the LEA, but school governors can be expected to take an increased interest in their findings. LEAs will no doubt make arrangements to keep governors properly informed.

44 Secondly, the roles of other LEA staff will be affected. The transfer of the specifically advisory role from inspectors to advisory teachers has already begun and will accelerate. There is to be a mandatory exception to delegation of expenditure on advisers and inspectors but not to expenditure on advisory teachers.

45 The role of education officers will also be affected by the changed role of local inspectorates. At the same time as losing some of their dirigiste duties in relation to schools, they will take back certain executive functions which have been assumed by inspectors. Since monitoring of educational outcomes in schools has to take place against the background of resources applied, liaison between those involved in both kinds of monitoring will need to be strengthened.

**CONCLUSION**

46 In a short paper it is impossible to cover all the details of the challenge authorities will face in implementing the Government's legislation. Nor is it possible to describe solutions which will be generally applicable across authorities. Circumstances will differ markedly depending, for example, on the number and size of schools, on the impact of the lifting of capacity constraints and on the number of schools which give notice of their desire to opt out of the local authority system and into grant-maintained status.

'...probitysafeguards and valuefor money will be important features of any scheme of delegation...'

47 But it is not, in any event, the Commission's aim — nor is it its proper role — to produce a blueprint for authorities to follow. Rather the intention is to pull together experience the Commission has gained in its earlier work on education, and in its current project on education administration, in a way which will be helpful to members and officers who are beginning to think hard about the choices and problems they face.
48 As the legislation proceeds, and the Commission's own work evolves, further guidance may be appropriate, in addition to the letter from the Commission's Controller to LEA chief officers. And local auditors will be briefed to discuss with their authorities both the essential questions of local financial accountability and the broader issues of continuing to strive for economy, efficiency and effectiveness in the use of resources. Both these elements—probity safeguards and value for money—will be important features of any scheme of delegation.
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