

LOCAL AUTHORITY TOOLKIT AND GUIDANCE FOR MEASURING AND REPORTING PROGRESS ON EFFICIENCY IN SCHOOLS AND LOCAL AUTHORITY EDUCATION SERVICES

Summary

1. The purpose of this guidance is to set out the Department for Education and Skills (DfES's) expectation as to how local authorities should be approaching the measurement and reporting of progress towards securing greater efficiency in the education sector. This guidance does not apply to district and borough authorities within county councils who do not have responsibility for education services.
2. Local authorities are **not** required to report on school-level efficiencies themselves, neither are schools. The efficiencies in schools will be measured by the DfES, aggregated nationally and fed into the overall local government target. It may be possible for some efficiency gains for 2005-06 onwards to be broken down to authority level for local accounting.
3. Local authorities **are** expected to report on efficiency gains made in education services at the local authority level (Central items within the Schools Budget, and LEA budget) via the "Annual Efficiency Statement" (AES). Working with schools and other partners, local authorities have a key role in delivering their own efficiency gains in the resources that they deploy outside the Individual Schools Budget.
4. Local authorities should therefore report on all efficiency gains **except** those items in the schools budget outside of the central expenditure limit in their AES returns.
5. Guidance on efficiency for children's social services is provided separately. The Department will be working to provide a joint approach to efficiencies in the whole of children's services.
6. Achieving the best possible outcomes for children depends on being able to make the best use of resources in the education system. School efficiencies alone count towards about 40% of the £6.45bn local government target. Therefore, local authorities need to engage with the efficiency agenda in supporting and challenging schools to achieve value for money. Included as annex 1 are details of the DfES's approach to securing greater efficiency within schools for further information please contact andrew.webster@dfes.gsi.gov.uk.

LOCAL AUTHORITY EFFICIENCY

7. The local government efficiency target encapsulates both the DfES target for efficiency gains in schools and local authority education services and those identified in children's services. Local authorities are not required to report on school-level efficiencies, as they will be measured centrally by the DfES and reported to ODPM for inclusion in their totals. However, central local authority expenditure on education services will be captured through the Annual Efficiency Statements (AES).

8. Details of the efficiency gains we are seeking to achieve from local authorities from 2005-06 onwards can be found in the DfES Efficiency Technical Note at www.dfes.gov.uk/publications/pdf/dfesetn.pdf. The Local Authority elements are B1d - Improvements in LEA procurement, C1a - Resources freed up for the front line through more efficient Local Authorities and C1b - Cash freezing LEA grants.

Non-school Efficiencies Baseline

9. ODPM's guidance to local authorities on delivering efficiency **excludes** schools expenditure as reported on the Revenue Account (RA) returns (rows 1-4 of the budget returns for 2005-06) from the baseline for assessing efficiency gains. This decision was made to provide a baseline metric that is as closely aligned to the split between the Schools and LEA Budgets as possible. However, as noted above, what we now need is for local authorities to record efficiencies against all education budgets other than the Individual Schools Budget (ISB).

10. Authorities should include any efficiencies gained from central LA education expenditure in the AES. Local authorities should be able to identify and take credit for their own education efficiencies as part of the local government process of self-assessment. The baseline should therefore now include everything except the ISB and the types of activity that could be reported in the AES include:

- Procurement for nursery provision;
- Changes to SEN provision;
- Home to school transport;
- Establishment of pupil referral units;
- Re-tendering existing contracts;
- Reducing insurance costs;
- Review and reorganisation of administration and finance structures.
- Mergers and assimilations of LA support teams to exploit economies of scale.

11. Although we do not require detailed information on the AES return as to the source of the efficiency gains and their monetary value at project level we do require a level of detail that allows one to distinguish between gains that are:

- i) Procurement/Non Procurement,
- ii) Cashable/Non Cashable.

Quality Cross Checks

12. Efficiency improvements as defined by Gershon should not compromise quality or be based on cuts in service. To assist in the evaluation of this process, each sector of the AES return includes a quality cross-check and descriptive box for further service quality information. Councils are required to input values for at least one quality cross-check per area, which need to be appropriately linked to the identified efficiency gains.

