

# A Consultation on Improving the Assurance System for Financial Management in Local Authority Maintained Schools

## Consultation Response Form

The closing date is: 11 May 2012  
Your comments must reach us by that date.

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If you want all, or any part, of your response to be treated as confidential, please explain why you consider it to be confidential.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 1998, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

**Please tick if you want us to keep your response confidential.**

Reason for confidentiality:

Name London Borough of Lewisham

Organisation (if applicable)

Address: 1<sup>st</sup> Floor  
Town Hall  
Catford

If your enquiry is related to the policy content of the consultation you can contact Bharti Vakharia on 020 7340 7768

Email: [bharti.vakharia@education.gsi.gov.uk](mailto:bharti.vakharia@education.gsi.gov.uk)

If you have a query relating to the consultation process you can contact the Public Communications Unit on:

Telephone: 0370 000 2288

e-mail: [consultation.unit@education.gsi.gov.uk](mailto:consultation.unit@education.gsi.gov.uk)

Please tick one box that best describes you as a respondent:

<input type="checkbox"/> LA Maintained School	<input checked="" type="checkbox"/> Individual Local Authority	<input type="checkbox"/> Local Authority Group
<input type="checkbox"/> Schools Forum	<input type="checkbox"/> Teacher Association	<input type="checkbox"/> Academy
<input type="checkbox"/> Governor Association	<input type="checkbox"/> Other Trade Union / Professional Body	<input type="checkbox"/> Other

Please Specify:

## **Section 1 - Proposed Criteria for Approaching LAs**

Section 1 of the consultation outlines our plans to use the information we already collect, or plan to collect, to identify in which LAs there may be problems with financial management in the LAs and/or their schools.

We will use:

- Section 251 Outturn Returns
- Outturn Dedicated Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statements

The specific criteria we intend to use to identify which LAs to approach are:

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

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

**Proposed Criterion C:** An LA has 2.5% of schools that have been in deficit of 2.5% or more since 2007-2008 (i.e. for 4 years)

**Proposed Criterion D:** An LA has 5% of schools that have had a surplus of 15% or more since 2006-2007 (i.e. for 5 years)

**Proposed Criterion E:** For 2011-2012, 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

**Proposed Criterion F:** For 2012-2013 onwards, 2% or more of an LA's schools did not complete the SFVS by the end of March deadline

### **Substantial over or under-spends of DSG (from CFO assurance statements)**

In paragraphs 19 to 23 we discuss our proposed criteria for identifying LAs based on substantial over or under-spends of the Dedicated Schools Grant (DSG).

**Q1 Do you agree it is appropriate to approach an LA that has over-spent its DSG by 2% or more? ✓**

<input type="checkbox"/> Yes	<input type="checkbox"/> No, the % threshold should be higher	<input type="checkbox"/> No, the % threshold should be lower
✓ Not Sure		

Comments:

As the DSG includes the individual schools budget the threshold of 2% should not be overly onerous and the fact it captures relatively few LA's would suggest it can be supported.

However with the proposed changes to the school funding system and greater delegation to schools apart from the SEN block there is little funding that is retained by Local Authorities. It maybe better to consider an approach whereby Local Authorities report SEN spend against funding provided by the DFE so that it can be gauged nationally whether there are sufficient resources within the system.

**Q2 Do you agree it is appropriate to approach an LA that has under-spent its DSG by 5% or more?**

<input type="checkbox"/> Yes	<input type="checkbox"/> No, the % threshold should be higher	<input type="checkbox"/> No, the % threshold should be lower
✓ Not sure		

Comments:

See comment above, a sum of 5% would in our case equate to a sum of more than £10m and it would be hard to envisage circumstances where this is triggered when the centrally retained items are likely to amount to just double this under the new funding system.

**% of schools in deficit or excessive surplus (from section 251 outturn returns)**

In paragraphs 24 to 36 we discuss our proposed criteria for identifying LAs based on the proportions of their schools that have been in persistent, substantial deficit or surplus.

**Q3 a) 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)?**

<input type="checkbox"/> Yes	√	<input type="checkbox"/> No	<input type="checkbox"/> Not Sure
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Comments:

It is important that the DFE are clear about the term deficit, does it mean the end-of year accumulated balance or does it mean the in-year position. A school can have a large overall deficit in year one but will clearly run in year surpluses in subsequent years in order to reach an overall balanced position.

