held in trust
the LEA of the future
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After nearly a decade of change and uncertainty, recent government policy initiatives have given LEAs a renewed purpose and role. LEAs now need to rise to this challenge.

LEAs differ widely in how well prepared they are for the task ahead. Not all LEAs provide the leadership and direction needed, the effectiveness of advisory services is often not monitored and services to schools vary widely in how much they cost and the satisfaction that they give.

The future success of LEAs will depend on the quality of their underlying processes and culture. LEAs need to focus on developing and honing their skills of policy and direction, resource management and performance review.
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Preface

What will the LEA of the future look like? During a decade of school empowerment, the role and worth of LEAs has been challenged as never before. Yet, more recently, there has been a sea change in the debate. Government has confirmed that LEAs have an important part to play and spelt out what it expects. In particular, LEAs have been given a key role in raising educational standards – much of the battery of recent policies and legislation has been framed around this objective. LEAs are now starting to tackle this new and challenging agenda.

To stimulate debate about the next steps for government and LEAs, the Commission published *Changing Partners: A Discussion Paper on the Role of the LEA* in January 1998 (Ref. 1). Reflecting the changes in policy and legislation that have occurred since *Changing Partners*, this report switches the focus from questions about the role of LEAs to how LEAs can respond most effectively to the agenda that they now face. Taking as its starting point the model of an effective LEA first floated in *Changing Partners*, the report begins by examining where LEAs are starting from; as organisations that have been around for nearly a century, LEAs are not starting with a blank sheet. The report sets out and measures the performance of a sample of LEAs to explore the issues that they face. It then moves on to consider what LEAs can do to meet the new agenda successfully, focusing on how core processes such as policy and direction, resource management and performance review need to develop. A number of case studies of emerging practice are also presented in the interests of stimulating an exchange of ideas and information between LEAs. The report will be of interest to LEAs in both England and Wales, but does not explore in detail all the differences in context, financing and policies between the two.

The report is based on new research material and the experience of LEA inspections undertaken in England jointly by the Commission and the Office for Standards in Education (OFSTED). The evidence is drawn from detailed fieldwork in nine LEAs (including interviews with LEA staff, school headteachers and a review of documentation), surveys of schools' opinions in 21 LEAs, and an analysis of expenditure in a larger sample of 27 LEAs.

The study team comprised Nick Ville, Robert Arrowsmith, Steve Warburton, Dave Barlow and Ian Mackinder from the Commission’s Local Government Studies Directorate, under the direction of Bob Chilton. However, this report would not have been possible without the foundations laid by Greg Wilkinson. Professor Maurice Kogan, Robert Barr and John Evans provided valuable consultancy assistance.

In preparing this report, the Commission has benefited from the insights and guidance provided by members of the study advisory group (Appendix 1). It has also been greatly assisted by the helpful co-operation of the LEAs visited. The Audit Commission is also grateful to the bodies and individuals who gave advice and commented on drafts of this report. As always, responsibility for the content and conclusions rests with the Commission alone.
A New Agenda for LEAs

Since their creation nearly a hundred years ago, LEAs have had some notable successes. However, more recently the emphasis has shifted from innovation and expansion to a concern with the quality of education.

After the 1988 Education Reform Act, LEAs faced a period of uncertainty over their role and future. Yet recent government initiatives have given LEAs a renewed purpose and a fresh opportunity to make their mark.
1. Education matters to children, parents and society as a whole. The quality of the educational experience has a major effect on personal enrichment and fulfilment and is central to the success and well-being of both the individual and society. Although the classroom is at the heart of the education process, local education authorities (LEAs) provide the foundations for educational success, since they organise and fund the local education system. Recent local government reorganisation has left 172 LEAs in England and Wales. They range in size from small authorities such as the City of London, with only one school, to large-scale LEAs such as Lancashire, with 785 schools. Nearly £20 billion of public money is spent by LEAs (Ref. 2), some £15 billion of which is delegated to schools to support the education of over eight million children.

2. Since their creation nearly a hundred years ago, LEAs have had some notable successes. An education system largely limited to providing elementary education has been transformed into education for all until age 16. LEAs contributed significantly to the expansion of further and higher education – over one-third of pupils (Ref. 3) now obtain a place in further and higher education. This achievement is all the more remarkable when set against the background of the growth in the school-age population, particularly during the baby-boom period after the second world war. LEAs have also been instrumental in co-ordinating the recent expansion of pre-school education. Even so, in recent years the role and future of LEAs in England and Wales has been questioned as the emphasis has shifted from innovation and expansion to a concern with the quality and consistency of education.

3. Over the course of the twentieth century, the development of LEAs has been shaped by a series of landmark pieces of legislation. Particularly important to the recent history of LEAs has been the 1988 Education Reform Act. The Act introduced a number of major changes including the local management of schools (LMS), grant-maintained status (GM), open enrolment and the National Curriculum. Much of the Act was based on the view that competition between empowered schools would ratchet up performance when reinforced by pupil-led funding. Direct LEA control of the resources, people and buildings available to schools and colleges was reduced, but little reference was made to the continuing role that LEAs

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I LEAs were created by the 1902 Education Act and came into being in 1903.

II This report focuses on LEAs, but other partners in the education system, such as diocesan authorities and higher education institutions, have also made a significant contribution to the development of the education system during the nineteenth and twentieth centuries.
would need to play in the new world. Uncertainty was compounded by the departure from LEA control of further education (FE) colleges, sixth form colleges and over 1,200 GM schools (Refs. 4 and 5); the latter trend was accompanied, in England, by the creation of the Funding Agency for Schools. Against this background, a debate developed on the future role and powers of LEAs to which the Commission contributed the report, *Losing an Empire: Finding a Role*, which was published in 1989 (Ref. 6).

4. In the absence of a clear view from government of the part that LEAs should play in the new world, individual LEAs largely found their own way. Inevitably, this trend has led to a wide divergence in how LEAs interpret their role, and different approaches have become apparent [EXHIBIT 1].

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1 First described in the recent Commission think-piece on the role of LEAs, *Changing Partners: A Discussion Paper on the Role of the LEA* (Ref. 1). The paper is considered in more detail later on in this chapter.
The limitations of a school-driven model... without a clear LEA role became increasingly apparent.

5. Traditionalist authorities have attempted to preserve an approach based on controlling a disempowered set of schools and have frequently delegated the minimum possible to schools. On the other hand, minimalist authorities have withdrawn from many areas of the education process, leaving schools to find their own way, and have correspondingly delegated a high level of resources. Enabling authorities continued to play an active role, but only in response to the wishes and aspirations of schools. The effect in some authorities has been dramatic, with a paring down of LEA central services, such as curriculum advice, as the LEA retreated or schools chose not to purchase services from them. Over the last four or five years, some LEAs have developed a fourth approach – partnership. This approach combines the empowerment of schools with a proactive LEA.

6. As the 1990s progressed, the limitations of a school-driven model of education without a clear and complementary LEA role became increasingly apparent. This first emerged in the area of educational attainment. With greater financial and managerial responsibility, schools were increasingly held accountable for their performance. A key trigger was the Parents' Charter, introduced in 1991, which promised exam performance tables and the regular inspection of every school. The first league tables of secondary school exam results followed in 1992, and the programme of school inspections by OFSTED and the Office of Her Majesty's Inspector of Schools in Wales (OHMCI) commenced in 1993. The inspections and league tables exposed wide variations between schools in levels of pupil attainment [EXHIBIT 2]. Some schools had...
impressive success stories. But others were classified as failing and put on 'special measures'. The need for some external help for under-performing schools became more evident; the introduction of national targets to improve attainment at Key Stage 2 by the year 2002 will reinforce this trend.

7. LEAs always had, and continue to have, roles and responsibilities beyond school management and achievement. These include non-school responsibilities, such as student grants and adult education, and long-standing, statutory, supra-school issues, such as the planning and provision of school places and asset management, as well as direct services for pupils, such as statements of special educational need, ensuring attendance at schools, school transport and educating permanently excluded pupils. In the period after the Education Reform Act, many LEAs faced growing pressure to issue more statements and to educate rising numbers of permanently excluded children. The shift in the power balance between LEAs and schools rendered previous ways of working to address these problems less effective or inappropriate.

8. After nearly a decade of change and uncertainty, the question of the role of LEAs began to return to the limelight. The process began with the consolidation of existing LEA powers in the 1996 Education Act and the acknowledgement in the 1996 Education White Paper, *Self-Government for Schools*, that 'the Government sees a significant continuing role for LEAs' (Ref. 7). The 1997 Education White Paper, *Excellence in Schools*, developed further the question of the role of the LEA in a world of empowered schools. While making it clear that responsibility for school improvement rests with schools themselves, the 1997 White Paper suggested that schools would be more effective if they worked in partnership with LEAs, OFSTED and the DfEE. It further argues the importance of the LEA's role in driving up standards:

*The LEA's task is to challenge schools to raise standards continuously and apply pressure where they do not. That role is not one of control. Those days are gone. An effective LEA will challenge schools to improve themselves, being ready to intervene where there are problems, but not interfere with those schools that are doing well* (Ref. 8).

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I ‘Special measures’ are required where a school is failing, or likely to fail, to give its pupils acceptable standards of education. OFSTED estimates that 2–3 per cent of schools are failing; a further 10 per cent have serious weaknesses in particular areas and about one-third are not as good as they could be.

II The equivalent White Paper in Wales was *Building Excellent Schools Together*. 

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9. Subsequent legislation such as the Schools Standards and Framework Act 1998 and associated policy initiatives on planning, relationships, resources and inspection have expanded on the ideas expressed in the 1997 White Paper [EXHIBIT 3]. There are some differences in the policy framework between England and Wales, but the broad thrust of the policy initiatives is similar [BOX A, overleaf]. The role of LEAs in relation to their partners in the educational process has also been addressed. *The Code of Practice on LEA–School Relations* outlines a set of principles on which the relationship between an LEA and its schools should be based (Ref. 9).

10. The Government has also now given an overview of the roles and responsibilities of LEAs in its recent paper, *Fair Funding: Improving Delegation to Schools*. The paper groups the statutory responsibilities of LEAs into six main categories, with funding aligned more closely with these responsibilities:

- **strategic management**: the overall management of the LEA’s responsibilities including corporate planning; cross-service planning; financial duties such as budget preparation, financial monitoring and closure of accounts; and activities related to the local democratic process;

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**EXHIBIT 3**

*Recent developments in government policy on LEAs*

There are four main strands to government policy development.

* EDPs – Educational development plans
  ESPs – Educational strategic plans

*Source: Audit Commission*
BOX A

A summary of government policy initiatives in Wales

The policy initiatives in Wales cover the same areas and are broadly similar to those in England. However, there are several key differences. A different approach to LEA inspection is emerging in Wales. OHMCI has undertaken an overview of all Welsh LEAs and is intending to follow up with targeted inspections on key priorities, such as numeracy and literacy, rather than giving an overall assessment of each LEA’s performance on school improvement. In place of education development plans (EDPs) are education strategic plans (ESPs). ESPs are similar to EDPs in England, but are the subject of separate guidance from the Welsh Office. The guidance on the content of statutory ESPs has been prepared in the light of experience gained in the development of shadow plans during 1998. There is a separate Code of Practice on LEA–School Relations for Wales.

Source: Audit Commission

- **access to education**: securing a satisfactory education infrastructure by planning and supplying school places, managing the capital programme, preparing the LEA’s asset management plan, organising the admission process and appeals, providing home-to-school transport, ensuring attendance at school and offering grants for clothing and boarding;

- **school improvement**: promoting school improvement through preparing and delivering an EDP/ESP, negotiating targets with schools, monitoring the performance of schools, supporting those schools causing concern or with serious weaknesses. The intention is that support and intervention by LEAs should be in inverse proportion to success;

- **services to schools**: in response to requests from schools, securing the support services that schools need, such as finance, personnel, curriculum support and premises related services. *Fair Funding* makes clear that funding for services to schools should be delegated;

- **special education**: services for pupils with difficulties that require additional support including statementing of pupils, education psychology services, preparation of behaviour support plans, education other than at school and pupil referral units; and

- **non-school services**: offering other educational services such as adult education, the youth service, student awards and nursery education.
11. The picture that emerges is complex [EXHIBIT 4]. LEAs secure a wide range of educational services encompassing early years education, education at school, access to further and higher education, community education and lifelong learning, and managing the interfaces between these sectors. As an integral part of the local authority, the LEA’s policies and funding have to reflect the views of local communities as expressed through the political process, and take a view that addresses cross-cutting issues, such as community safety, and links education with other key services such as social services and housing. The LEA also manages important partnerships with FE and sixth-form colleges, training and enterprise councils (TECs), the business community, voluntary sector and health service. On the schools side, LEAs have to operate at several different levels in the education process simultaneously, concerning themselves with the needs of individual pupils, support and challenge for schools and, at supra-school level, regulating the supply of places and admissions. The picture is still evolving, with other government initiatives such as the modernisation of local government, best value, social exclusion, drugs, community safety and youth justice likely to influence the further development of LEAs.

EXHIBIT 4

Government policy on LEAs

LEAs are complex organisations that secure a wide range of educational services.

Source: Audit Commission
12. The full implications of recent developments in the policy framework for LEAs will become apparent only when policies are put into practice in every LEA. There are in-built tensions, with scope for wide interpretation, that need to be resolved – for example, striking a balance between school self-management and partnership working with the LEA: these issues may prove more tractable in practice than in theory. Steering a course on which the Government, LEAs and schools can all agree is likely to be a challenging task.

13. As part of its work in the field of education, the Commission has undertaken extensive research into the changing role of LEAs. LEAs have many long-standing roles – planning school places, provision for the under-fives, special educational needs (SEN) – which are important to their future, but which have been the subject of previous Commission reports. In the light of recent developments in the role of the LEA, the Commission has undertaken further specific research into LEAs. The conceptual thinking emerging from the first phase of the research was set out in Changing Partners: A Discussion Paper on the Role of the LEA (Ref. 1). During a period of major legislative and policy change, the Commission felt that such a discussion paper would be helpful. That report explored five key questions:

- what the role of LEAs should be;
- what LEAs need to do to perform their role effectively;
- how LEA performance can be measured and assessed;
- how LEAs should be held accountable; and
- how LEA responsibilities and powers can best be aligned.

Responses since the paper's publication give general support to many of its ideas[BOXB].