13. Although some of these indicators may appear to be unrelated to the services provided directly by the local authority, the indicators used should relate to the overall outcomes we aim to improve through the delivery of education. The quality cross checks are:

- CPA score for education services (average of all five aspects)
- Percentage of young people aged 13-19 participating in youth work gaining a recorded outcome (BV221a)
- Percentage of pupils achieving five or more GCSEs at A*-G (BV39)
- Percentage of pupils achieving Level 4 in maths at Key Stage 2 (BV40)
- Percentage of pupils achieving Level 4 in English at Key Stage 2 (BV41)
- Non-approved indicator

14. Examples of the non-approved indicators might include the percentage of parents getting first choice of a school or the percentage of schools in special measures. These will need to be decided on the basis of the efficiencies sought.

Measurement

15. The approach to measurement will depend on the planned efficiency gain but the general principles of efficiency measurement will apply. Ultimately, efficiencies in the delivery of local authority education services should produce improvements in delivery on the front line, i.e. nurseries, schools and youth services etc. An element of judgement will be required from local authorities in how their planned efficiencies would affect the contribution of education services to improving outcomes. To give two examples:

- Improvements in the quality of the local authority support services may contribute to direct improvements in front-line outcomes.
- Efficiencies within the local authority may free up resources to further

invest in improvement in the quality of services provided.

16. Detailed data on the **inputs** for education services is available in the form of expenditure data from Section 52. Changes in expenditure from year to year should be deflated using the standard GDP deflator. However, home to school transport and purchase of SEN places have historically a much higher rate of inflation: savings here should be measured against a base position of 7% and 10% a year respectively.

17. Measurement could involve the use of existing **outcome** indicators for school attainment, attendance, inclusion (Special Educational Needs and permanently excluded pupils), and the quality of youth and community work. The Comprehensive Performance Assessment (CPA) annually scores authorities on its current performance in five areas:

- School Improvement;
- Special Educational Needs;
- Social Inclusion;
- Life Long Learning; and
- Strategic Management of Education.

18. Each aspect is based on a number of weighted indicators which in turn, provide an overall average score. Local authorities might use changes (or non-movement) in these score to assess the overall effect of the execution of their efficiency plans.

19. Procurement savings, such as for home to school transport, and changes in the provision of SEN can be measured simply by comparing unit prices, taking into account inflation. Ensuring that the quality of this provision is maintained or improved may require local evaluation of the service before and after the change in practice or contract. The Centre for Procurement Performance, in partnership with Regional Centres of Excellence will be able to support local authorities on procurement in the education services.

20. An example of how efficiencies in home to school transport can be measured is given below:

Issue	Calculation
Expenditure on home to school transport	£100,000
Historical annual increase in expenditure	7%
Unit cost (2003/4)	200.0
Unit Cost (2004/5)	205.0
Increase in unit cost	$((205.0 \div 200.0) * 100) - 100 = 2.5\%$
Increase in unit cost (minus 7% historical increase)	$2.5\% - 7.0\% = - 4.5\%$
Efficiency gain	$4.5\% \times \text{£}100,000 = \text{£}4,500$

21. A different measurement technique is demonstrated below in the context of assessing the saving generated by a productive time efficiency gain that arose as a result of investment in a new piece of software that allowed secondary schools admissions to be completed in a shorter time period with less staff.

Issue	Calculation
Cost of Admissions Software	£500
Previous year's FTE staffing resource for admissions	200 days
Current year's FTE staffing resource for admissions	75 days
Number of staff days saved	$200 - 75 = 125$ days
Employment cost per employee (mean) in the previous year	£40,000
Employment cost per employee (mean) in the current year	£40,800
Daily employment cost	$£40,800 \div 220^1 = £185$
Staff savings	$125 * £185 = £23,125$
Increase in employment costs	$((£40,800 \div £40,000) * 100) - 100 = 2\%$
GDP deflator (2005/06)	2.52%
Increase in unit cost (minus GDP)	$2\% - 2.52\% = -0.52\%$
Real employment cost saving	$£23,125 \times 0.52\% = £23,245$
Efficiency Gain	$£23,245 - £500 = \mathbf{£22,745}$

¹ Based on (52 weeks*5 days) = 260 days – 22 days (holiday) – 8 days (stats) – 10 days (sick) = 220 days

ANNEX 1

SCHOOL EFFICIENCIES (VALUE FOR MONEY)

22. To avoid the need for additional targets and to reduce bureaucracy the Department will measure school-level efficiency progress centrally, mostly using existing data. However, we want to work with authorities and School Forums to ensure that the local system has a good understanding of where it needs to focus its effort in providing appropriate challenge and support.