We would be surprised that if a school has an end of year deficit balance that a Local Authority would not be challenging the school and require a licensed deficit agreement with an agreed recovery plan. We are fully aware of all our schools in deficit and their plans to bring their budget back into balance. It maybe worth considering asking LA's to list all their schools in deficit, whether a licensed deficit agreement is in place and details of the recovery plan and when the school plan to return to a balance budget position. This would avoid specifying arbitrary triggers for action and provide details of all the schools. Indeed we provide this to Local Authority Members and the Schools Forum in the normal course of their business and would not consider this onerous

**Q3 b) If no, should the percentage of schools in deficit be higher or lower than 2.5% for an approach to be made?**

<input type="checkbox"/> Higher	<input type="checkbox"/> Lower	√	<input type="checkbox"/> Not Sure
<input type="checkbox"/> Not Applicable			

Comments:

See above

**Q3 c) If no, should the percentage of deficit for each school be higher or lower than 2.5% for an approach to be made?**

<input type="checkbox"/> Higher	<input type="checkbox"/> Lower	<input type="checkbox"/> Not Sure
√ <input type="checkbox"/> Not Applicable		

Comments:

See above

**Q4 Which is a better indication that pupils' interests could be put at risk by schools' persistent deficits?**

<input type="checkbox"/> % of schools in an LA that are in deficit	<input type="checkbox"/> % of deficit that schools in an LA are in	√ <input type="checkbox"/> Not Sure
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Comments:

We want to stress that schools manage their resources and rightly have the freedom to do so and not the LA's. We will challenge schools on value for money and agree a recovery plan if a school is in deficit. Hence why we suggest a more detailed return rather than setting arbitrary percentage triggers.

There is an implicit assumption in this that when a school is in deficit pupils are not being served well. Deficits often result from too many staff or salaries that are too high due reflecting their experience. In this scenario pupils are not being disadvantaged quite the contrary. It is when the deficit is being addressed that pupils may suffer because staff numbers are reduced or curriculum options narrow.

Deficits arise through large drops in pupil number or poor financial management in schools. It is these past events that put pupils are at risk, this is down to individual schools rather than the Local Authority family of schools

**Q5 a) 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)?**

Yes

No

✓  
Not Sure

Comments:

5 years seems a long time and we would hope finances are better managed than this by schools and appropriate challenge and support provided by the LA. Most deficit are recovered within three years and this should be the maximum time limit.

See answer to question 5b for comments on schools' surpluses.

**Q5 b) If no, should the percentage of schools in high surplus be higher or lower than 5% for an approach to be made?**

<input type="checkbox"/> Higher	<input type="checkbox"/> Lower	<input type="checkbox"/> Not Sure
√ Not Applicable		

Comments:

We believe it is right that there is claw back provision in the scheme of delegation and this should be determined locally by the Schools Forum and that the Forum consider any excess balances and agree any capping of school balances. We believe these reports could be provided to the DFE.

We are a little surprised that a limit is being set having decided to remove the provision within the regulations that schemes of delegation must have a school balance control mechanism.

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**Q5 c) If no, should the percentage of high surplus for each school be higher or lower than 15% for an approach to be made?**

<input type="checkbox"/> Higher	<input type="checkbox"/> Lower	<input type="checkbox"/> Not Sure
√ Not Applicable		

Comments:

See above

**Q5 d) 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?**

<input type="checkbox"/> Longer	<input type="checkbox"/> Shorter	<input type="checkbox"/> Not Sure
<input checked="" type="checkbox"/> Not Applicable		

Comments:

**Q6 Which is the best indication that pupils' interests could be put at risk by schools' long-term high surpluses**

<input type="checkbox"/> % of high surplus that schools are in	<input type="checkbox"/> % of schools in an LA that are in high surplus	<input type="checkbox"/> Number of years that schools have been in high surplus
<input checked="" type="checkbox"/> Not Sure		

Comments:

We believe this is individual to schools rather than an arbitrary percentage applied to the family of schools in a Local Authority, as schools manage their finances.

As suggested above we feel the Schools Forum has a role to play in helping schools manage their finances and balances. Local Authorities could provide individual details of schools exceeding capping limits and Forum's decision on whether to cap a school. Such detailed would include reason for agreed excess such as capital projects.

**Q7 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?**

√

<input type="checkbox"/> 2 years	<input type="checkbox"/> 3 years	<input type="checkbox"/> 4 years
<input type="checkbox"/> 5 years	<input type="checkbox"/> More than 5 years	<input type="checkbox"/> Not sure

Comments:

We feel that the school should be spending any funding in the following year but accept some capital projects may be large and take a number of years for a school to save up and for the works to be completed. We feel this should be no longer than three years so that at least a pupil who the funding was intended for is still likely to be in the school and receive some benefit.