14. The current report presents the results of the second phase in the Commission's programme of research into LEAs. Reflecting the changes in policy and legislation that have occurred since the publication of Changing Partners, the focus has switched from questions about the role of LEAs to how LEAs can respond most effectively to the new agenda. Taking as its starting point the model of an effective LEA as set out in Changing Partners, this report addresses two key questions:

- **Where are LEAs starting from?** While LEAs have only just begun to address the new agenda, and it is premature to judge their success, many issues are long-standing, and there are useful lessons to be learnt from current practice. Juxtaposing evidence from a number of sources, the report reviews the current performance of LEAs against the roles that they have been given and provides a checklist of performance issues.

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1 Appendix 2 gives a synopsis of the arguments in Changing Partners.
BOX B

Responses to Changing Partners

The Commission invited responses to 20 key questions from LEA officers and members, heads and governors and national policymakers and opinion-formers. The responses were broadly positive; the replies are summarised below under five main headings.

Role
LEAs broadly agreed with the Commission’s description of the different facets of their role and expressed little desire for a more prescriptive job specification than the one already evident in government papers. LEAs felt that such prescription would inhibit innovation and the development of local solutions for local problems.

Culture and processes
LEAs agreed strongly that culture and trust were at least as important as the management processes used by the LEA. While there was a great degree of agreement on the importance of culture and trust, LEAs pointed to the difficulty and intangibility of the subject. Others pointed to the challenge that some LEAs may face in reintegrating GM schools.

Measurement
Respondents stressed the need for a wide variety of indicators and benchmarks to measure the effectiveness or otherwise of LEAs. However, many caveats were placed on their use, particularly the need for contextual information.

Accountability
LEAs stressed both the need for a coherent overall national structure for performance review focused around the EDP/ESP and a stronger role in the process for self-review, possibly validated by external inspection. Unsurprisingly, LEAs tended to opt for clear and absolute measures of failure, such as failure to discharge statutory duties.

Responsibility and powers
Few LEAs argued for an extension of the powers that they already possess. Headteacher appointments were the only area where there was substantial concern about a lack of LEA leverage over school governing bodies.

Source: Audit Commission
LEAs are at the start of a major change programme.

- **What can LEAs do to meet the challenge successfully?** LEAs are at the start of a major change programme with a number of hurdles ahead of them. As Changing Partners suggested, it is an LEA's strategy, processes and culture that are critical to its success; the plans and budgets required of LEAs are simply one outward expression of their effectiveness. The report delves beneath the immediate tasks facing LEAs to examine how policy and direction, resource management and performance review need to develop.

The remainder of the report is built around these two questions, with Chapter 2 examining the current starting point of LEAs and Chapter 3 focusing on the next steps for LEAs.

15. The report has been written with the needs of LEA officers and members in mind, although parents, teachers, headteachers, governors and policymakers are likely to find it of interest. It concentrates mainly on the schools-related aspects of the LEA's role. This reflects both the current focus of government policy and the importance of the schools sector to LEAs – schools-related expenditure accounts for over 90 per cent of LEA spending. The report limits itself to consideration of four of the six roles set out in *Fair Funding*: strategic management, school improvement, support services and special education. Lifelong learning would merit more extensive and separate analysis in its own right, and the Commission has already addressed some of the issues facing LEAs in managing access to education (Refs. 10 and 11). LEAs have a complex and multidimensional role in education, and this report should not be interpreted as a comprehensive view of all of their many facets.

16. As LEAs approach their centenary, they have much to be proud of, but there are concerns with the quality of education and the balance that must be struck between the needs of schools and the interests of individual pupils. After nearly a decade of uncertainty over their role and future, LEAs have been given a fresh opportunity to make their mark. The next chapter examines how well LEAs are currently performing against their new roles.
Measuring Up to the Challenge

The processes and culture of LEAs are key to their future success. They are also vital to the foundation of effective partnerships with schools, which are based on mutual trust and respect. Yet LEAs differ widely in how well prepared they are for the challenges ahead. Not all LEAs provide the leadership and direction that local education services need, the effectiveness of advisory services is often not monitored and services to schools vary widely in how much they cost and the satisfaction that they give.
17. Throughout 1998 the Government announced a series of major policy developments which set LEAs a new and challenging agenda. LEAs have a lot of work already in hand. As yet, it is too early to make judgements about the success of their response. But if they are to come to grips with the new agenda, each LEA needs to understand where it is starting from. This chapter is designed to help LEAs to answer that question by looking at some of the techniques that are available to measure their effectiveness and examining the implications of evidence gathered from Commission research and the programme of joint inspections. Undoubtedly more and better data will come to light as the changes are implemented and as the understanding of LEA effectiveness deepens. This report ensures that all LEAs have equal access to the evidence currently available and can use it to inform their own thinking and development over the coming months and years.

Evaluating the effectiveness of LEAs

18. Assessing how well a complex organisation such as an LEA performs is not a straightforward task. Changing Partners began the process of evaluating LEAs by setting out a possible model of an effective LEA (Ref. 1). Although recognising that there is no single 'correct' path to ensure an effective LEA, Changing Partners suggested that the LEA's processes and culture are the key to its success [EXHIBIT 5]. At the heart of

**EXHIBIT 5**

The effective LEA

The LEA's processes and culture are the key to its success.

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**Source: Audit Commission**
an effective LEA is a partnership between empowered schools and a proactive LEA. This way of working is complex and requires heavy investment in relationships, effective communication and ‘influencing’. The goal is to achieve a relationship in which each of the partners trusts the motives, actions and judgements of the other [BOX C].

BOX C

Held in trust – the LEA of the future

‘Trust’ has been defined as ‘the expectation that arises within a community of regular, honest and co-operative behaviour, based on commonly shared norms, on the part of other members of the community’ (Ref. 12). In the context of an educational community, formed by an LEA and local schools, trust might be assessed with reference to:

- an LEA’s willingness to listen to the views of heads, governors and teachers;
- the extent to which schools are involved in forming overall policy and strategy;
- the extent to which schools are aware of, understand and support the LEA’s strategy;
- the openness of an LEA about its budget-making process;
- the degree to which schools feel that the funding formula is transparent and fair;
- the quality and extent of formal communication channels between the LEA and schools;
- the ease with which schools and the senior management of the LEA can make contact with each other outside of formal communication channels;
- the speed with which the LEA responds to school requests;
- the degree to which the LEA keeps promises and commitments made to schools in general and to particular schools;
- the degree to which schools are confident that the LEA is ‘on their side’ and will treat them fairly; and
- the extent to which schools receive consistent messages from all parts of the LEA – from members, officers throughout the education service and officers from other departments.

Source: Audit Commission, originally reproduced in Changing Partners (Ref. 1)
19. Responses to *Changing Partners* largely endorsed this view of an effective LEA. However, it is becoming increasingly clear that the notion of trust in a partnership does not mean that LEAs simply court popularity; it includes building a mature relationship that is based on mutual respect. The role of LEAs in promoting school improvement exemplifies this. For the minority of schools that are under-performing, the LEA may have to intervene in the management of a school. This may be unpopular with the school in the short term. Yet in the longer term, LEAs will win the trust and respect of their schools by discharging their functions effectively and demonstrating that their actions are guided by the best interests of both the school and its pupils – even at the cost of their own short-term unpopularity.

20. The remainder of this chapter considers the starting point of LEAs in respect of four of the six roles outlined in *Fair Funding*: strategic management, school improvement, services to schools and special education [see EXHIBIT 4, p11]. The *Changing Partners* model of effectiveness is taken as a template, and key dimensions of it underpin the consideration of each LEA role. In particular, resource allocation, efficiency and economy, strategy formation, partnership working, and LEA–school relationships are central to the analysis. In measuring LEA performance, the analysis draws on three main sources of evidence: a survey of expenditure in 27 LEAs, a survey of the views of over 1,500 schools and detailed fieldwork in nine LEAs [BOX D].
BOX D

Evidence used to explore the Changing Partners model of LEA effectiveness

A survey of the expenditure of 27 LEAs
The survey was designed before the advent of Fair Funding and was intended to make the resource—allocation decisions of LEAs more transparent and to examine the efficiency and effectiveness of LEA services. The survey involved a detailed analysis and re-presentation of LEA expenditure. Since the announcement of Fair Funding, the data has been adjusted to conform approximately to the new requirements. As services are delegated and budgets reviewed, it is likely that this picture will evolve still further.

A survey of over 1,500 schools
The survey explores LEA relationships with schools, the views of schools about LEA services, partnership working in areas such as special educational needs (SEN) and LEA strategy and information. On their own, the survey results do not give the whole story in any one LEA, as school opinions change over time, expectations vary, and sometimes LEA actions, although necessary, are unpopular with schools. But the survey does provide an important source of information about the state of LEA–school relationships, including the level of trust between them and a picture of the quality of LEA services that can be set alongside other evidence.

Detailed fieldwork in nine LEAs
The results of the surveys on issues such as strategy formation, resource allocation, service delivery, partnership working, relationships and efficiency were investigated in depth using interviews with LEA officers, visits to schools, reviews of documentation and background data.
Appendix 3 provides further details about the LEA expenditure survey and Appendix 4 sets out the schools questionnaire. The survey evidence was gathered in part during the course of Audit Commission research and in part from LEA inspections that have been undertaken jointly with OFSTED.

Source: Audit Commission
Strategic management

Strategic management comprises the LEA’s statutory responsibilities for the overall management of the LEA. This includes education planning, corporate and cross-service planning, financial duties such as budget preparation, financial monitoring and closure of accounts, and activities related to the local democratic process. One of the main relevant statutory provisions is set out in Section 13 of the Education Act 1996:

‘A LEA shall contribute towards the spiritual, moral, mental and physical development of the community by securing that efficient primary education, secondary education and further education are available to meet the needs of the population of their area.’

21. The LEA’s strategic management provides the foundations for success through the quality of the leadership that it offers, the clarity of its strategic direction and vision, the tone that it sets in its LEA-school relationships, and the skillfulness with which information is disseminated and communication channels managed. Despite concerns about the ‘bureaucratic burden’ involved, the cost of such strategic management in LEAs is low – 1 per cent of education spend, on average.¹ This area of LEA activity is perhaps the most intangible and difficult to measure, but its importance means that it cannot be overlooked.

22. The Government’s new policy framework has significant implications for the strategic management of LEAs. Drafting statutory plans, setting targets with schools, agreeing educational priorities and allocating resources all draw heavily on the LEA’s skills in strategic planning and partnership working. The growing importance of cross-cutting issues, such as social exclusion and regeneration, also draws on the LEA’s management capacity.

23. Drawing up plans that command the support of those that they affect, and which act as a springboard for action, is a challenging task. The planning agenda in LEAs is rapidly changing as they come to grips with producing more plans than ever before and face a new set of requirements. A number of LEAs have finely honed skills in these areas, but not all are equally accomplished. Reviews of plans and discussions with LEA officers and schools suggest that the quality of planning is variable both within and between LEAs. Some of the pitfalls that have been observed include:

¹ This excludes costs included in the DfEE’s strategic management category which have little bearing on the day-to-day cost of undertaking the statutory and regulatory duties of the LEA, such as the cost of premature retirement compensation. It is likely that this figure will increase as Fair Funding is implemented and strategic management costs that have been recorded elsewhere are moved under this heading.
The vision is not always linked to LEA practice.

- **unclear aims and too many priorities to provide an effective lead;** some high-level LEA strategic plans are vague and general, with long lists of priorities;
- **a strategic vision that is disconnected from planning and practice;** even where clearly articulated, the vision is not always linked to LEA practice;
- **weak action focus;** some LEA plans lack action plans to specify what is to be done, how, by whom and by when; and
- **insufficient shared ownership and understanding with schools;** some schools felt that decisions had already been taken and that their views would have little impact.

24. The schools' survey sought the views of schools about a number of dimensions of the LEA-school partnership including the communication of LEA priorities, whether priorities are followed through by action, the involvement of schools in forming policies, the effectiveness of communication channels and the quality of information provided by the LEA. Marked differences emerged between LEAs in the rating that they were given by schools for their strategic management, suggesting that not all LEAs have developed an effective working relationship with their schools [EXHIBIT 6, overleaf].

25. The results of the schools survey do not provide a complete view of the strategic capacity of LEAs. But their importance should not be underestimated. Schools are the LEA’s key partner in the local education system, and weaknesses in their relationship, whether real or perceived, should be explored with schools and set alongside other evidence about the LEA’s strategic capacity.

26. Strategic management is the foundation of LEA effectiveness. Against the background of an increasing need to plan and work in partnership with schools to deliver educational objectives, LEAs need to review the quality of their strategic planning and consider how their partnership with schools could be improved.
Schools' views of the strategic management of LEAs

Not all LEAs have developed an effective working relationship with their schools.

Source: Audit Commission survey of 1,500 schools

School improvement

The role of the LEA in promoting school improvement includes preparing and delivering an EDP/ESP, negotiating targets with schools, monitoring the performance of schools, and supporting schools that are causing concern or that have serious weaknesses. Support and intervention by LEAs should be in inverse proportion to success. The LEA’s duty to secure a balanced and broadly based curriculum in its schools is set out in Section 351 of the Education Act 1996. But most of the statutory provisions that are relevant to school improvement are set out in various sections of the School Standards and Framework Act 1998, and include:

Section 5 (insertion of Section 13A in the Education Act 1996):
‘A LEA shall ensure that their functions relating to the provision of [primary and secondary] education are exercised by the authority with a view to promoting high standards.’

Section 6:
‘Every LEA shall prepare an education development plan for their area.’

Sections 14/15:
‘LEAs may exercise powers of intervention in a school subject to formal warning, school with serious weaknesses, or school requiring special measures.’
School improvement is central to the future of LEAs.

27. Raising standards of educational attainment is at the heart of the current Government’s educational policy. Targets to raise pupil attainment at Key Stage 2 by the year 2002 have been set in both England and Wales, and a number of initiatives have been set up to support the process of school improvement, including the National Literacy Strategy and the National Grid for Learning. Against this background, the Government has made it clear that an LEA’s success will be judged largely in terms of the educational performance of its schools – school improvement is therefore central to the future of LEAs.

28. However, responsibility for school improvement lies with schools themselves as ‘only schools can deliver’ (Ref. 9). They may purchase LEA assistance to improve, but not all schools will take the initiative themselves. In a perfect world, where every school had the skills and grounding to improve continuously and to reach or exceed the national targets, there would be little need for LEA intervention. Yet experience suggests that schools vary in their capabilities. Reflecting this, the Code of Practice on LEA–School Relations (Ref. 9) envisages LEA intervention in inverse proportion to the success of the school. So how can LEAs make a difference?