23. Driving efficiency gains in schools is important to ensure that they are achieving the best possible outcomes from their available resources, it is important to recognise that it is not a cost cutting exercise and schools will retain any financial savings that it manages to make as a result of efficiency gains. School-level decisions will be fundamental to securing value for money throughout the system. Key drivers for reform will be; effective local leadership, the identification and sharing of best practice and the right balance of challenge and support.

24. The expectation for local authorities is to engage with schools on these issues as part of their support and challenge for good financial and resource management in schools. As well as contributing to the local government target, these efficiencies will help schools to continuously improve standards against which the authority is assessed.

25. There is no expectation for every school to demonstrate these efficiencies, nor is it expected that all schools will be able to achieve efficiencies in every area. However, for greater transparency and accountability for progress, individual schools should be encouraged to benchmark and monitor their use of resources and hence their efficiency.

Key Messages

26. The following are what we see as key messages for schools on how they can manage their budgets to release resources for investment in priorities:

- Achieving the best possible outcomes for children depends on schools being able to make the best use of resources.
- Achieving value for money in schools is about helping them make the most of their resources, not cutting expenditure.
- School-level decisions will be fundamental to securing value for money.
- Any financial savings a school makes can be retained by that school for further investment in improving school standards in line with the school's own improvement plans.
- Local authorities and School Forums have a key role in providing challenge and support.

- The introduction of more efficient working practices saves time as well as money.
- The sharing of information and best practice between schools will help improve the standards and performance of the whole sector.

Value for money improvements in schools

27. We anticipate significant school-level value for money improvements in five main areas:

- Better strategic resource allocation and financial management;
- Workforce reform;
- Better use of ICT in schools;
- Better Procurement;
- Better arrangements for capital investment.

Details on the main opportunities in each area are set out below.

Better Strategic resource allocation and financial management in schools (£640m)

28. The key to greater value for money in schools is better decision-making about the allocation of resources at school level, supported by better information, planning and management, and better challenge and support. The new school funding arrangements, with more stable and predictable school budgets, will provide schools with an unprecedented opportunity to review their strategic objectives and how they allocate resources to achieve these objectives.

29. The New Relationship with Schools (NRwS) (£59m) and wider efforts to streamline challenge and support arrangements to reduce bureaucracy have an important role to play. We want to secure a sharper sense of focus on the priorities for improvement specific to individual schools, so resource allocation is improved and impact per pound increased. The key to this will be strong school self-evaluation, challenged and supported by a School Improvement Partner (SIP) and more regular inspection. Local authorities have a very important role to play, in partnership with the Department, in making these arrangements work effectively.

30. A key to securing school – level value for money is comparative benchmarking data, which enables the system to identify best practice. We have already made significant progress on financial benchmarking. The DfES, in collaboration with the Audit Commission and Ofsted, has established a Schools Financial Benchmarking website, found at www.teachernet.gov.uk/schoolfinance. The data here enables schools to compare expenditure patterns and identify other schools that are achieving

the same level of attainment, but using fewer resources; or a higher level of attainment with the same resources. Lesser efficient schools can use the patterns of expenditure from these good practice comparator schools to challenge the way their resources are being used.

31. The Financial Management Standard and Toolkit (FMS&T), developed by the DfES and Institute of Public Finance (IPF), is also available to all schools at www.teachernet.gov.uk/schoolfinance and is intended to help schools in evaluating the quality of their financial management and to aid in training staff to become better financial managers. Consequently, schools will be able to manage their resources more effectively, leading to an improvement in value for money. By September 2005 schools will be able to request and receive an external assessment of the standard. By March 2007 there is an expectation by the Secretary of State that all secondary schools will have achieved the standard. In consultation with partners we will shortly also be setting a timetable for all primary and specialist schools to have met the standard.

32. To date about 33% of schools have accessed the benchmarking website. Numbers of schools accessing the website contribute towards our measurement of the efficiency gains in this strand. Local authorities can help by encouraging and promoting the use of both benchmarking and the standard in their schools. We publish monthly statistics on the number of schools in each authority that have accessed the website at <http://www.dfes.gov.uk/valueformoney/index.cfm?action=Benchmarking.Default&ContentID=72>. We are able supply a list of schools for authorities upon request.