### **Schools Financial Value Standard (SFVS) Returns (from CFO Assurance Statements)**

In paragraphs 37 to 44 we discuss our proposed criteria for identifying LAs based on their schools' non-completion of the Schools Financial Value Standard (SFVS). We will analyse this information to identify whether all of an LA's schools have implemented the SFVS.

**Q8 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?**

√  Yes  No  Not Sure

Comments:  
Yes

**Q9 a) 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?**

Yes  No  Not Sure

Comments:  
No, we think it is better to have a full listing with any reasons for non-compliance

**Q9 b) If yes, do you agree that we should automatically allow for a set percentage of schools in each LA to not complete the SFVS?**

Yes  No  Not Sure

Comments:

No full compliance.

**Q9 c) If so, is 2% an appropriate set percentage?**

Yes

No, it should be higher

No, it should be lower

√

Not Sure

Comments:

No full compliance.

**Q10 a) If you disagreed with the proposal in question 9a, would publishing acceptable reasons for exemptions be a better approach?**

√

Yes

No

Not Sure

Not applicable

Comments:

Yes

In paragraph 43 we set out our proposed possible exemptions for non-completion of the SFVS:

- School has recently opened
- School has recently closed
- School will be closing within the next six months
- School will shortly convert to Academy status
- Schools have recently merged
- School recently suffered fire/flood/natural disaster

**10 b) Are our proposed exemptions the right ones?**

Yes

No, there should be more

✓

No, there should be fewer

Not sure

Comments:

Agreed with the exception of schools converting to an academy and schools merging, as the standard should rightly be considered to ensure the institution has the appropriate financial management in place.

**Q10 c) Are there any other exemptions that should be included?**

Comments:

No

### Number of LAs Identified

In paragraphs 45 to 49 we explain that, using our proposed criteria and 2010-11 information, the total number of LAs meeting at least 1 criterion is 26.

The diagram in Annex B illustrates how many LAs would be identified under each of our proposed criteria - there are only 2 LAs identified by more than 1 criterion.

**Q11 a) Do you agree that it is appropriate for us to approach all LAs caught by at least 1 of the criteria**

√  Yes  No  Not Sure

Comments:

Yes, if you adopt this approach.



Our combined criteria need to identify all those LAs where the data suggests there could be serious financial management problems, ensuring that the total number identified is proportionate to the level of risk. Although we consider all 6 criteria to be important, we would like to know if some would give a better indication than others that financial management problems may be putting pupils' interests at risk.

**Q11 b) Of the 6 proposed criteria, do some give a better indication than others that problems may be putting pupils' interests at risk?**

√

Yes  No  Not Sure

Comments:

Financial surpluses put pupil's interests at the most risk when they exist. Deficits only create an issue when the school is dealing with them. An under spent DSG, if schools allocations are lower as a result, may harm pupils' interests.

**Q11 c) 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? Please tick more than one box, if applicable.**

<input type="checkbox"/> Proposed Criterion A: An LA has over-spent its DSG by 2% or more (i.e. it is 2% or more in deficit)	<input type="checkbox"/> Proposed Criterion B: An LA has under-spent its DSG by 5% or more (i.e. it is 5% or more in surplus)	<input type="checkbox"/> Proposed Criterion C: An LA has 2.5% of schools that have been in deficit of 2.5% or more since 2007-2008 (i.e. for 4 years)
<input type="checkbox"/> Proposed Criterion D: An LA has 5% of schools that have had a surplus of 15% or more since 2006-2007 (i.e. for 5 years)	<input type="checkbox"/> Proposed Criterion E: For 2011-2012, of an LA's schools that never attained FMSiS, and are still eligible, at least one did not complete the SFVS by 31 March	<input type="checkbox"/> Proposed Criterion F: For 2012-2013 onwards, 2% or more of an LA's schools did not complete the SFVS by the end of March

√	2012	deadline
	Not Sure	

**Comments:**

Judgements based on a Local Authority basis reflect the challenge to schools that the Authority provides. The risks to pupils are on an individual school basis through levels of deficits, excess balances and financial management standards within the school.

**Section 2 - Proposed Process**

This section sets out our proposed process for approaching those LAs that have been identified by the set criteria.

**Initial Approach and Follow Up**

In paragraphs 53 to 60 we outline our proposed process and timeline that will begin with the analysis of information from the financial year 2011-2012. There will be a different process and timeline for 2010-2011 financial year data as there is not enough time to implement the full process. Annex C provides further information on how the timelines would work.