29. Improving schools is a complex role for an LEA in which, at arms length, it seeks to influence the educational process through a combination of support and challenge. It has been argued that the impact of the LEA is too remote and indistinct to be of consequence. Certainly, the many factors acting on the educational process make for an often hazy link between LEA intervention and educational outcomes. Disentangling the impact of LEA support and intervention from the contribution of socio-economic background and aspirations, family circumstances, and the quality of education provided by schools is not easy [EXHIBIT 7, overleaf]. Careful and measured identification and assessment of the factors that contribute to improving attainment is thus required.

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I The aim of the National Literacy Strategy is to raise achievement in reading at KS2 so that, by the year 2002, 80 per cent of 11 year olds achieve Level 4 of the National Curriculum.

II The National Grid for Learning aims to ensure that schools have access to the latest information and technologies and to provide an area on the internet that provides educationalists with teaching and learning resources.
Improving educational attainment

The LEA is one of a number of factors that influence attainment.

Source: Audit Commission
30. In both Commission fieldwork and LEA inspections, schools acknowledge that LEAs can make a difference through their leadership and direction and by targeting support and intervention in areas such as school management, the curriculum and quality of teaching. LEAs look to their advisory and inspection services to provide the lead in these areas. This is not to deny the importance of other LEA services but, for the LEA’s role in school improvement, the advisory service is key.

31. In recent years, many advisory services have gone through a period of reorganisation and slimming down, partly as a result of the loss of the school inspection function to OFSTED and OHMCI and partly from reductions in the level of funding retained by LEAs. Some LEAs believe that their advisory resources are now spread too thinly and are tempted to restore them to something of their previous strength. But is the amount spent on advisory services the main issue? For schools, it certainly does not seem to be. Levels of satisfaction in schools do not relate to the amount spent by the LEA on the advisory service. Although judgements about the effectiveness of advisory services should not be based solely on the views of schools – as LEAs may necessarily find themselves in conflict with schools – few of the LEAs visited monitored the effectiveness of their advisory service. Hence, before they consider increasing funding levels, LEAs should first assess whether they are making the best of their existing advisory service, having regard to their need for the ‘core’ function of monitoring schools and meeting any further demands from schools for traded services.

EXHIBIT 8
Satisfaction of schools and expenditure on advisory services

Expenditure per pupil on advisory services is not related to schools’ satisfaction with these services.

Note: This is based on the net amount retained by LEAs for advisory services, including the cost of advisers, advisory teachers, curriculum support and training. The income received from services bought by schools makes no difference to the results.

Source: Audit Commission survey of 1,500 schools and patterns of expenditure in 21 LEAs
...active management is also required to ensure that the plans are delivered.

32. The future development of the LEA’s role in school improvement will be shaped largely by each LEA’s EDP/ESP. EDPs must include school-level targets, priorities for improvement, and an action plan. The plan should be informed by consultation with schools and other partners, and based on an audit of performance. The EDP/ESP sets an exacting agenda for advisory services which requires rigorous monitoring of schools, targeted support and intervention, and facilitating school improvement by securing support services that schools find helpful and will purchase. LEA advisory services are already changing in response to this new agenda, but it is a variable picture.

Monitoring progress

33. Advisory services cannot focus on raising standards and prevent schools from failing without an informed grasp of each school’s problems – effective monitoring is essential. Schools and LEAs have a welter of information available including school inspection reports, exam and test results, data on attendance and exclusions, budget monitoring, staffing decisions, parental complaints and school visits. Such information provides a valuable and objective addition to the day-to-day knowledge of the school. It can help LEA staff to get to grips with the issues facing a school, prioritise the use of resources and provide an early warning of problems. Discussions with LEA officers and advisers suggest a very variable capacity for capturing, managing and acting on data about schools. The schools survey and school visits confirmed this wide variation. Some LEAs were rated as between good and very good on both the data and guidance that they gave to schools, but several LEAs were rated as less than adequate in this respect.

Targeting support and intervention

34. The key principle underlying the LEA’s role in school improvement is that support and intervention should be in inverse proportion to success. Targeting resources based on an assessment of risk is essential, as the resources for advisory services will always be limited compared with those for schools. Many LEAs are reviewing the planning and targeting of adviser time as part of drafting their EDP/ESP. But active management is also required to ensure that the plans are delivered and clear priorities are set for the competing demands on adviser time. One of the concerns emerging from Commission fieldwork is the general paucity of reliable information on how advisers use their time and any associated evaluation of the outcomes of LEA support and intervention. Feedback from schools suggested that advisory services do not always consistently direct their efforts to schools most in need of it or give sufficient priority to work in schools, and that the effectiveness of help given to schools was variable. Without a comprehensive system for monitoring and evaluating the contribution of advisory services, LEAs will be less effective on the ground than they could be.
Facilitating self-improvement by schools

35. The greater the capacity of schools for self-improvement, the greater the chance of their success. Therefore, helping schools to improve is a key task of advisory services. Schools need resources to do the job. LEAs should distinguish between the funds that advisers need to monitor, challenge and rescue (the LEA’s role) and those allocated to ‘curriculum support’ and ‘training’. The latter should be delegated, so that schools can pursue their own improvement agenda. However, LEAs vary widely in the amount that they retain per pupil for advice, inspection, curriculum support and training [EXHIBIT 9]. Part of this variation may be explained by the needs of each authority and accounting differences. But there are also very different approaches to school improvement and levels of intervention between LEAs.

36. Given the importance attached to school improvement by the Government, it is clear that LEAs must make the most of their advisory services. As LEAs move forward on the school improvement agenda, they should review their skills in the gathering, analysis and dissemination of data, monitor and evaluate the work of their advisory service in raising standards, and ensure that schools obtain all the resources available to support their own improvement programmes.

EXHIBIT 9

Advisory service expenditure managed by LEAs

LEAs vary widely in the funding that they retain for advisory services.

Source: Audit Commission survey of expenditure in 27 LEAs
Services to schools

In response to requests from schools, this LEA role is concerned with securing the support services that schools need. A wide range of services is involved, including finance, personnel, curriculum support and premises-related services such as building maintenance and cleaning. Local authorities secure such services as part of their general duty under Section 13 of the Education Act 1996, combined with their general incidental power in Section 111 of the Local Government Act 1972, to:

‘do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any their functions.’

*Fair Funding* makes it clear that funding for services to schools should be delegated.

37. Schools are not self-sufficient institutions. They require skills and services from other sources, either because they cannot provide them, because it is more economic to share with others, or to concentrate on their core concern – educating pupils. Although operating indirectly on the education process, support services are important, as they provide the pre-conditions for educational success. Under *Fair Funding*, responsibility for purchasing support services rests with schools; the LEA’s role is to secure – in response to requests from schools – the services that they need. Funding for some services to schools is already delegated; under *Fair Funding* LEAs will have to delegate or part-delegate expenditure for central support services, premises, school meals and curriculum support [EXHIBIT 10]. A significant proportion of LEA expenditure is tied up in these areas; the DfEE estimates that nearly £1 billion could be delegated to schools as a result of *Fair Funding*. 
EXHIBIT 10

Expenditure retained by LEAs

Fair Funding will require LEAs to delegate or part-delegate expenditure for central support services, premises, school meals and curriculum support.

Notes: The figures given are expressed as a percentage of the expenditure retained by LEAs.

'Central support services' includes finance, IT, personnel, payroll, etc.

'Premises' includes building maintenance, school cleaning and grounds maintenance.

'Access' includes admissions, awards, home-to-school transport and education welfare officers.

'Non-school' includes nursery education, adult education and youth and community services.

Funding for insurance is retained by LEAs unless schools request otherwise.

Strategic management includes only the day-to-day cost of undertaking the statutory and regulatory duties of the LEA. Under Fair Funding, strategic management will also include the cost of insurance, premature retirement, supply cover and safeguarding.

Source: Audit Commission survey of expenditure in 27 LEAs
38. The future of these services will depend largely on the views of schools about their worth and effectiveness. At present, schools express variable levels of satisfaction with the services that they receive. Some LEAs appear to offer better services than others, and there are clear preferences between different services [EXHIBIT 11]: building maintenance and grounds maintenance receive, on average, lower ratings than central services such as finance and personnel services.

39. Even within a single LEA, satisfaction with a specific service, such as personnel, can be quite variable [EXHIBIT 12]. One explanation for this variation is the patchy quality of some services. Another factor is the often very different expectations between schools about the service that they can expect within the resources available.

40. More effective LEAs work closely with schools, tailoring services to their needs and clarifying what schools might expect within the resources available. Yet, elsewhere, basic information and assistance to help schools to purchase the service that best meets their needs is often not provided. The procurement of a wide range of different services is time-consuming, and many schools rely on the local authority to do it for them. Unfortunately, not all authorities have made the adjustment from a provider mind-set to that of an agent of schools, enabling them to obtain the best possible services, irrespective of source. A recent report by Cambridge Education Associates identified that, in some authorities, education departments and schools are seen as clients by the central

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**EXHIBIT 11**

**Schools' assessment of LEA services**

Satisfaction varies between services.

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*Source: Audit Commission survey of 1,500 schools in 21 LEAs*
Schools will undoubtedly start to challenge such differences.

departments that provide support services. In other authorities, the charges and level of support are determined solely by central departments (Ref. 13).

41. When the remaining funding for services to schools is delegated under *Fair Funding*, a further dimension to school satisfaction will emerge – value for money. At present, schools tend to gauge services on how well they meet their needs, without knowing how much they cost. Delegation is likely to reveal significant differences between LEAs in the cost of services such as financial or personnel services [EXHIBIT 13, overleaf].

42. As authorities start to implement *Fair Funding*, the reasons underlying such differences should become clearer. There are likely to be a number of contributory factors to disentangle:

- differences in the need to spend in areas such as building maintenance;
- the organisation of services subject to compulsory competitive tendering (CCT);
- the level of service provided – for example, IT support;
- the allocation of corporate overheads;
- the impact of diseconomies of scale in small LEAs; and
- differences in efficiency and effectiveness.

Whatever the reasons for the variation in costs, schools will undoubtedly start to challenge such differences and, particularly with the introduction of best value, want to obtain value for the money that they spend. In response, authorities need to examine closely how their costs compare and decide if they could offer schools better value.

**EXHIBIT 12**

*Schools’ assessment of personnel services in a sample LEA*

Satisfaction with a service such as personnel can be quite variable within an LEA.

*Source: Audit Commission survey of schools in one of 21 LEAs sampled*
Expenditure on financial services managed by LEAs

Delegation is likely to reveal significant differences between LEAs in the cost of support services.

Source: Audit Commission survey of 1997/98 expenditure in 27 LEAs

43. Fair Funding strengthens the accountability and transparency of the services that authorities provide for schools. There are significant differences between authorities in the level of schools’ satisfaction, how schools’ needs are addressed and the costs of services. LEAs need to address such differences if schools are to obtain best value from the support services that are currently available to them.

Special education

This role groups together LEA responsibilities for children with special educational needs, education psychology services, education other than at school (including pupil referral units), monitoring the provision for pupils with special educational needs in schools, preparation of behaviour support plans, and duties connected with children who are looked after by the local authority. A number of powers and statutory duties are involved, but in relation to special educational needs the main provision is Section 321 of the Education Act 1996:

'A LEA shall exercise their powers with a view to securing that, of the children for whom they are responsible, they identify those...[children with]... special educational needs, and [for whom] it is necessary for the authority to determine the special educational provision which any learning difficulty he may have calls for.'
44. Schools are the focal point of much of what LEAs do. However, LEAs also have an important and direct part to play in meeting the needs of individual pupils, particularly those pupils with special educational needs (SEN). Children with SEN constitute a significant proportion of the school population – an estimated one in five of children aged five to fifteen (Ref. 14). The large number of children with SEN makes the effective management of SEN a central feature of raising standards. Most children with SEN are educated in ordinary schools and receive additional help and support from the school. Yet LEAs have a direct and statutory responsibility for nearly one-quarter of a million children with SEN statements.

45. The LEA’s role in special needs has been influenced by recent policy developments in government. The 1997 Green Paper, *Excellence for All Children: Meeting Special Educational Needs* (Ref.15) emphasised the need to raise standards for all children, the value of working closely with parents, the importance of early identification and intervention of SEN, and supported increased inclusion. For the first time, *Fair Funding* will require LEAs to set out the total amount that they spend on SEN. EDPs will also set out how LEAs propose to support pupils with SEN. The recent publication of *Meeting Special Educational Needs: A Programme of Action* (Ref. 16) brings further changes for LEAs, including:

- developing a parent partnership scheme in which parents can obtain independent information and advice;
- establishing conciliation arrangements for resolving disputes with parents;
- publishing SEN policies, the level of SEN support normally available from both schools and LEAs, and the budget allocated to schools for SEN; and
- national guidance for LEAs on criteria for making statements of SEN.

Other government initiatives to tackle the marginalisation of the disadvantaged are also unfolding, including programmes to tackle social exclusion, ‘welfare to work’ policies and efforts to improve the education of children in care.

46. The proposals contained in the Governments’ *Programme of Action* will again throw the spotlight on SEN resourcing, policies, processes and the support offered to pupils and schools. The LEA’s role in SEN remains important and topical, but the Commission’s research and the programme of joint inspections suggest that greater transparency will highlight the differences in practice between LEAs.

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I The equivalent Green Paper in Wales was *The BEST for Special Education.*

II A similar document is planned by the Welsh Office.
Resourcing SEN

47. The amount budgeted for SEN has risen rapidly in recent years. Since 1992, SEN expenditure as a proportion of the general schools budget (GSB)\textsuperscript{1} has increased by one-quarter [EXHIBIT 14]. Additional expenditure on SEN is possible only by diverting resources from other services either in schools or in the LEA. It is unlikely that this growth can be sustained, and *Fair Funding* will make it increasingly difficult for LEAs to justify year-on-year increases in the expenditure that they retain for SEN.

48. Underlying the growth in expenditure is a 35 per cent rise, since 1992, in the number of children with statements. The growth in demand for statements is likely to have been fuelled both by rising parental expectations and by the incentive for schools to obtain additional resources for pupils with SEN. Some of the proposals in the Government’s *Programme for Action* will help to reduce the pressure for statementing – that is, the publication of non-statutory guidance on criteria for statements and the requirement for LEAs to identify the amount that they allocate for SEN in each school’s budget statement. However, LEAs will also need to work with schools to develop, monitor and resource school-based support more effectively than hitherto. A recent OFSTED report noted both a decrease in the practical advice provided by LEA advisers and inspectors and a lack of preventative work with schools and children with SEN (Ref. 17).

