

SLOUGH SCHOOLS FORUM
18 April 2012

**Consultation - Improving the Assurance System for financial
management in LA maintained schools
(Director of Resources and Regeneration)**

1 PURPOSE OF REPORT

- 1.1 To inform Schools Forum that the DfE published consultation on improving the Assurance System for financial management in LA maintained schools on 2 April 2012.

2 RECOMMENDATIONS

- 2.1 That Schools Forum members work with officers on a response to the consultation.

3 REASONS FOR RECOMMENDATIONS

- 3.1 It is appropriate for Schools Forum be aware of the consultation on improving the assurance system for financial management in LA maintained schools and decide whether to respond. If Schools Forum does wish to respond, members should note that the deadline for responses is 11 May 2012.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Not applicable.

5 SUPPORTING INFORMATION

- 5.1 On 2 April, the Secretary of State for Education wrote to Local Authorities and Chairs of Schools Forum to announce a consultation on improving the assurance system for financial management in LA maintained schools.
- 5.2 In October 2011, the National Audit Office published a report 'Oversight of financial management in local authority maintained schools'. The report recognised a weakness in the current assurance system and the DfE accepted their findings. As a result, the DfE agreed to strengthen their arrangements for approaching LAs about the financial management of their schools, where there were problems identified.

The DfE plan to use the information they already collect, or plan to collect, to identify where there may be problems with LAs' or their schools' financial management. The DfE will analyse this information, including 2010-11 outturn, against six proposed criteria to identify

which LAs' information indicates that there is a reason for concern. The consultation sets out the proposed criteria and how the DfE plans to approach the LAs identified.

- 5.3 A summary of the proposed criteria and consultation questions is attached at Appendix A. The proposed timetable for implementation is attached is attached at Appendix B.

The consultation runs for a period of six weeks, closing on Friday 11 May.

This consultation emphasises the importance of financial management of the Dedicated Schools Grant. The LA, working with Schools Forum, has recently reviewed aspects of financial management. The accountability mechanisms outlined elsewhere on this agenda will support financial management of use of the Dedicated Schools Grant. A recent revision to the Scheme for Financing Schools incorporated an updated balance control mechanism.

- 5.4 Contributions to the LA response are invited from members of the Forum, either by e-mail or a short task and finish group following this meeting.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Section 151 Officer – Strategic Director of Resources

- 6.2 The financial implications of the report are outlined in the supporting information.

Access Implications

- 6.3 There are no access implications.

7 CONSULTATION

Principal Groups Consulted

- 7.1 None.

Method of Consultation

- 7.2 Not applicable.

Representations Received

- 7.3 Not applicable.

Background Papers

You can access the consultation documents via this link:
<http://www.education.gov.uk/consultations/>

Contact for further information

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Improving the Assurance System for Financial Management in Maintained Schools

Proposed Criteria for Approaching LAs

Proposed Criterion A: An LA has over-spent its DSG by 2% or more (i.e. it is 2% or more in deficit)

Question 1: Do you agree it is appropriate to approach an LA that has over-spent its DSG by 2% or more?

Proposed Criterion B: An LA has under-spent its DSG by 5% or more (i.e. it is 5% or more in surplus)

Question 2: Do you agree it is appropriate to approach an LA that has under-spent its DSG by 5% or more?

Proposed Criterion C: An LA has 2.5% of schools that have been in deficit of 2.5% or more since 2007-08 (i.e. for 4 years)

Question 3a): Do you agree it is appropriate to approach an LA if it has 2.5% of schools that have been in deficit of 2.5% or more since 2007-2008 (i.e. for 4 years)?

Question 3b): If no, should the percentage of schools in deficit be higher or lower than 2.5% for an approach to be made?

Question 3c): If no, should the percentage of deficit for each school be higher or lower than 2.5% for an approach to be made?

Question 4: Which is a better indication that pupils' interests could be put at risk by schools' persistent deficits:

- % of schools in an LA that are in deficit; or
- % of deficit that schools in an LA are in?

Proposed Criterion D: An LA has 5% of schools that have had a surplus of 15% or more since 2006-07 (i.e. for 5 years)

Question 5a): Do you agree it is appropriate to approach an LA if it has 5% of schools that have had a surplus of 15% or more since 2006-07 (i.e. for 5 years)?

Question 5b): If no, should the percentage of schools in high surplus be higher or lower than 5% for an approach to be made?

Question 5c): If no, should the percentage of high surplus for each school be higher or lower than 15% for an approach to be made?