33. The Department has commissioned training for schools, in partnership with local authorities, on the FMS&T and benchmarking website. We will also be approaching local authorities in the near future to identify examples of best practice in the use of these tools, and to share these across the system.

Transforming the School Workforce (£736m)

34. People costs account for a large proportion of school budgets and hence effective management of this key resource is crucial to securing VfM. The key opportunities here arise from current initiatives on school workforce remodelling, including:

- roll-out of a national change programme to influence how schools deploy their staff to best effect, including implementing the phased changes to the teachers' contract;
- additional investment in support staff and the creation of a new tier of more highly skilled support staff;
- quantitative and qualitative changes in how teachers actually spend their time.

35. The Workforce Agreement Monitoring Group (the signatories to the

National Agreement) and the National Remodelling Team (NRT) will together continue to have a key role to play. The NRT will offer guidance, advice and practical material on how to implement the reform agenda, and, working through its network of regional and local advisers, will offer specific support and advice to individual schools.

Better Use of ICT in schools (£403m)

36. Significant investment has been made in ICT in schools and this is making a real impact on learning and teaching, both in terms of its motivational effect and its impact on standards achieved. There is potential to accelerate change and achieve even more, and there is growing opinion – from teachers, head teachers, local authorities, academics and suppliers - that the opportunities supported by ICT should be better exploited. We can do what we do today more efficiently; but more importantly we can use new, innovative approaches using ICT for learning, teaching and whole school management to go further and faster.

37. ICT enables improvements in efficiency, effectiveness and value for money across the board including:

- Better informed and more timely decision making by school leaders and managers
- Time saved for teachers through accessing curriculum materials on line, the use of interactive whiteboards and the ability to save and amend lesson plans and activity
- Time saved for teachers by greater sharing of resources both within school and between schools
- Use of content and tools which enables computer based marking and formative feedback to pupils
- Improved assessment management through effective management systems
- Improved student and teaching management through effective use of management systems linked to curriculum systems
- Streamline and automated administrative processes and systems

38. The e-Strategy, published in March 2005, outlines the Department's vision for achieving value for money and effectiveness in education through maximising the returns of ICT on teaching and learning. The Strategy aims to bring a more direct and focused approach to: ICT procurement; implementation; support and standards across all children's services and the education sector.

39. Accountability for achieving value for money and greater effectiveness is integrated into the e-Strategy programme structure through monitoring

progress on actions against milestones. The Department is working closely with Becta (the British Educational Communications and Technology Agency) to measure the impact of ICT on productive time savings. This will inform how ICT can be used to maximum effect in the classroom and by the school workforce.

40. Schools will play their part in achieving efficiency gains by using ICT to best effect in line with the advice and guidance published by Becta and the Department. This advice and guidance will be strengthened over time to help authorities and schools optimise the productive time savings generated by using ICT effectively.

Better Procurement (£532m)

41. Some local authorities and schools are already demonstrating good purchasing practice, but little is known centrally about where and how widespread this practice occurs. We plan to enable local authorities and schools to provide best practice intelligence and knowledge sharing around the best procurement deals locally, regionally and nationally. While not removing the choice available to budget holders, the provision of clear and proven advice regarding the most competitive price available on a range of commodity items creates the opportunity to achieve significant savings.

42. Local and regional purchasing consortia provide an obvious purchasing function, although there is a wide range of procurement service provision across schools. The national procurement landscape for local authorities and schools is currently being analysed by key central government departments to ascertain where good and poor practice exists and to provide this intelligence to local budget holders to inform better procurement decision making. This work is currently being led by DfES, OGC and the Regional Centres of Excellence (RCE).

43. Significant work has been progressed by the DfES in establishing the Centre for Procurement Performance, a new business unit in the DfES with the aim to drive better procurement deals across the education system nationally.

The Centre for Procurement Performance (CPP)

44. The CPP will deliver the best *opportunities* for savings rather than simply best procurement *practice*. It will ensure that Local Authorities, as well as schools, colleges, training providers and universities get access to better procurement deals by:

- Identifying the best opportunities provided by existing purchasing arrangements and consortia;
- Bringing about improvements in procurement practice across the system, through informing the sectors of the benefits of change, challenging existing practices where necessary, but also sharing best practice so that purchasing choices are better informed; and

- Providing a solid foundation at national level for fostering increased collaboration and partnering across the whole education system (facilitating greater bargaining power in procurement negotiations).