SEN policies and processes

49. Effective direction of SEN is essential if a wide range of interdependent services across mainstream schools, special and out-of-authority schools, and special units are to be co-ordinated effectively. Most LEAs have policies for SEN, but in some LEAs these are now outdated. Moreover, links between policy and practice are not always strong in the LEAs that were visited. For example, the time taken to process statements is still very variable between LEAs. There has been improvement, and some LEAs are very efficient, but nationally, only 48 per cent of draft statements are prepared within the statutory timescale of 18 weeks. There is also evidence that the LEA practice of increasing the inclusion of children with SEN in mainstream schools has had mixed success, and the amount of specialist provision continues to vary widely between LEAs.

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\textsuperscript{1} The GSB represents the amount spent by the LEA on schools. In April 1999 it will be replaced by the local schools budget.
LEA support for children with SEN

50. Although the LEA's first priority is to address the needs of children with SEN, it is also important that LEAs and schools forge an effective partnership to integrate the LEA's specialist input and resources with the ongoing support provided by the school. OFSTED research (Ref. 17) has identified that schools have made steady progress in implementing the SEN code of practice, but that the quality of school-based support for children with SEN is variable.

51. LEA services such as education psychology and learning support have been reviewed by the Commission as part of the programme of LEA inspections which it undertakes jointly with OFSTED. The inspections have revealed quite a variable picture between LEAs. Key dimensions of efficiency and effectiveness, such as service planning, management, expenditure, quality and level of service provided, differ widely – and services can be variable within the LEA as well. There are inherent tensions between schools and LEAs in the area of SEN because what is best for the individual pupil can be the subject of debate, but the interdependency of school and LEA support makes partnership working important. Some LEAs have been more successful than others in developing a partnership with schools in the field of SEN – as reflected in the views of schools about LEA support for pupils with SEN [EXHIBIT 15].

EXHIBIT 15
Schools’ assessment of LEA support for pupils with SEN

Some LEAs have been more successful than others in developing a partnership with schools in the field of SEN.

Source: Audit Commission survey of 1,500 schools in 21 LEAs
52. Special needs is an important test of the capacity of LEAs to meet pupil needs directly. LEAs face further changes in special education; its growing importance makes it even more important that LEAs review how effectively they are using SEN resources, update their SEN policies and tackle weaknesses in implementing them. LEAs will also need to work closely with schools to improve both the capability of schools and the effectiveness of their support.

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Summary

53. This chapter started by asking how well prepared LEAs are for their renewed role. Arguing that the partnership between empowered schools and a proactive LEA is the key to success, it has explored the LEA's roles of strategic management, school improvement, securing services for schools and its role in SEN. The picture emerging from analysing LEA expenditure, school opinions, documentary evidence and interviews with LEA staff is of a spread of performance in LEAs. Not all LEAs are starting from the same point, reflecting their recent history and divergent development. Some LEAs provide the leadership and vision needed, and for these LEAs the changes encouraged by government may simply consolidate good practice. Others will have to adjust to the new agenda, while a minority of LEAs have serious problems to address. Over the coming months and years, LEAs will need to take stock of their unique legacy and decide how they should move forward. LEAs can no longer directly control and dictate the shape of education, but they still have many means at their disposal to influence its development. The next chapter examines how LEAs can use those means to meet the challenge successfully.
Measuring Up to the Challenge

Strategic management

1. Do the LEA's plans:
   • set clear objectives and priorities?
   • link with working practices?
   • have a clear action focus?
   • have shared ownership and understanding in schools?

2. How do schools rate the LEA on:
   • communication of key priorities?
   • quality of its actions to deliver priorities?
   • involvement of schools in policy formation?
   • communication channels?
   • quality of information?

3. What steps are needed to develop further the LEA-school partnership?

School improvement

4. Does the LEA have a clear and comprehensive picture of each school's current performance?

5. What data is available to inform the targeting of LEA support and challenge?

6. How do schools rate the quality of support and intervention from the advisory service?

7. Is the use of adviser time monitored?

8. How does the LEA evaluate the effectiveness of advisory input to schools?

9. Is all the funding for curriculum support and training delegated to schools?
Measuring Up to the Challenge

Services to schools

10 How do schools rate the quality and value for money of the services that they receive?

11 Do schools have all the basic information and assistance that they need to obtain the best from support services?

12 Do schools have real choice over the source, level, volume and amount spent on support services?

13 Has the LEA delegated all the resources it can for services to schools?

14 How do the costs of services to schools compare with those of other, similar LEAs?

Special education

15 Is expenditure on SEN a large and increasing proportion of the GSB? Why is this so?

16 Does the LEA have a high number of statemented pupils? Does this reflect needs, or is it demand-led?

17 Do schools provide appropriate support and intervention for pupils with SEN?

18 How are schools held accountable for their performance on SEN issues?

19 When was the LEA’s SEN policy last reviewed? Does it need to be updated?

20 Are there action plans in place to secure the implementation of the SEN policy? How does the LEA know that implementation is effective?

21 Is the best use being made of the resources available for SEN, or could a better range of provision be developed?

22 How is LEA support for pupils with SEN evaluated?

23 How do parents and schools rate the LEA’s services for pupils with SEN?
The Next Steps

LEAs are facing major changes ahead. Beyond the immediate hurdles of preparing budgets and plans, they need to develop effective core processes. Policy and direction needs to be clear, practical and agreed; resource allocation should be based on explicit policies that reflect the split of responsibilities between LEAs and schools; and performance review should be robust and comprehensive, covering all aspects of the performance of both schools and LEAs.
The role and effectiveness of LEAs is becoming clearer. Chapter 2 set out a picture of mixed performance across service areas, LEAs and schools. It raised a number of key questions about performance. So what are the next steps for LEAs? Although LEAs have immediate hurdles to overcome, such as finalising EDPs/ESPs and budgets, they are at the beginning rather than the end of a change process. Much work remains to translate policies into practice and to refine thinking in the light of experience. Moreover, LEAs also need to look beyond the immediacy of government imperatives to ensure that they have the capacity to address the challenges ahead. Changing Partners identified the LEA’s strategy, processes and culture to be critical to its success (Ref. 1). This chapter explores how LEAs can develop their underlying core processes to tackle successfully their roles in strategic management, school improvement, services to schools and special education over the next few years [EXHIBIT 16]. There are a number of different core processes in LEAs but, for the purposes of analysis, they are grouped here into three broad areas:

EXHIBIT 16
The key core processes underlying LEA effectiveness
Good outcomes depend on the quality of key processes such as policy and direction, resource management and performance review.

Source: Audit Commission

1 Culture and trust are also very important to organisational effectiveness. Rather than treating these as separate entities, this section considers how processes can be used to achieve the desired culture and climate of trust as well as more tangible educational outcomes.
• **policy and direction**: setting the direction of the local education system by establishing a consensus of views, articulating and communicating a vision for the education service and delivering it through policies and practices;

• **resource management**: determining the shape and nature of education services by making explicit resource allocation decisions that are driven by educational criteria in an open and transparent manner, combined with an effective stewardship of resources; and

• **performance review**: empowering and supporting schools to be successful, holding them to account when they are not, and developing a parallel process for assessing the LEA's own performance.

55. The rest of this chapter will examine each of these key processes in turn, outlining how they can be developed to address the new agenda facing LEAs.

**Policy and direction**

56. LEAs are no strangers to the need to plan. The future of planning, however, is being strongly shaped by government requirements. LEAs face a number of different plans and initiatives that have to be developed and integrated [EXHIBIT 17, overleaf]. This section does not attempt to consider how LEAs might meet the Government's specific requirements in each of these areas, as this is already covered by DfEE guidance. However, it does set out how LEAs might navigate a sensible course through these new waters by developing a robust planning process.

57. Plans are a means of securing real improvements in services and are not an end in their own right. They must be clear, practical and agreed.

**Achieving clarity of purpose**

58. Most of the new plans required by government are concerned with specific functions of the LEA such as school improvement, asset management and behaviour support. If they are to cope with the demand for topic-specific plans, LEAs will need a high-level strategic plan that shapes and guides the whole process; simply producing a series of plans in line with government requirements will not provide the overall coherence required. The LEAs' strategic plan will need to:

• **balance LEA priorities** – a clear sense of priority across the different plans is needed to ensure that energy and resources are targeted. LEAs should also consider issues that are not covered by the national planning framework but which may be important to address locally – for example, SEN;
EXHIBIT 17

The new educational world

LEAs face a number of different plans and initiatives that have to be developed and integrated.

Note: This exhibit does not include plans that are required in respect of other local authority responsibilities such as children services plan, drugs strategy and crime and disorder reduction strategy.

Source: Audit Commission
• **co-ordinate the planning process** – the potential for overlap between plans in areas such as education action zones, school improvement and SEN makes incoherence and planning overload a real risk if the process is not given overall shape and direction; and

• **integrate with wider local authority policies and processes** – the LEA must ensure that its planning integrates with wider corporate processes and initiatives in areas such as best value, community safety and social exclusion. This is likely to grow in importance [CASE STUDY 1] as interest in cross-cutting issues increases and the best-value agenda comes to fruition in the form of best-value performance plans.

**CASE STUDY 1**

The potential of LEA leadership to develop a multi-agency approach to cross-cutting issues

Solihull is a small Midlands metropolitan borough (population 206,000) with a very mixed socio-economic profile, including a highly disadvantaged community in the north of the borough, Chelmsley Wood. A large post-war housing estate dominates the area, which has a high incidence of unemployment, anti-social and criminal behaviour, social benefit claimants and vandalism. Educationally, persistently low achievement and aspiration levels have been manifest in above-average truancy rates and low reading scores, examination results, and post-16 participation rates.

In the midst of this is a highly effective primary school, Coleshill Heath. Its organisation and ethos represent a highly sensitive and appropriate response to the needs of families and particularly of younger children in the school’s local community. The school provides for 431 5–11 year olds and 30 full-time equivalent nursery-age (pre-school) children. Each day the ‘Chuckles’ nursery caters for over 50 babies and infants, from four months old to ‘rising fives’, with opening hours of 7.30am to 6pm, operating 50 weeks a year. This is, essentially, a family centre, working closely with and through parents and offering educational support to parents as much as to babies and children.

The critical success factors and performance indicators of significant educational improvement are worth recounting. First, there was a clear analysis of educational needs and shortcomings and, in relation to these, an equally clear understanding of the contributory social and economic factors. The LEA had been a pioneer in performance data collection and scrutiny from the mid to late-1980s. An LEA inspection in 1992 was followed by an OFSTED inspection in 1995. The school had emerged from a difficult, troubled amalgamation in 1990, and it is clear that the headteacher (in post for 12 years) and the LEA were largely in agreement, especially following the LEA’s own inspection, about what was wrong and what could and should be done.

Second, Solihull, as a small unitary authority, was well positioned to exploit interagency and multi-professionalspecialisms where these were seen to be relevant. It has a long-standing commitment to the pursuit of high educational standards, combined with its own special ethos which values institutional autonomy (for example, a high level of delegation) and close, friendly and trusting relationships between schools and the LEA. Continuing positive relationships with the two FE colleges, following FEFC incorporation in 1992, also proved to be important in this development. The education directorate’s responsibility for lifelong learning, within the council’s strategic plan, also assisted the process of reconstruction and development at Coleshill Heath school.

continued overleaf
CASE STUDY 1 (cont.)

The potential of LEA leadership to develop a multi-agency approach to cross-cutting issues

The headteacher described the situation in the late 1980s as that of a 'school under siege' but he was able to realise his vision of what families and children needed through a continuing dialogue with key LEA officers, especially the chief inspector; and through effective service delivery, often co-ordinated and brokered at the highest authority level. Key aspects of this cross-cutting service delivery included:

- an improved housing policy which led to a more balanced allocation of families to the surrounding estate. The involvement of the police and social services helped to create an improved social environment within which the school was able to develop new ways of working with parents and children;
- the introduction of family literacy programmes based largely on Basic Skills Agency support and systems, as well as wider adult education. Outreach provision, through the active support of Solihull FE College, has been of critical importance;
- the school's employment of a special support manager for children (and families) in crisis has proved to be a significant advance;
- the provision of high-quality support from the LEA's Learning Support Service (for children with SEN) and the education social work services, which actively worked with teachers on tackling what had been an unacceptably high level of non-attendance; and
- the support and advice offered by the LEA's inspectorate and director of personnel was also commended by the headteacher in bringing about a necessary restructuring of staff. This included the removal of a few teachers who were, essentially, 'burnt out' by the early 1990s, as well as the employment of more non-teaching support staff who were locally recruited and trained.

The school's achievements, resulting from this co-ordinated, holistic strategy, include:

- improved baseline assessments at the start of statutory schooling;
- improved Key Stage 2 results – Level 4 and above:

<table>
<thead>
<tr>
<th>Subject</th>
<th>1995</th>
<th>1998</th>
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<tbody>
<tr>
<td>English</td>
<td>14</td>
<td>51</td>
</tr>
<tr>
<td>Maths</td>
<td>4</td>
<td>44</td>
</tr>
<tr>
<td>Science</td>
<td>18</td>
<td>59</td>
</tr>
</tbody>
</table>

- improved attendance rates – 93.2 per cent in 1998;
- reduced vandalism of school site and buildings (in and out of school hours);
- improved parental support and participation in parents' evenings and in other school events;
- a large reduction in the number of pupils with SEN from 106 in 1994 to 16 in 1998;
- a significant increase in pupils' extra-curricular activities (sports teams and competitions, musical/drama productions); and
- an increased pupil roll – from 331 in 1991 to 461 in 1998– with fewer families choosing alternative schools outside the local estate.

Source: Audit Commission fieldwork
59. The strategic plan should also be informed by an extensive understanding of the needs of the community, and the configuration and performance of current educational provision. Although strategies will vary, there are examples of LEAs that have successfully tackled this task [CASE STUDY 2].

CASE STUDY 2

The development of the LEA’s strategy in Newcastle Upon Tyne

Following a period of uncertainty for the education service in Newcastle Upon Tyne, the council’s education committee launched a fresh start initiative in June 1995 which identified three key strategic objectives: raising standards of achievement, supporting pupils with SEN, and effective resource management.

The education service was restructured, and three immediate issues were addressed:

* rebuilding morale, confidence and trust within the education service to ensure that internal relationships within the LEA and with schools and other partners were constructively based;

* establishing an agenda for raising standards that involved all headteachers (with the understanding that LEA officers would seek to lead). The advisory service has been restructured and operates within a clear set of priorities with a strong focus on school improvement; and

* ensuring that detailed performance information for all schools, as well as socio-economic contextual data, was reviewed on a regular basis to enable early intervention where potential difficulties were identified. Schools were also provided with comparative statistics and financial benchmarking data to inform their internal monitoring and evaluation processes.