**Q12 Do you agree with the proposed initial process and timeline?**

<input type="checkbox"/> Yes	√	No	<input type="checkbox"/> Not Sure
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Comments:

We think the new approach should start from 2011/12 rather than go back to 2010/11

**Q13 Do you agree that it would be better for us to initially approach those LAs identified in the autumn rather than the following spring?**

√

Yes

No

Not Sure

Comments:

Yes

### **Additional Assurance and Escalation**

Paragraphs 61 to 62 outline our proposals for seeking additional assurances and escalation. LAs that are initially identified will be required to complete an additional section on their next CFO assurance statement. We will consider for each LA whether their additional assurance or revised return is adequate. For those returns that are not, we will look to escalate the issue.

**Q14 Do you agree that those LAs identified should be required to submit an additional assurance as part of their next CFO assurance statement?**

√

Yes  No  Not Sure

Comments:

Yes but we must recognise that the LA is only reporting what schools are doing. This should not replace the schools governing body responsibilities.

**Q15 If there are LAs where we do not consider their additional assurance or revised return to be adequate, how should we escalate the issue?**

Comments:

We must recognise that the LA is reporting how schools are managing their resources and the responsibilities rest with schools, with support from the Local Authority. This should not replace the schools governing body responsibilities, however reports of circumstances and individuals schools can be provided together with any outcomes of internal audit reports

### **Process for 2010-11 information**

Paragraphs 63 to 65 provide information on the proposed process for 2010-2011 information.

**Q16 Do you agree with the proposed process and timeline for 2010-11 information?**

Yes  No  Not Sure

Comments:

No, this should not be retrospective, it should start with 2011/12.

### **Role of the Schools Forum**

Paragraphs 66 to 68 provide information on the role of the new schools forum and its importance in the decision-making process for how school funding is distributed locally. We think that our proposed process could be strengthened by involving School Forums if we have identified causes for concern that fall within their remit.

**Q17 Do you think it would be effective to involve Schools Forums in this process? If so, how can this best be done?**

<input checked="" type="checkbox"/>	Yes, it would be effective to involve them	<input type="checkbox"/>	No, it would not be effective to involve them	<input type="checkbox"/>	Not Sure
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Comments:

Our Schools Forum operates the balance control mechanism and monitors deficits as a matter routine. The Forum decides whether any school should have their carry forward capped.

### **Section 3 - Academies**

Paragraphs 69 to 72 discuss the complexities arising when schools convert to Academy status and how these complexities should be taken into account when identifying which LAs to approach.

**Q18 What is the best way for us to take schools that have become Academies into account?**

<input checked="" type="checkbox"/>	Exclude them from the analysis	<input type="checkbox"/>	Include them in the analysis and ensure our approach takes them into account	<input type="checkbox"/>	Not Sure
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Comments:

If DFE / EFA are undertaking their proper due diligence on schools converting to academy status then these issues should be known as a result of that process without further burden on the LA. Academies and converters should be excluded from analysis as an agreed exception. However a concern here is that the process for the EFA dealing with Academies is not set out here or elsewhere for consultative purposes.

**Q19 Have you any further comments?**

Comments:

Concerns

The two simplistic assumptions that seems to pervade this document are that an under spend is good and a deficit is bad, in terms of impact on education standards for pupils, and financial measures are usefully considered independent of any other information.

Pupils interests are not solely determined by financial issues and the schools performance should be considered in a wider context by linking certain ratios and trends over time that allow financial impact to be put in context. For example, using attendance records, staff:pupil numbers, percentage of teaching days delivered by supply, results/attainment records.

The SVFS would be a better gauge if it was scored, such as allocating two points for full compliance, one point for partial compliance and no points for non-compliance and then set a pass/fail threshold for each return.

**Q20 Please let us have your views on responding to this consultation (for example, the number and type of questions, was it easy to find, understand, and complete).**

Comments:

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

**Please acknowledge this reply**

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.



If you have any comments on how DfE consultations are conducted, please contact Carole Edge, DfE Consultation Co-ordinator, tel: 0370 000 2288 / email: [carole.edge@education.gsi.gov.uk](mailto:carole.edge@education.gsi.gov.uk)

**Thank you for taking time to respond to this consultation.**

Completed questionnaires and other responses should be sent to the address shown below by 11 May 2012

Bharti Vakharia  
Funding Policy and Efficiency Team  
Department for Education  
Sanctuary Buildings - 4<sup>th</sup> Floor  
Great Smith Street  
London  
SW1P 3BT

Send by e-mail to: [financial.management@education.gsi.gov.uk](mailto:financial.management@education.gsi.gov.uk)