45. Principally, the CPP will work with and through others to identify and deliver better deals, such as the Regional Centres of Excellence and Children Services and local authority education departments. As mentioned above, the CPP has established strong working relationships with other Government Departments such as the OGC to ensure good procurement opportunities are developed and made easily available.

46. The CPP will not tell budget holders what they should buy or from where. It will simply provide information on previous good procurement practice that allow budget holders to make informed purchasing decisions, often saving time in the process. CPP's task is to facilitate and encourage better procurement by purchasers across the system, by showing the benefits to be gained from adopting new procurement methods, collaborating and sharing the best purchasing opportunities.

47. The CPP will provide many advantages for those in the education sector. It will:

- Offer guidance and support in procurement activities;
- Provide reliable information to aid in procurement decisions to increase opportunity for savings; savings that can be re-directed to front-line priority areas;
- Consult professionals and seek input from the education sector on good practice;
- Be led by people you know and trust, with a thorough understanding of your needs and requirements; and
- Increase co-operation and co-ordination of procurement activities and offer avenues for new ones.

48. The CPP will **not**:

- take away control or decision making from those doing the job already;
- impose new structures or solutions;
- make entering purchasing deals compulsory.

49. The CPP is working with key organisations, such as the RCEs and local authorities, teacher, bursar and governor organisations, who are all keen to work positively towards improved procurement opportunities.

Progress so far

50. Early signs are that substantial efficiencies are achievable. In schools for example, we are exploring the options for savings in areas including school insurance, teacher recruitment and supply teacher provision, ICT and energy. Increased competition among suppliers and aggregating demand among budget-holders has already led to significant price falls in some educational goods, like interactive whiteboards and Microsoft operating software.

51. The CPP, working with its partners, will seek out opportunities like these, offering budget-holders an alternative to paying over the odds for goods or services. Budget-holders are as likely as the CPP to discover ways of obtaining more for their money and we wish to enable the sharing of this information too.

What local authorities can do

52. Local Authorities have a crucial brokering role to play – identifying best practice and opportunities and offering these to the CPP for championing, knowledge sharing and dissemination to schools. There may also be opportunities to get involved in, or benefit from, projects run by the CPP.

53. Local authorities and schools, together with other stakeholders, will have the opportunity to pass on ideas to the CPP via the Regional Centre of Excellence that covers your area. Local Authorities should encourage schools to contact them regarding local practice and ideas about opportunities.

54. For the latest information on CPP progress and activities you can access the CPP website at www.dfes.gov.uk/cpp. We have also established a CPP mailing list so that we can keep you updated on savings opportunities as they become available. You can register for this via the website.

55. If the Department's new Centre for Procurement Performance is to achieve the potential benefits for local authorities and schools, the watchwords will be co-operation and collaboration. Together, it will be possible to find ways to make your budget go further, and deliver maximum benefit to front line services.

Better Arrangements for Capital Investment (£643m)

56. There is scope for significantly improving value for money in capital procurement, not only through the establishment of Partnerships for Schools and the aggregation of demand through Building Schools for the Future, but also more widely across the whole field of construction and maintenance and the Capital Programme (funding).

57. BSF aims to deliver value for money through streamlining the procurement, construction and management process. The main areas of focus are;

- Procurement and contract standardisation;

- Removal of repeated bidding (for public and private sectors);
- Estate rationalisation;
- Construction efficiencies through strategic partnering, driving economies of scale from long term volume;
- Site and modular construction; and
- Life-cycle costing and facilities management efficiencies.

58. Ongoing support and commitment from local authorities and schools will ensure that we all contribute towards achieving value for money. Partnerships for Schools and our other BSF partners such as Commission for Architecture and the Built Environment (CABE) and the Public Private Partnerships Programme (4Ps) are working alongside the BSF Authority Stakeholder Groups to provide consistency of approach and support to ensure opportunities are maximised.

59. The CPP will play a major role in support of our initiatives in this area, utilising the networks that we have already mentioned in the CPP section. A key to the overall success will be the effective communication to the wider stakeholder group of the successes in capital procurement via existing arrangements or new initiatives. We will achieve this through the CPP via the Regional Centres of Excellence and other support networks.