It was considered essential to establish a planning framework that involved all stakeholders. The Standing Conference on Planning Education (SCOPE) was established to bring together headteachers, governors, officers and teacher-association representatives annually to decide operational priorities for the service. A joint steering group facilitates the process. At the first SCOPE in February 1996, a number of operational priorities for the service were established, and the progress made on these issues was reviewed at the second SCOPE in February 1997.

SCOPE has proved to be an effective way of managing a devolved system. The priorities identified have wide support across the service and allow officers to focus their developmental work. The priorities also provide some accountability year to year. The identified priorities are achievable and limited in number to ensure that momentum is maintained.

The education committee’s annual report, which is widely distributed, describes progress, summarising the performance of Newcastle schools from a wide evidence base, including published performance data, OFSTED reports, LEA reviews and the professional judgement of officers and advisers. It also sets out key priorities for development and service delivery plans that are targeted specifically as action for school children, action for schools, action for parents, action for post-16 year olds and adult learners, action for governors, action for the community, and joint action with other services.

Source: Audit Commission fieldwork
Turning words into action requires... unequivocal links between strategic and front-line staff.

Turning policy into practice

60. A strategy that articulates objectives and priorities is the first step to setting the direction for the local system of education. On its own, it is unlikely to make a real difference. Turning words into action requires a planning process with unequivocal links between strategic and front-line staff. Each level in the organisation has quite different but inter-connected roles:

- **strategic**: sets overall objectives and priorities for the local system of education;
- **functional**: manages specific services of the LEA such as school improvement, SEN, asset management, etc; and
- **operational**: day-to-day management of budgets and individual programmes of work within schools and front-line LEA services.

The content of the LEA’s strategy must clearly feed into plans for functional areas, such as special needs and school improvement, which in turn should link with the practice of schools and front-line LEA services. The most effective way to do this is through a series of action plans that cascades policies and strategy down through the different levels of the organisation and gives responsibility to named individuals, sets deadlines, identifies the resources available to support the plan and the criteria for success, and sets in place monitoring arrangements. The action-plans required for EDPs provide a model worthy of wider application at all levels of the LEA planning process [BOX E].

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**BOX E**

A framework for action planning

The action plan for each activity

- The purpose of the activity:
  - What is its specific objective?
- The nature of the activity:
  - How will the activity achieve its specific objective?
- The target group for the activity
  - Who is the action aimed at?
- The action to be taken:
  - What is to be done, and by when?
    - This section should contain:
      - the detailed proposals for action;
  - the starting date for action; and
  - the deadlines by which phases of activity will be complete.
- Allocation of responsibility:
  - Who is responsible for carrying out the activity, and for making sure that it has been carried out?
- Success criteria:
  - How will you know that the activity has been successful?
  - What measurable outcomes will be used to judge success?

Monitoring and evaluation:

- How will the action and the outcomes be monitored and evaluated?

Resources:

- What is the estimated cost of the activity?

Source: DfEE (Ref. 18)
Obtaining ownership

61. Policy and direction shape the tone of the LEA’s relationship with schools. If the process of developing policies is participative and inclusive, it becomes a common point of reference and a unifying force for all parts of the local education system. Shared values, objectives and priorities provide checks and balances on competition and co-operation between the constituent parts and the basis for the trust and understanding that partnerships need. That the process of formulating policy is as important as its content was confirmed by the survey of schools [EXHIBIT 18].

62. Obtaining effective ownership of the LEA’s plans is not easy with a large and disparate constituency such as schools. Developing a forum for regular communication that facilitates mutual understanding and open dialogue is certainly an essential foundation – although most LEAs already have some form of regular meeting with their schools. But an effective LEA will manage a repertoire of different communication channels to build understanding and ownership within schools. This includes obtaining nominated representatives from schools to work directly on policy development, seconding school staff to the LEA to promote improved understanding, giving all headteachers a link adviser or officer whom they can call for help or express their concerns to, and regular visits to schools. Some LEAs have worked very effectively to develop a climate for LEA leadership and to establish effective machinery for consultation and communication [CASE STUDY 3].

EXHIBIT 18
Schools’ overall opinions of their LEA and its strategy formation process

The extent to which schools feel that they are involved and consulted in the development of LEA strategy correlates strongly with their overall opinion of the LEA.

Source: Audit Commission Survey of 1,500 schools in 21 LEAs
CASE STUDY 3

Developing the climate for LEA leadership – Birmingham

Birmingham LEA has been very successful in winning hearts and minds in plotting a new course for education locally. An important first step was the chief education officer’s (CEO) commitment to visit all city schools and to make personal contact with headteachers, teachers and school staff – a challenging target given the size of the authority. However, the CEO’s visits and personal notes were (and are) highly valued by schools.

The second element in establishing a sympathetic environment was the priority given to school improvement. The CEO established a clear school-focused agenda for development. The seven processes of school improvement (leadership, management and organisation, environment, teaching and learning, staff development, collective review, and parental and community involvement) established a common language for debating, sharing and valuing activity in schools, as well as providing a framework for training expectations, achievement and standards. The guarantees (with targets of input, experience and output) linked the city council’s contribution through protecting the schools’ budget and guaranteeing consistent services with specific entitlements for pupils and expected attainment outcomes, incorporating the key concept of improving on previous best.

In the past, communication between the LEA and schools was formal and distant, with few opportunities for interaction. Communication is now primarily through a range of officer, member and head meetings, including 17 termly consortia meetings for groups of primary heads that are supported by ‘patch’ advisers; a termly meeting for the CEO with all secondary heads; an annual pattern of eight meetings for all head teachers and chairs of governors with the chair and the CEO.

Given these factors, it is not surprising that Birmingham’s schools rated their authority’s communication of its priorities, actions to achieve them and the openness of the budget-setting process more highly than any other authority’s schools. Significantly, Birmingham was also the most ‘trusted’ authority according to the schools survey.

Source: Audit Commission fieldwork
Resource management

63. As the channel for nearly £20 billion of public money, LEAs are in a powerful position to influence and shape the provision of educational services; effective resource management is key to ensuring that this money is wisely spent. The Government's recent policy paper, *Fair Funding*, encourages better use of LEA resources by:

- aligning expenditure with responsibilities so that LEAs retain resources only for those functions for which they have a clear responsibility;
- making LEA resource allocation decisions more transparent by simplifying the current financial framework; and
- strengthening the accountability of both LEAs and schools for the use of resources.

The net result should be a more open process from the setting of the overall education budget to the derivation of each school's budget share [EXHIBIT 19].

64. The Government expects its proposals to be implemented over the next two years, starting in April 1999, and LEAs have much detailed work to do to comply with the new requirements. This will include the reclassification of expenditure, revising the scheme of delegation and strengthening financial regulations for schools. Yet *Fair Funding* is more than accounting adjustments; it is an ongoing process in which LEAs also need to examine deeper questions about the improvements that they could make in their management of resources. Hence,

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**EXHIBIT 19**
The new model of education finance

Fair Funding should improve transparency – funding follows responsibilities.

*Source: Audit Commission*
LEAs should also be paying attention to:

- reviewing resource allocation decisions to ensure that they are consistent with the LEA’s policies, justifiable to stakeholders (including schools), and comply with the new requirements; and
- ensuring that the new framework is underpinned by the necessary training and support for schools, service level agreements (SLAs), buy-back arrangements and consultation with schools on budget-setting.

**Reviewing resource allocation policies**

65. In the process of allocating resources, the first decision is how much to spend on education compared with other local authority services. While there is local discretion over how much to spend between different local authority services, local authority expenditure overall is substantially influenced by government controls and the standard spending assessments (SSA).\(^1\) Local authorities do have some leeway, but in practice it is difficult to stray far outside these constraints. Spending significantly less than education SSA is difficult to defend to schools, and overspending SSA can be funded only at the expense of other services. As a result, many LEAs spend within a 5 per cent tolerance of education SSA [EXHIBIT 20].

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\(^1\) SSAs are a proxy measure of each authority’s need to spend. The formula is used by government to allocate grants and set spending limits. Authorities in Wales do not have separate education SSAs.

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**EXHIBIT 20**

Net education expenditure and the standard spending assessment

Many LEAs spend to within 5 per cent of their education SSA.

*Source: CIPFA Education Estimates 1997/8; and DETR SSA Handbook 1997/8*
66. Although LEAs are constrained in the total amount that they can spend on education, they retain a lot of discretion over the distribution of resources between schools and other services, such as adult education or youth services. Consequently, LEA strategic plans need to consider the competing demands of the schools sector against other educational services. The amount spent on non-school education will need to take into account the impact of increased leisure time and the rising demand for reskilling (for example, through working in partnership with TECs and careers services) as the employment patterns of communities change.

67. Assessing the need to spend on schools is a complex exercise. Some expenditure will be immutable, resulting from educational decisions taken many years previously – for example, capital charges and pension fund contributions. The age profile of the local population and trends in the numbers of children of school age will also significantly influence the need to spend on education in schools – especially as there will shortly be limits on infant class sizes. Needs are likely to be greater in areas of social disadvantage and where there are significant numbers of pupils who do not speak English as their first language. In addition, there will also be efficiency questions that the LEA is able to influence. Could resources be better used by rationalising the current organisation of schools or by reducing surplus places?

68. Once a local schools budget (LSB) has been decided, it needs to be apportioned. *Fair Funding* makes clear that all schools-related expenditure should be delegated to schools (the model is described as ‘100 per cent delegation’) except where it relates to a continuing responsibility of the LEA. Yet, the proportion delegated to schools currently varies from under 60 per cent to over 85 per cent of the total net education budget of the LEA [EXHIBIT 21]. The extent to

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**EXHIBIT 21**

**Percentage of the net education budget delegated to schools**

The proportion of the education budget delegated to schools varies from under 60 per cent to over 85 per cent.

Note: Delegated expenditure includes aggregated schools budget (ASB), spend on GM and places in schools in other authorities.

*Source: CIPFA Education Estimates 1997/8*
which this variation is the result of conscious decision or has occurred by historical accident is not clear.

69. There is not a single factor that explains this variability, as LEAs differ widely in the amounts that they retain across their range of responsibilities. However, SEN will be the largest and most variable item of expenditure managed by LEAs once expenditure on services to schools is fully delegated [EXHIBIT 22].

70. In the light of Fair Funding, LEAs should reassess what they retain centrally in all areas and, in keeping with ideas of trust and partnership, will need to discuss and agree this with schools. This reassessment will require a fundamental review of the underlying split of responsibilities; it should not simply be a recasting of the status quo, particularly in the case of LEAs with low levels of delegation. The LEA of the future should retain the right and capacity to support and intervene, but work alongside a set of empowered schools with the necessary budgets for support services and school development delegated to them.

EXHIBIT 22

Expenditure managed by LEAs

Expenditure on SEN will be the largest and most variable area of LEA expenditure when Fair Funding is implemented.

Note: Percentage is of net education budget. The figures given are estimates and are likely to change when Fair Funding is implemented and costs are more accurately apportioned. In line with Fair Funding, ‘strategic management’ includes the costs of premature retirement.

Source: Audit Commission survey of 1997/98 expenditure in 21 LEAs
Although the Government intends to publish performance tables comparing how much of the education budget LEAs retain, the drive for a clear and explicit justification for the resources retained by LEAs should not result in uniformity. It would be unrealistic to expect all LEAs to look the same or retain the same level of funding. The level of resources managed by LEAs is likely to continue to vary and be strongly influenced by factors such as:

- deprivation: levels of deprivation do influence LEA expenditure on special needs, educational grants, attendance and English as an additional language [EXHIBIT 23];
- scale: research by Cambridge Education Associates suggests that small LEAs currently show signs of significant diseconomies of scale (Ref. 13);
- needs of schools: a higher incidence of under-performing schools will require more LEA intervention; and
- spatial dispersion: rural communities are likely to make greater demands on home-to-school transport and have more small schools.

**EXHIBIT 23**

The effect of deprivation on the amount of resources managed by LEAs

Deprivation does influence the amount of resources that LEAs retain.

*Source: CIPFA Education Estimates 1997/98, and DfEE data*
There are also likely to be some initial differences in the way that figures are presented across LEAs that will need to be ironed out in the first year of Fair Funding. Nonetheless, LEAs should be able to demonstrate that they have considered the underlying rationale for their decisions on what to retain and arrived at a justifiable conclusion.

72. The final step in the resource allocation process is the determination of school budget shares using the funding formula. The formula's potential to influence the shape of the local education system should not be underestimated. LEAs can use the formula to provide financial incentives to tackle issues such as surplus places. It can also be used to shape the balance of educational investment across different age groups and, in particular, on the divide between primary and secondary school resourcing.

Supporting the implementation of Fair Funding in schools

73. Implementing Fair Funding is more than a financial exercise. LEAs need to ensure that underlying management processes are in place in schools to support the new funding framework. One key area is empowering schools to purchase the best range of support services possible through the provision of relevant advice and information. Some LEAs, such as Nottinghamshire, offer schools a great deal of information and choice in the services that they can purchase from the LEA [CASE STUDY 4]. A few authorities help schools to purchase services from sources other than the LEA.

CASE STUDY 4

Facilitating effective purchasing by schools – Nottinghamshire's Management Choices

Nottinghamshire's Management Choices

Nottinghamshire County Council prepares an annual summary of the services that it sells to schools.

Schools can purchase different levels of service, depending on their priorities, for nearly all the services that the LEA provides. Additionally, the booklet suggests the level of service appropriate to the various sizes of schools.

The level and nature of service, and its cost, are clearly specified for each service. Importantly, there is also a contact name and number for any further queries that the school may have.

Source: Audit Commission
74. Another key issue is how to prepare schools for taking over responsibility in areas such as building maintenance and school meals. Some school staff will need training or support to tackle these new responsibilities. Preparing for the extension of delegation is particularly important for primary schools, which are generally less enthusiastic about further delegation, probably reflecting the greater challenge that it presents for smaller schools [EXHIBIT 24]. LEAs will need to underpin the *Fair Funding* changes with appropriate training and support for schools to enable them to meet the new requirements successfully.

75. In preparation for *Fair Funding*, LEAs face a number of key tasks for meeting the new requirements. An effective LEA will do more than simply comply with the new framework. Instead, it will seek to develop a coherent set of resource allocation policies, secure agreement on these policies with schools and its community and ensure that robust underlying processes are in place to support the introduction of the new framework.