Question 5d): If no, should the number of years that each school has been in high surplus be longer or shorter than 5 years for an approach to be made?

Question 6: Which is the best indication that pupils' interests could be put at risk by schools' long-term high surpluses:

- % of high surplus that schools are in; or
- % of schools in an LA that are in high surplus; or
- number of years that schools have been in high surplus?

Question 7: How many years of a high surplus would it take to be reasonably confident that a school does not have a clear plan for how that money will be used?

Proposed Criterion E: For 2011-12, of an LA's schools that never attained FMSiS, and are still eligible, at least 1 did not complete the SFVS by 31 March 2012

Question 8: For 2011-2012, do you think it is reasonable that we approach an LA if at least 1 school that did not achieve FMSiS at all, and is still eligible, did not complete the SFVS by 31 March 2012?

Proposed Criterion F: For 2012-13 onwards, 2% or more of an LA's schools did not complete the SFVS by the end of March deadline
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Question 9a): Do you agree that we should reduce the threshold for 2012-13 onwards, to allow for a small minority of schools in each LA to not complete the SFVS?

Question 9b): If yes, do you agree that we should automatically allow for a set percentage of schools in each LA to not complete the SFVS?

Question 9c): If so, is 2% an appropriate set percentage?

Question 10a): If you disagreed with the proposal in question 9a, would publishing acceptable reasons for exemptions be a better approach?

Question 10b): Are our proposed exemptions the right ones?

Question 10c): Are there any other exemptions that should be included?

Question 11a): Do you agree that it is appropriate for us to approach all LAs caught by at least 1 of the criteria?

Question 11b): Of the 6 proposed criteria, do some give a better indication than others that problems may be putting pupils' interests at risk?

Question 11c): Which of the 6 proposed criteria do you consider to give a better indication than others that problems may be putting pupils' interests at risk?

Proposed Process (Appendix B)

Question 12: Do you agree with the proposed initial process and timeline?

Question 13: Do you agree that it would be better for us to initially approach those LAs identified in the autumn rather than the following spring?

Question 14: Do you agree that those LAs identified should be required to submit an additional assurance as part of their next CFO assurance statement?

Question 15: If there are LAs where we do not consider their additional assurance or revised return to be adequate, how should we escalate the issue?

Question 16: Do you agree with the proposed process and timeline for 2010-11 information?

Question 17: Do you think it would be effective to involve Schools Forums in this process? If so, how can this best be done?

Academies

Question 18: What is the best way for us to take schools that have become Academies into account?

Proposed Timetable

Activity	Date
Write to LAs that meet the criteria based on analysis of 2010-11 s251 outturn and CFO assurance statements asking them to provide a high-level explanation, timetable and actions <i>(This will not include SFVS criteria because SFVS was only launched for 2011-12 onwards)</i>	June 2012
Issue CFO assurance statements 2011-12	July 2012
Receive required replies from LAs that meet the criteria	31 July 2012
Consider information provided and follow-up with any LAs where we are not reassured	14 August 2012
Deadline for s251 2011-12 outturn returns	25 August 2012
Receipt of CFO assurance statements 2011-12	31 Oct 2012
Analyse: <ul style="list-style-type: none"> - DSG assurance statements 2011-12 for SFVS returns and DSG over/under-spends - s251 2011-12 outturn Identify LAs to approach	Sept - Nov 2012
Write to CFOs of LAs that meet the criteria based on 2011-12 analysis asking them to provide a high-level explanation, timetable and actions	Nov-Dec 2012
Receive required replies from LAs	Dec-Jan 2013
Consider information provided and follow-up with any LAs where we are not reassured	Jan-Feb 2013
Issue CFO assurance statements for 2012-13 including the additional assurance and information required from those LAs that met our criteria for 2011-12	July 2013
Deadline for s251 2012-13 outturn returns	25 August 2013
Receipt of CFO assurance statements 2012-13	31 Oct 2013
Analyse DSG assurance statements 2012-13 for: <ul style="list-style-type: none"> - SFVS returns - DSG over/under-spends; and - whether we are reassured by the additional assurance (and information) provided by LAs identified previously Analyse s251 2012-13 outturn Identify LAs to approach	Sept - Nov 2013
Escalate our concerns for those LAs previously identified where we are not reassured by their assurance / information / progress	Nov-Dec 2013
Write to CFOs of LAs that meet the criteria for the first time asking them to provide a high-level explanation, timetable and actions	Nov-Dec 2013