**EXHIBIT 24**

*Schools' views on delegation*

Primary schools are less enthusiastic about further delegation than secondary schools.

Source: Audit Commission survey of 1,500 schools in 21 LEAs
76. Setting policy, and allocating resources in a manner that reinforces it, are key to the development of an effective local system of education. Yet the loop would not be complete without performance review. As Chapter 2 highlighted, the performance of LEAs and schools does vary, and, in order to address such problems and measure the success of schools and itself, an LEA needs to monitor and evaluate practice across the local education system.

77. Government policy developments, such as the introduction of EDPs/ESPs and Fair Funding, reinforce the need for LEAs to have an effective approach to performance review. The emerging best-value agenda will also make demands on the performance review capability of LEAs. The Government intends local authorities, including LEAs, to have a duty to obtain best value with effect from April 2000. Schools will be required to demonstrate general adherence to the principles of best value in their budget plans but will not have a duty to do so.

78. Best value is concerned with seeking services of a standard that compares favourably with the best on offer from both the public and private sectors. This means pursuing not only economy, efficiency and effectiveness but also obtaining services that meet their stated objectives, provide fair access and are of high quality. Performance improvements will be realised through a structured review process that uses challenge, comparison, consultation and competition (the '4 Cs'). In carrying out this duty, local authorities will need to develop clear service standards, set targets for continuous improvement and ensure that they are fully accountable to local people. The success of local authorities in obtaining best value will be tested by independent audit and inspection, with new powers for government to intervene in failing authorities. The White Paper, Modern Local Government: In Touch with the People (Ref. 19) sets out the Government's intentions in more detail and outlines a best-value performance management framework [EXHIBIT 25].

79. In the case of education services, where many issues are managed at school level, an effective performance review process needs to address both the performance of schools and of LEAs themselves. The next section focuses on how LEAs can develop their approach to performance review at school level and then, in a further section, moves on to consider how LEAs assess and review their own performance, particularly in the light of best value.

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1 Best value in Wales is covered by the Welsh Office White Paper, Local Voices: Modernising Local Government in Wales, which envisages a similar process at a local level.
The best value performance management framework will cover all local authority services including education.

Note: The Local Government Bill refers to best-value performance plans and best-value reviews in place of local performance plans and fundamental performance reviews.

Source: Modern Local Government: In Touch with the People (Ref. 19)
80. Government has already issued guidance to schools and LEAs about the steps involved in the school improvement process (Refs. 20 and 18). However, the level of pupil achievement is only one of the dimensions of school performance. With the advent of best value, all services and dimensions of performance will need to be reviewed at school level. LEAs will need a more comprehensive approach that includes pupil achievement, value for money, expenditure control, fraud and questions of equity and access to the educational system for children with special needs or for those who have been excluded [EXHIBIT 26]. Using this model as a framework, the rest of this section considers in more detail the approach that LEAs need to adopt in reviewing performance in schools.

**Gathering data and reviewing progress in schools**

81. Gathering together all the available data and information about school performance is the starting point for LEAs. This gives them a sense of both the absolute and relative performance of schools and the progress that each has made over time, overall, and of intra-school trends in terms of cohorts, key stages and subjects. As a bare minimum, the LEA needs the following data on each school:

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**EXHIBIT 26**

Reviewing performance in schools

LEAs will need to include all the main aspects of performance at school level in their approach.

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Source: Audit Commission
**Effective LEAs are those that amass as much up-to-date information as possible about school performance.**

**Educational achievement**
- National Curriculum tests, exam results, baseline assessment and value-added data where available;
- OFSTED/OHMCI inspection reports and OFSTED's performance and data analysis reports (PANDA);
- Qualifications and Curriculum Authority (QCA)/qualifications, Curriculum and Assessment Authority for Wales (ACCAC) data for schools; and
- any other relevant information on management problems and issues that could affect school performance – for example, from school visits and parental complaints.

**Value for money**
- financial monitoring information;
- internal and external audit reports; and
- comparative data on costs.

**Equity and access**
- SEN, attendance and pupil welfare information (including exclusions); and
- information relating to the level of deprivation of pupils.

82. Effective LEAs are those that amass as much up-to-date information as possible about school performance and provide an effective analysis of it. Much of the data is already routinely available either from national sources or within the LEA, and should not require the LEA to establish new systems for gathering data. The focus should be on establishing some form of clearing house for this data, either manual or computer, which brings together the relevant information from a number of different sources to provide a comprehensive picture of each school's performance, and which is accessible to a range of LEA staff. LEAs may wish to add further information to the database about the qualitative and quantitative performance of schools in the form of reports from those LEA staff, such as link advisers, who are in regular contact with schools.

83. Although LEAs should be making the best of the information available about their schools, the data does have its limitations. Its accuracy and completeness may be questioned; for example, not all primary schools have been inspected under OFSTED's revised inspection framework and value-added data is not generally available. Moreover, data may not all be pointing in the same direction. Such limitations should be taken into account and explored with schools, but should not be an obstacle to making the fullest use of the data available.
Comparing the performance of schools

84. A major aid to school improvement is comparative data and, more particularly, accessible analysis of it. Although LEAs need to assess and compare the performance of each of their schools as part of their role in school improvement, comparative analysis should serve the needs of both LEAs and schools, as schools are the primary agents of improvement [CASE STUDY 5].

CASE STUDY 5

Facilitating school self-improvement in Nottinghamshire's secondary schools

Nottinghamshire has developed a school-focused software package for the secondary phase, setting targets and monitoring progress, STAMP. The assessments of pupils entering the secondary phase are analysed with socio-economic and other relevant school factors to allow the prediction of individual and cohort GCSE and A-level results. The STAMP system allows schools to review actual against predicted performance as part of a review of their effectiveness.

Comprehensive guidance is provided on the wealth of performance data (in the secondary phase) in a manual, *Making Use of Performance Data*. This translates the process of reviewing performance into a series of key questions:

- Is performance rising, falling or steady?
- How much variation is there at GCSE?
- How much variation is there at A level?
- Are pupils doing as well as similar pupils elsewhere?
- How is the school placed in terms of measures of advantage and disadvantage?
- What levels of performance should we be expecting from key departments and the school as a whole over the next six years?

The STAMP process supports the performance review process. The system is clear and well thought-out. Interviews with headteachers confirmed that its tools and approach provided school heads and staff with a valuable means of understanding perceptions and the causes of poor performance.

The school survey confirmed the relatively high regard that schools have for the quality of the performance information provided. Indeed, it is interesting that if schools’ opinions are analysed by phase, the opinions of secondary schools are significantly better than the national average, while the opinions of primary schools – where a similar system is in development but does not currently exist – fall below average.

*Source: Audit Commission fieldwork*
Most LEAs will have a spread of performance among their schools.

85. Although LEAs are likely to differ in how they compare schools, it is important that they can make a clear overall assessment of each school's performance. Most LEAs will have a spread of performance among their schools. The majority of schools will fall into one of four generally recognised categories of school performance:

- **schools that are generally effective.** These schools will need a light-touch approach that monitors their performance; only where both the LEA and schools feel that it is helpful and a good use of resources should the LEA become involved to ensure that performance is sustainable, to identify potential problems early on and to fine-tune existing school practices. Such schools represent a source of best practice and an internal benchmark of good practice;

- **'coasting' schools, where pupils are not achieving the standards of which they are capable.** It is in this category that the 'critical friend' approach of advisers and LEA officers will need to be evident. The LEA will need to establish a constructive relationship that enables issues about school performance to be raised and allows the underlying problems to be recognised and defined. Having recognised the problem, action to address it needs to be agreed between the school head and governors, and the LEA. These commitments will be the active manifestation of the partnership between the school and the LEA. Importantly, the outcome of the action should be the subject of a subsequent review. Both parties should be seen to be accountable;

- **schools with serious weaknesses or that are the subject of a formal warning.** The relationship between the LEA and the school, while remaining constructive and positive, will need to accept that this risk is real. Essentially, the school must be aware that the LEA is poised to intervene if the decline in performance is not arrested and reversed. The LEA will devote resources to supporting the school in areas of identified weakness. It will monitor the school more frequently and in greater depth. The school could possibly receive the attention of staff with relevant experience and skills from other schools. As school success depends crucially on the performance of the headteacher, the headteacher should expect to receive particular support; and

- **schools requiring special measures.** Normally the LEA will have a very active part in the management of such schools, either by the involvement of LEA staff or nominees in the management of the school. The root of the problem is often in the performance of the headteacher, governors or both, but usually the former. Therefore, the LEA will usually be seeking the replacement of the headteacher or will want to strengthen the governing body with new members, or both. In such circumstances, it will fall to the LEA to put arrangements in place to ensure the effective management of the school, and to avoid a period of confusion or drift that could delay or prevent the action needed to turn the school around.
86. The LEAs’ comparative analysis of school performance should also explore each school’s relative performance to see whether it is declining or improving [EXHIBIT 27]. Trend analysis can provide an early warning of schools that are in difficulty and influence the nature of LEA support or intervention. An under-performing school that is improving is likely to require quite different support to that for an under-performing school in decline.

**EXHIBIT 27**

Analysing trends in school performance

LEAs need to establish whether schools are improving or declining.

Notes: This model analyses the performance of secondary schools in terms of the percentage of pupils achieving 5 A–Cs at GCSE. The y axis measures the difference between the percentage predicted for a school (based in this case on a correlation of exam results with free schools meals) and the percentage achieved. The x axis measures the percentage point improvement over the period of 1994–97.

A is exceeding expectations, and improving faster than average.

B is performing well above expectations and is improving at the average rate.

C is performing just above expectation, but is slipping from the average pace of improvement. If this continues, it will not meet its expected standard of performance.

D is failing to meet expected performance and is slipping further behind.

E is not performing too far below expectations, but year on year it is slipping further behind the majority of schools.

F is meeting expectations and improving at the average rate.

G is performing below expectations but is improving.

Source: Audit Commission analysis of GCSE results correlated with take-up of free school meals
87. Not all schools are equally successful, and the need for LEA support and intervention will vary accordingly. Having a clear understanding of the relative needs of schools is an essential first step to targeting LEA support and intervention. It should also shape school expectations about the LEA inputs and involvement that they can expect.

Working with schools to set targets

88. Target-setting is central to performance improvement, as it aids diagnosis and focuses efforts, but in itself it does not solve underlying problems. Targets that relate to school objectives give tangible face to the process of improvement. They must take account of mitigating circumstances, but should be relentless in trying to raise performance so that children from every sort of background maximise the benefits of their schooling and life chances. Targets should never be set at levels that confirm a dependency culture. But the setting of targets remains new territory for schools and LEAs, and merits further study. However, a start must be made. The EDP/ESP and the task of developing targets with all the schools within the locality gives LEAs the opportunity to establish a rigorous performance review process for all schools. Some LEAs have already made a lot of progress in this respect [CASE STUDY 6, overleaf].

89. Target-setting encourages schools to engage in a dialogue about performance. Fieldwork LEAs often lamented their inability to influence those schools which were resistant to their attention and were relatively under-performing but which were not showing serious weaknesses or failing – the so-called 'coasting' schools. Under the new EDP/ESP regime, discussion of school performance between school and LEA is essential, and LEAs should be challenging a larger band of schools with middling performance to set demanding targets for improvement.
Target-setting in London Borough of Hammersmith and Fulham

The LEA monitors and reviews its schools through a rigorous process of target-setting to effect improvement. Schools use their development planning process to identify priorities, set targets for action and develop success criteria to measure progress. The success criteria focus chiefly on outcome measures that are related to pupils’ attainment at the ages of 7, 11, 14 and 16. These outcome measures are buttressed by joint monitoring and reporting of school performance and development plan targets by both school and LEA; the LEA also monitors performance against an agreed framework of performance indicators that is applied to all schools.

Performance against both the school's own plan and against the LEA's own set of performance indicators is reported annually to the governing body of the individual school, with the schools link inspector presenting a written report to the full governing body at the beginning of the autumn.

For schools causing concern, there is a regular review of the school's performance by the chief inspector and the director, with a programme of enhanced support, monitoring and reporting. The process involves the director reporting to the governing body and proposing a package of intervention. This would be based on the LEA's standard support and monitoring processes, but 'stepped up a gear', and might include the funding and finding of an additional temporary member of a senior management team, direct LEA participation in the recruitment of staff both permanent and temporary (through individualised tailor-made contracts with an employment agency), and inspectorate coaching of headteachers, management team members and teaching staff.

As a check against its own monitoring, the LEA analyses external monitoring information where available – for example, from:

* OFSTED reports;
* HMI and Audit Commission surveys within the LEA and nationally;
* Audit Commission education performance indicators;
* CIPFA family statistics; and
* miscellaneous outside sources (for example, the Citizen’s Charter Unit and Cabinet Office commented favourably on the LEA's complaints procedure).

Schools can adapt their school development plans for the following year in the light of the report that they receive on the preceding year’s performance (likewise, with the education department's annual development plans). As the whole process of strategic planning and working to performance indicators is now secure in the majority of the schools, the LEA is currently discussing the possibility with headteachers of moving more towards a system of validated self-review by schools, with the LEA acting as the external moderator.

*Source: Audit Commission fieldwork*
**Targeting LEA support and intervention according to school needs**

90. With data about the performance of schools, comparative analysis and targets for improvement, the LEA should have a good sense of its priorities in schools. This should form the basis for targeting LEA resources according to the needs of schools and the risk of problems [EXHIBIT 28]. This approach should not be confined to advisory services, but should inform all aspects of the LEA’s support and intervention in schools, ranging from special needs to fraud.

*EXHIBIT 28*

**Targeting of LEA resources**

LEAs should target their time in schools according to need and risk.

*Source: Audit Commission*
91. LEAs should start by establishing a baseline level of staffing for all schools that fulfils minimum statutory requirements, such as those for monitoring, evaluation and target-setting. The school improvement agenda will be central to determining this, but LEAs also need to consider the implications of their other responsibilities (such as special needs, access, probity, etc). Maintaining regular monitoring and contact with schools is important, as even successful schools experience fluctuations in performance and can fall behind in a relatively short time. Nonetheless, LEAs must be careful to balance their 'basic' days in each school with deploying the maximum resources possible to schools in greater need.

92. Having established a baseline of LEA involvement in all schools, further levels of involvement should relate to the needs of particular schools. Some LEAs have already developed a stepped approach targeting additional LEA input in the form of monitoring, observation, advice and reporting at each successive level of need.

93. It is likely that the LEA will want to maintain a core team for the advisory service to ensure that the baseline requirements of the LEA are met. However, as levels of support and intervention increase, other sources of help with more specific expertise may be more valuable (for example, in areas such as turning round failing schools, financial management or the development of senior teaching staff). Hence, LEAs should ensure that they have access to a suitable mixture of core staff and bought-in expertise that can best meet the needs of schools.

94. LEAs will also want to assure themselves that LEA support and intervention is effective. This will require the development of quality assurance systems, including surveys of school views, monitoring how staff spend their time and assessments of the effectiveness of LEA intervention.

95. Developing a comprehensive performance framework for schools is a challenging task for LEAs, but it is essential to ensure that policies come to fruition and that resources show results in terms of the educational achievements of pupils. A systematic approach – which is informed by performance data and uses comparative analysis, targets LEA support and intervention and is based on an assessment of need and risk – is critical to success.
A performance framework for the LEA

98. The success of LEAs is closely linked to the performance of schools, and they should be the key focus of the performance framework. However, the performance of LEAs cannot be seen only through the lens of schools, as there are many other aspects to the LEA role. The emerging best-value agenda will demand a complete and rounded appreciation of the LEA's role, as it will apply to all of the services that a local authority provides.

97. As a result of the importance attached to education by government and the corresponding rapid pace of change, recent education initiatives have made progress in meeting best-value requirements. The Government has set national targets for attainment by the year 2002, and schools are now required to set targets for improvement which feed into EDPs and ESPs. The EDPs/ESPs are capable of feeding into best-value performance plans and best-value reviews. LEA support for school improvement is assessed by LEA inspections that are undertaken jointly by OFSTED and the Audit Commission. The School Standards and Framework Act 1998 provides reserve powers to the Secretary of State to intervene in LEAs. Between them, the Government and LEAs need to develop policies in three key areas:

- addressing best value in all LEA activities, not just school improvement;
- developing suitable performance indicators for measuring the performance of LEAs under best value; and
- updating audit and inspection processes to take account of best value and to develop an integrated approach across inspectorates.

Addressing best value in all LEA activities

98. LEAs have been given a duty to promote high educational standards, reflecting the importance that the Government attaches to raising attainment. Although lacking a similarly high profile, LEAs also have other important functions including services to schools, SEN, lifelong learning, planning school places and home-to-school transport. These other activities currently account for over 90 per cent of the expenditure retained by LEAs. The advent of best value requires a comprehensive review process that addresses best value across all of the LEA. In many cases this will mean developing suitable local standards and targets in the remaining areas of LEA activities and undertaking a rolling programme of best-value reviews.
Developing performance indicators

99. The English and Welsh White Papers on local government propose that a new set of national performance indicators will be developed by government in consultation with the Audit Commission, with local government and with others. The Commission has already consulted on proposals to move the current suite of indicators toward the requirements of best value (Ref. 21). A key proposal is a hierarchy of indicators covering general organisational health, national priorities and local performance [EXHIBIT 29]. Indicators of general health defined by government would not be service-specific but would reflect overall performance of the local authority in areas such as financial management, people management and democratic accountability. National service indicators will be set by government, and the associated targets and performance levels will be published by councils in best-value performance plans. Local performance indicators and benchmarks will be used in local service reviews and for setting targets in action plans.

100. There will be over 30 key national service indicators covering education in 1999/2000 [BOX F]. LEAs could use the indicators, which provide a spread of measures across educational achievement and cover questions of value for money and equity, to form the basis of a balanced scorecard of performance.
BOX F

Selection of national service indicators for education in 1999/2000

Educational achievement

- The percentage of key stage tests and teacher assessments in local authority schools where pupils achieved Level Four or above at Key Stage 2.*
- The percentage of pupils in local authority schools achieving 5 or more A–C grade GCSEs.
- Average points score per local authority secondary pupil in GCSE/GNVQ exams.

Inputs, economy, efficiency and customer satisfaction

- Expenditure per primary school pupil aged 5 and over.
- Expenditure per secondary school pupil aged under 16.
- The percentage of infant classes with more than 30 pupils.
- The percentage of junior classes with more than 30 pupils.
- The percentage of unfilled places in primary schools.
- The percentage of unfilled places in secondary schools.
- The price per primary school meal.

Equity and access

- Pupils with statements of special educational need as a percentage of all children.
- The percentage of statements prepared within 18 weeks.
- The number of pupils permanently excluded from local authority schools per 1,000 pupils.
- The percentage of permanently excluded pupils attending alternative tuition of:
  - less than 10 hours per week;
  - between 10 and 20 hours per week; and
  - more than 20 hours per week.
- The percentage of pupil sessions lost to all absence in secondary schools.
- The percentage of pupil sessions lost to unauthorised absence in secondary schools.
- Children under 5 in local authority maintained schools as a percentage of all three and four year olds.

*Replaced in Wales by percentage of pupils achieving the Core Subject Indicator in local authority schools for Key Stage 2 (teacher assessment and tests are treated separately).

Source: Audit Commission
An effective LEA should know what it is trying to achieve, how it will achieve it and have a set of measures to assess its progress.

101. Under a best-value regime, local performance indicators will need to be pertinent, wide-ranging and to draw on information from a number of sources to gain a more comprehensive understanding. This may mean breaking down national indicators into more detail; for example, distinguishing between test results and teacher assessments at Key Stage 2, or adding new indicators and information, such as assessments from school inspection reports. A very wide-ranging set of possible indicators for LEAs was given in Changing Partners (reproduced in Appendix 5). This provides some ideas about further indicators and information upon which LEAs may wish to draw locally.

Updating audit and inspection processes

102. Applying best value to education services will be demanding for local authorities but audit and inspection also need to develop an effective response. The English and Welsh White Papers have made clear that a best-value inspectorate will be set up within the Audit Commission to provide an objective and independent process of regular inspection for all local services. The Commission’s existing partnerships with OFSTED and OHMCI are available to provide a starting point for addressing best value in education.

---

103. LEAs face a large number of challenges to improve the performance of the local educational system. Developments in national policy and legislation have clarified their role. The next step is for LEAs to improve and develop their current arrangements for performance management across both schools and the LEA itself, taking into account the wider ramifications of best value. An effective LEA should know what it is trying to achieve, know how it will achieve it and have a set of measures to assess its progress towards the goals.

Laying the foundations for success

104. LEAs face a demanding and rapidly changing environment. The challenges that they have been set present both an opportunity to grasp and a potential threat to their continued existence. Expectations of them are clearer than ever before, and LEAs need to devote considerable energy and thought to their key processes of policy and direction, resource management and performance review if they are to meet the challenge. The picture that emerges from this report is of a set of organisations in transition that is facing common challenges despite different starting points and varying performance. As LEAs approach the centenary of their creation, they can take some pride in their contribution to the development of the English and Welsh education systems. Yet, as this report notes, there is much to do over the coming years to make a reality of the LEA of the future.
### The Next Steps

#### Policy and direction

1. Develop a strategic plan which co-ordinates and guides the LEA’s planning process at all levels and which:
   - is needs-based;
   - maps current provision;
   - has clear aims and priorities;
   - is comprehensive, covering all key local and national issues; and
   - links to wider issues such as best value and social exclusion.

2. Link strategic, functional, school and service-level planning with action plans that give:
   - deadlines;
   - responsibilities;
   - success criteria; and
   - arrangements for monitoring progress.

3. Develop a comprehensive and effective process of consultation and communication with all stakeholders.

#### Resource management

4. Review resource allocation decisions to ensure that they are driven by educational policies and reflect an appropriate split of responsibilities between LEAs and schools, including:
   - the balance of expenditure between education in schools and other education services;
   - the level of delegation; and
   - the funding formula.
The Next Steps

5 Empower schools to purchase the best range of support services possible through the provision of relevant advice, information and service-level agreements.

6 Review the cost-effectiveness of the support services currently provided by the LEA.

7 Provide appropriate training and support to schools to prepare them for the extension of delegation.

Performance review

8 Develop a comprehensive and accessible database of school performance to assess performance and track progress.

9 Compare and calibrate school performance and disseminate comparative information to schools.

10 Engage with schools in setting targets, challenging and supporting as necessary.

11 Direct LEA time and resources in proportion to the needs of each school including:
   • balancing prevention with the support given to schools in difficulty; and
   • addressing all aspects of performance, including resource management and SEN.

12 Establish a quality-assurance process for monitoring the effectiveness of LEA services, including surveys of client satisfaction.

13 Develop a LEA performance review cycle that is based on the best-value performance framework.

14 Develop a balanced scorecard of LEA indicators that incorporates a hierarchy of indicators for organisational health, service performance and benchmarking.

15 Measure LEA performance against other, similar LEAs.
## Appendix 1

### Members of the advisory group

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Bell</td>
<td>Director of Education, Newcastle City Council</td>
</tr>
<tr>
<td>Heather Du Quesnay</td>
<td>Director of Education, London Borough of Lambeth</td>
</tr>
<tr>
<td>Philip Hunter</td>
<td>Chief Education Officer, Staffordshire County Council</td>
</tr>
<tr>
<td>James Kennedy</td>
<td>Standards &amp; Effectiveness Unit, DfEE</td>
</tr>
<tr>
<td>Margaret Maden</td>
<td>Professor of Education, Keele University</td>
</tr>
<tr>
<td>Stephen Marston</td>
<td>School Framework Division, DfEE</td>
</tr>
<tr>
<td>Mike Raleigh</td>
<td>Office for Standards in Education</td>
</tr>
<tr>
<td>David Tully</td>
<td>Assistant Director, Education Department, London Borough of Hillingdon</td>
</tr>
<tr>
<td>Janet Warwick</td>
<td>Head of Rhyn Park Secondary School, Shropshire LEA</td>
</tr>
<tr>
<td>Pat Williams</td>
<td>Head of Kitchener Road Primary School, Cardiff LEA</td>
</tr>
<tr>
<td>Elizabeth Wylie</td>
<td>Deputy Chief Education Officer, Warwickshire County Council</td>
</tr>
<tr>
<td>Richard Arthur</td>
<td>Audit Commission member</td>
</tr>
<tr>
<td>John Foster</td>
<td>Audit Commission member</td>
</tr>
<tr>
<td>Peter Soulsby</td>
<td>Audit Commission member</td>
</tr>
<tr>
<td>Sir Ron Watson</td>
<td>Audit Commission member</td>
</tr>
</tbody>
</table>
Fieldwork sites

The study team would like to thank staff in the following authorities and organisations that assisted during and after the Commission’s visits.

Westminster
Croydon
Sutton
Wigan
Cheshire
Newcastle upon Tyne
Nottinghamshire
Rhondda Cynon Taff
Hampshire

Some additional research was also carried out by Margaret Maden and Steve Sharp in Derbyshire, Essex, Liverpool, Shropshire and Hull.
Appendix 2

The role of LEAs
Commission fieldwork found a consensus on the role of the LEA; articulating a vision, with a supporting strategy, for education in the area; acting as a vehicle for improvement; ensuring equity and managing trade-offs.

The effective LEA
For an LEA to perform its role effectively, four core processes need to be in place: target-setting, resource allocation, service delivery and monitoring, review and intervention. Underpinning all these processes is the gathering, analysis and dissemination of information.

Process on its own is not enough. An LEA is more than a series of processes, decisions and information flows. It also has an organisational culture that has at least as much impact on its overall effectiveness. A strong, supportive and positive culture can provide a fast-track route to improvement by dispensing with the need for complex procedures for exercising an LEA's statutory powers. Key components in such a positive culture are: the leadership provided by the LEA; shared values and a shared language between LEAs and schools; a capacity for self-management within schools; and crucially, the degree of trust between the LEA and its schools.

Measuring LEA performance
A wide-ranging basket of indicators would be needed to capture all aspects of LEA performance. This could lead to a proliferation of data and therefore there would need to be a hierarchy of indicators to arrive at an overall assessment of performance. If LEAs are to achieve improvement, they need to measure their performance in terms of three basic benchmarks: absolute (that is, above a certain threshold), time-bounded (that is, improvement on previous time-period's performance) and relative (that is, narrowing the gap between best and worst). Realistic but stretching targets need to be set for all schools, if government and LEA objectives are to be realised.
LEA accountability

LEA performance should be judged in a consensual way, with as wide an agreement on comparative groupings and comparative indicators as possible among LEAs, central government and external inspection bodies. These indicators should take their place within a system of deeper, periodic external inspection and the submission of detailed plans to the DfEE. LEA responsibility for school performance should be viewed pragmatically, with school improvement leading to a presumption that LEAs have contributed to it, while failure by schools should lead to examination of the LEA's interaction with that school. Further to this, central government needs to establish clear criteria by which it can assess an LEA as an entity to be 'failing', as opposed to the easier estimation that a particular LEA service is failing.

LEA responsibilities and powers

LEAs would be assisted if their powers and responsibilities were clarified and strengthened in several crucial areas: powers to intervene in the management of schools; powers of appointment of headteachers and governors; powers of funding; and powers in relation to co-ordinating post-16 provision. However, such a lack of clarity should not be used as an excuse for poor performance. The best LEAs have succeeded by creating the right culture. While it could be argued that such success has tended to stem from the appointment of a charismatic chief education officer, and lesser mortals could do with the assistance of statutory powers, the granting of such powers would not necessarily result in success for all. The wisdom of how and when to use such powers is of much greater import than their possession. If LEAs want the Government to trust them with additional powers, they may need to demonstrate that they are worthy of that trust by using the powers sparingly and sensibly.
Appendix 3

Introduction

As a key part of the fieldwork for this national report, the Commission surveyed LEA costs in 27 local education authorities – seven London boroughs (three inner, four outer); four new unitary authorities (three Welsh); nine county councils and seven metropolitan boroughs. The data was gathered over a six-month period beginning in December 1997. All costs are for the financial year 1997/98.

The intent behind the methodology was, firstly, to capture all expenditure on education by local authorities [EXHIBIT A3.1] and, secondly, to make the resource-allocation decisions of each LEA more transparent and thereby allow the Commission to examine the efficiency and effectiveness of services. The data reflects the findings at a point in time and represents the best attempt then possible at a transparent representation of LEAs' expenditure. The figures presented replicate the Fair Funding split as far as possible but, because it predates the Fair Funding initiative, it can only ever be an approximation of the current position of LEAs.

EXHIBIT A3.1
The Commission’s costing methodology

Note: The methodology sought to capture the expenditure within the two solid yellow boxes.
Source: Audit Commission
Authorities were asked to apportion management and support costs under the appropriate service headings and to regard all expenditure 'devolved' but not delegated to schools as central 'retained' expenditure.

Perceived anomalies in the data were referred back to authorities for further clarification, and any data still lacking in credibility has been removed from the relevant charts. To be of greater use to all concerned, the data has been recast as far as possible from the original groupings into the new *Fair Funding* categories. Where definitions differ from those to be used under the new *Fair Funding* regime, or where there are limitations to the data provided, these are noted at the appropriate points in the appendix.

In the brief analysis that follows, two key resource-allocation decisions are examined: the extent of delegation to schools in different authorities [EXHIBIT A3.2] and what the centrally retained funds are retained for, both in percentage and absolute monetary terms. In a further section, analysis of the gross costs of some of the services to be newly delegated is also included.

It is worth noting that for the sake of simplicity, capital costs have been excluded from the analysis. It is also important to be aware that the costs are 'whole-service costs', rather than the costs of services provided to schools as would be the case with the new *Fair Funding* budget return forms. This could be an important distinction in areas such as 'home-to-school transport' or 'premature retirement', where there may be expenditure or ongoing commitments for further education.

The Commission would like to thank all the authorities that took part.

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**EXHIBIT A3.2**

**Extent of delegation to schools**

![Graph showing percentage of net education budget delegated to schools](source: Audit Commission survey)
The scope of the delegation is measured by adding together the aggregated schools budget and the funding given directly to grant-maintained schools and then expressing it as a percentage of the total education budget.

The remainder of the appendix is concerned with how LEAs spend the part of the education budget that they themselves retain.

**Where the centrally retained expenditure is spent**

Broadly, there is no general relationship between the proportion of expenditure retained in each of the *Fair Funding* categories and the type of authority providing it. Of course, this does not preclude the existence of trends in particular service areas – for instance, the higher cost of home-to-school transport in large county councils and, more especially, in small, rural unitary authorities – but overall it is not predictive in nature.

Using the *Fair Funding* categories, the centrally retained expenditure splits into five areas: non-school expenditure, strategic management, school improvement, access and special education [EXHIBITS A3.3, A3.4, A3.5, A3.6 and A3.7].

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**EXHIBIT A3.3**

Non-school expenditure by LEAs

<table>
<thead>
<tr>
<th>Percentage of funds currently managed by LEAs</th>
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<tbody>
<tr>
<td>25%</td>
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<td>20%</td>
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<td>15%</td>
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<tr>
<td>10%</td>
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<tr>
<td>5%</td>
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<td>0%</td>
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Authorities
- Inner London
- Outer London
- Met
- Unitary
- Welsh unitary
- County council

*Source: Audit Commission survey*
In keeping with the latest guidance on *Fair Funding*, existing premature retirement commitments have been included in strategic management. These costs are immutable and, for some authorities, substantial, particularly for a couple of the metropolitan authorities surveyed. The Commission’s view is that costs that have been historically acquired and are unavoidable should be excluded from this category. Under new Section 52 regulations, library and museum services for schools are also included under this heading. These costs are not shown here, as the Commission’s methodology did not capture separately expenditure under these headings separately.
Many authorities had difficulty in identifying the costs of school improvement contained in the funds currently retained for advisory services, advisory teachers and curriculum support. Therefore, these figures should be treated with some care. The process surrounding DfEE approval of authorities’ education development plans (EDPs) should clarify this area of expenditure considerably.
This category does not include 'asset management' (as it should under the new *Fair Funding* arrangements). The costs of assessment management did not form part of the Commission's survey, and therefore such costs will probably appear under strategic management.
Service costs in newly delegated service areas

The costs that follow are gross costs rather than net, so they reflect the full cost of a service. Under the Fair Funding regime, certain, small portions of the costs of these services will relate to the performance of the LEA's statutory and regulatory duties and will be placed under the heading of 'strategic management'.

Source: Audit Commission survey
EXHIBIT A3.9
IT

EXHIBIT A3.10
Personnel

Source: Audit Commission survey
EXHIBIT A3.11
Legal services

Source: Audit Commission survey

EXHIBIT A3.12
Governor support

Source: Audit Commission survey
Appendix 4

Schools questionnaire

A•D•I•T
COMMISSION
Role of Local Education
Authority

School Survey

COMPLETED QUESTIONNAIRE
Please return the questionnaire by:
An addressed pre-paid envelope was sent with the questionnaire

To: Headteacher

The Audit Commission is developing a study on the Role of the Local Education Authority (LEA). This is particularly important at the moment as schools and LEAs review how they can work together more effectively. Additionally, evidence from this survey will also be used for the Audit Commission/OFSTED inspection of the LEA.

As part of this study, with the agreement of your LEA, we are carrying out a pilot survey of the views of a sample of headteachers on the services provided by the LEA. Your views are an important part of the study. In each section we would like to know your assessment of the current provision of services. The questionnaire will take about 10-15 minutes to complete.

If you have any questions about the survey, including how to interpret the questions, or would like to know more about the study, please call at the number below:

Tel. 0171 828 1212  Fax. 0171 630 5667
Address: 1 Vincent Square, London SW1P 2PN

The replies will be treated in confidence - no individual school will be identified and no return will be seen by the authority. An anonymised summary of the results will be fed back to the authority and may be published by us in a national report.

Thank you for your time

School name
School number

Completed by

Position
Contact phone number
Please use these codes to assess your LEA's provision of services:

1 = Very Good  2 = Good  3 = Adequate  4 = Poor  5 = Very Poor
6 = Not relevant (please circle this if you have no opinion, if you have not used the service, or if it is not provided by your LEA)

Please circle the number that best reflects your opinion of the service provided

**LEA strategy**

1. The communication to your school of your LEA's key priorities is:

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2. What do you understand your LEA's top three priorities to be?

3. How do you rate the quality of your LEA's actions to achieve its priorities:

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4. How could your LEA become more effective in achieving its priorities?

---

**Relationship with the LEA**

5. How do you rate the quality of your relationship with the LEA in the following areas?

- The LEA's willingness to listen to your views
- Its involvement of you in forming its policies and strategies
- Its reflection of your views in its strategies and budget setting
- The clarity of the LMS formula and budget allocation
- The openness of the LEA about its budget making process
- Formal communication channels between the LEA & headteachers
- Contact outside these formal liaison channels
- The speed of response by the LEA to your concerns
- The LEA's ability to keep to its promises and commitments
- Your confidence that the LEA is on your side/will treat you fairly

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</table>
**Finance**

6. Are you satisfied with the LMS scheme?

<table>
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<tr>
<th>Yes</th>
<th>No</th>
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</table>

If you are not, please state your reasons

7. Do you think that the current level of delegation between the LEA and schools in terms of budgets and responsibilities is appropriate?

*please tick one box*

<table>
<thead>
<tr>
<th>More should be delegated</th>
<th>About right currently</th>
<th>Less should be delegated</th>
</tr>
</thead>
</table>

If you consider that more/less should be delegated, please identify under which budget heads

More delegation of:

Less delegation of:

**Information provided by your LEA**

8. How do you rate the quality of your LEA’s services in the following areas?

<table>
<thead>
<tr>
<th>Service Area</th>
<th>1</th>
<th>2</th>
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<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance and information on legislation, circulars and educational initiatives</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Provision of financial management data</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Guidance in its use</td>
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<tr>
<td>Provision of comparative performance data</td>
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</tr>
<tr>
<td>Guidance in its interpretation</td>
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<td>2</td>
<td>3</td>
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<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Help in using comparative data for target-setting</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
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</tbody>
</table>

9. How could any of these be improved?

**Children in need of additional support**

10. How do you rate the quality of your LEA’s services in the following areas?

<table>
<thead>
<tr>
<th>Service Area</th>
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<th>2</th>
<th>3</th>
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<td>Educational Psychology</td>
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<td>6</td>
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<tr>
<td>Administration of Statements</td>
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<td>Support for pupils with behavioural problems</td>
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<td>Other learning support</td>
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### Inspection and advice

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<td>Post OFSTED/OHMCI</td>
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<td>Curriculum Support</td>
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<td>Quality of Teaching</td>
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<td>Training</td>
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<td>Support for school self evaluation</td>
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<td>School Development Planning</td>
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<td>Target Setting</td>
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12. How well do you think your LEA knows your school?  
1 2 3 4 5 6

13. How well do you think your LEA understands your school?  
1 2 3 4 5 6

### Other support services

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<td>Support to the Governing body</td>
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<td>Governor Training</td>
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<td>Grounds Maintenance</td>
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<td>Cleaning</td>
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<td>School meals</td>
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</table>

### Other

15. Are there key areas in which the LEA could improve its service(s) to your school?

If you have any further comments you would like to make on the role of your LEA, please continue on an additional sheet.

Thank you for your time
Appendix 5

Educational performance – results

- Key Stage 1 results: percentage of pupils achieving Level 2 or above
- Average rate of improvement per pupil: baseline – Key Stage 1
- Key Stage 2 results: percentage of pupils achieving Level 4 or above
- Average rate of improvement per pupil: Key Stage 1 – Key Stage 2
- Key Stage 3 results: percentage of pupils achieving Level 5 or above
- Average rate of improvement per pupil: Key Stage 2 – Key Stage 3

GCSE results

- Average points scored per pupil
- Actual points scored vs points expected from Key Stage 3 assessment
- Percentage of pupils achieving 5 grades A–C
- Percentage of pupils achieving 5 grades A–G

A-level results

- Average points scored per pupil
- Value-added measures

GNVQ results

- Other post-16 examination results

Educational performance – inspections

- Average primary Judgement Recording Statement (JRS) scores:
  - Standards of achievement
  - Quality of education
  - School ethos
  - Efficiency
  - Overall performance
- Average secondary JRS scores (as for primary)
- Percentage of schools in special measures
- Percentage of schools identified by OFSTED/OHMCI as having serious weaknesses
- Percentage of schools classified separately by the LEA as 'in difficulty' or 'causing concern'
- Average time taken for schools classified as 'failing' to come off special measures
Inputs, economy, efficiency and customer satisfaction

• Vacancy rates – headteachers; governors (separate measures for LEA-appointed, foundation and parent governors)
• Staff absence rates – teaching; non-teaching
• Percentage of schools where projected expenditure exceeds projected income by more than 5 per cent
• Schools’ balances as a percentage of schools’ revenue budgets
• Percentage of schools with number on roll (NOR) less than 75 per cent of More Open Enrolment (MOE) physical capacity
• Percentage of schools with NOR greater than 105 per cent of MOE physical capacity
• Education expenditure as a percentage of Standard Spending Assessment (SSA)
• Capital expenditure per pupil
• Non-delegated revenue expenditure per pupil
• Delegated revenue funds per pupil: primary; secondary up to year 11; post-16
• Buy-back rates from delegated budgets where the LEA offers a service
• Headteacher/chair of governors/governor/teacher satisfaction rates with defined LEA services (particularly those in relation to school improvement)
• Number of formal member meetings per year

Equity

• Percentage of special educational needs (SEN) assessments made within 18 weeks
• Percentage of pupils with statements
• Percentage of statemented pupils in special schools
• For each measure of educational performance, difference between the lowest decile of pupils and the median
• Rate of improvement of the lowest decile of pupils
• Relative attendance rates of the lowest decile of achievers at each key stage
• Percentage of pupils leaving secondary school with no grade A–C at GCSE
• Percentage of pupils leaving secondary school with no grade A–G at GCSE
• Relative achievement, attendance and exclusion rates by sex
• Relative achievement, attendance and exclusion rates by ethnic category
• Authorised absence rates
• Unauthorised absence rates
• Percentage of pupils excluded for fixed periods
• Percentage of pupils permanently excluded
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5. Welsh Office unpublished statistics for the number of GM schools in Wales.
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The Audit Commission has produced a number of reports covering issues related to partnership working and education. The following may be of interest to readers of this report:

**Local Authority Performance Indicators 1997/98**  
*Education Services*  
March 1999, 1862401470, £20

**Better by Far**  
*Preparing for Best Value*  

**Promising Beginnings**  
*A Compendium of Initiatives to Improve Joint Working in Local Government*  
Compendium, 1998, 76 pages, 1862401187, £25

**A Fruitful Partnership**  
*Effective Partnership Working*  

**Getting in on the Act**  
*A Review of Progress on Special Educational Needs*  
Update, 1998, 8 pages, 1862401217, £5

**Changing Partners**  
*A Discussion Paper on the Role of the Local Education Authority*  

**Counting to Five**  
*A Review of the Audits of Education for Under-fives*  
Update, 1997, 36 pages, 1862400733, £10

**A Learning Experience**  
*Service Delivery Planning in Local Government*  
Occasional Paper, 1997, 28 pages, 1862400288, £10

**Trading Places**  
*A Management Handbook on the Supply and Allocation of School Places*  

**Trading Places**  
The Supply and Allocation of School Places  
National Report, 1996, 68 pages, 1862400040, £15

**Counting to Five**  
*Education of Children Under Five*  
National Report, 1996, 68 pages, 011886422x, £10

**Under-fives Count**  
*A Management Handbook on the Education of Children Under Five*  

**Form Follows Function**  
*Changing Management Structures in the NHS and Local Government*  
Management Paper, 1996, 40 pages, 1862400008, £6.50

**Lessons in Teamwork**  
*How School Governing Bodies Can Become More Effective*  
Management Paper, 1995, 28 pages, 0118864576, £6

**Adding Up the Sums**  
*Schools' Management of their Finances*  
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Since their creation nearly a hundred years ago, LEAs have had some notable successes in the development of the English and Welsh education systems. But in recent years, with schools controlling the vast majority of resources, the role and future of LEAs have been more uncertain. However, recent government initiatives have given LEAs a renewed purpose and a fresh opportunity to make their mark.

At the heart of an effective LEA is a partnership with schools that is based on mutual trust and respect. Yet LEAs differ widely in how well prepared they are for the challenges ahead. Not all LEAs provide the leadership and direction that local education services need, the effectiveness of advisory services is often not monitored and services to schools vary widely in how much they cost and the satisfaction that they give. Beyond the immediate hurdles of preparing budgets and plans, LEAs need to focus on improving their core processes. Policy and direction need to be clear, practical and agreed; resource allocation should be based on explicit policies and reflect fairly the split of responsibilities between LEAs and schools; and performance review should be robust and comprehensive, covering all aspects of the performance of both schools and LEAs.

This report highlights the issues that LEAs need to consider in response to the new agenda that they face, and makes recommendations for improving their key processes. It is essential reading for LEA officers and members; parents, teachers, headteachers, governors and policymakers are also likely to find it of interest.