

National Audit Office report on School Financial management and the s251 benchmarking data (budget 2011/12).

1. Purpose of the Report

This report considers the National Audit Office report on school financial management and then considers the financial management in Lewisham and the various ways in which it could be improved. The report also contains the s251 benchmarking data that compares Lewisham spending with other Local Authorities. Members are asked to discuss the issues in the report and consider the proposals in 5.5.

2. Background

The National Audit Office undertook a study of the financial management of schools between April and July 2011. The work considered the financial management from the Department of Education, Local Authorities and Schools perspective.

3. Key findings of the report

3.1 The key findings of this report are not particularly surprising in the light of the economic climate that Local Government and Schools find themselves in. The report highlights the desire of central government to ease the burdens on schools but at the same time open up the scrutiny of financial affairs to parents and the public in the belief this will drive improvements in financial management and performance.

3.2 The report states that the reductions to burdens placed on schools are

- Schools can now assess their own compliance with the new Schools Financial Value Standard, which replaced the Financial Management Standard in Schools (FMSiS) that was externally assessed.
- The ending of compulsory independent supervision of schools through School Improvement Partners.
- From January 2012, Ofsted's new inspection regime will no longer include a value-for-money assessment.

3.3 The report also finds that over a quarter of local authorities responding to the survey are planning to reduce internal audit coverage and financial management support to schools in 2011-12, compared with 2010-11.

3.4 The report notes, that Schools' financial management capability has improved over recent years as more schools have employed or have

had access to a school business manager. Training of School business managers provided by the National College for School Leadership (the National College) have further improved business managers financial management skills.

3.5 The reports finds that most local authorities believe that their headteachers have the financial expertise necessary for their role, but many have no personal experience of leading a school during a period of financial constraint.

3.6 However there is a number of concerns that the report notes.

- Some 27 per cent of local authorities responding to the survey stated that only a minority of their primary schools had governing bodies with sufficient financial expertise.

- The annual time frame for determining funding makes it difficult for schools to set budgets and, where necessary, to plan to reduce costs. Maintained schools receive information on their annual funding only a few weeks before the new financial year. For 2011-12, schools received this information for that year only. The Department is proposing further reform of the schools' funding regime from 2013-14.

- The Department for Education(DFE) no longer provides certain direct support. In 2010, in line with its policy of increasing school autonomy, the DFE stopped giving direct support for financial management and efficiency improvement, and began to influence schools' behaviour through guidance and signposting, for example, to good procurement contracts.

- Nearly half of all schools do not use the financial benchmarking website. The financial benchmarking website enables all maintained schools to prepare charts so that they can compare their income and expenditure profiles with those of similar schools. There are over 20,000 school records available on the site. Benchmarking can be used to identify significant differences in the way schools manage their resources. Through comparison with other schools' spending and patterns of service, schools can determine whether there is scope for doing things better: improving efficiency, reducing costs or identifying the potential scope for savings.

There is also a workforce tool available for schools. The tool asks questions, asking schools to score the extent to which key activities that support value for money are undertaken. Examples of good practice that are drawn from the Audits Commission research are provided and there are suggested action plans on how to improve high priority value for money activities in schools.

- Some local authorities are reducing their capacity to monitor and support schools' financial management, at a time when some schools may need it most. This could result in poorer use of resources, and adversely affect school performance.

- Forty per cent of local authorities responding to the survey did not believe that they had sufficient resources to provide effective support to schools. Furthermore, almost half of these are planning to reduce the amount of staff time spent on support.

4 Response to the report

- 4.1 As stated above the findings are not surprising in circumstances that schools and local authorities find themselves. The recommendations made in the report are generally for the Department of Education to consider and cover the way the department collects and uses the information on school finances.

- 4.2 Equally it is an opportune time for us to consider the report and consider the position in Lewisham in terms of financial management and consider whether we need to do more. Generally Local Authorities need to see that schools are managing their finances adequately and assist schools when this is not happening.

- 4.3 Currently the direct financial management support is provided to schools via a Service Level Agreement. Some schools purchase this others do not. Schools Budget plans and budget monitoring statements are reviewed and schools challenged if it is felt appropriate. There is generally two levels that schools are challenged on, either at the detailed level of the calculations and assumptions or the strategic level of the direction of travel. This is mainly directed at school bursars and headteachers

- 4.4 In the current financial climate different approaches need to be adopted to assist schools with their finance. Over the last year schools have been challenged with benchmarking data and value for money assessments. The budget cycle has been moved forward and an interactive budget forecasting tool placed on the website to avoid

criticism of the late notification of the budget – a theme identified by the National Audit Office report.

4.5 The question remains on how we build on this report and, in particular the gap the report identifies on primary school governors. It is proposed that

- The current monthly finance newsletter provides schools with the latest events in the financial world affecting schools. It is intended to use this in the future to nudge schools in the direction of the tasks they should be performing each month.
- A finance section appears in the governors termly newsletter and this will detail in the future the tasks that each governing body should be considering every month and the type of challenges they should be posing to the school staff on the budget
- A workshop will be provided for school bursars in the new year to assist them in calculating and planning their budget
- The governors training session next term will be focused on the financial challenges that governors need to provide.
- The in-house benchmarking data and value for money graphs will be produced in December to aid the budget decisions made by schools.

5. Section 251 benchmarking data – Budget 2011/12

5.1 Appendix C shows a comparison on a per pupil basis of all the budget headings within the DSG and General Fund for our statistical neighbours.

5.2 In all there are 11 Local Authorities in the group, the ranking compares our position in the table, the higher the ranking the higher the spend. So if the ranking is 1 it reflects the highest spending authority.

5.3 Such statistics are always difficult to interpret as not all Authorities categorise their expenditure in the same way, so a degree of care is needed. It is not necessarily either good or bad to be either at the lowest or highest end of the spending spectrum. It is more important that the statistics provide a challenge to the current policies being adopted. It could well be that the level of spend is appropriate.

5.4 Interestingly in past years we have been one of the highest spending authorities on Special Educational Needs. Currently we are the 5th highest of the 11 comparator Authorities. There maybe a number of reasons for this, including that other authorities have set more funding aside to meet a general increase in the number of SEN children or it is reflection in the treatment of the former standards funds. We have delegated these to schools where possible, while other Authorities may have retained the money centrally.

6 Next Steps

This data provides useful information and allows us to challenge ourselves on whether we are providing value for money. However there are complexities

with using this data as Local Authorities interpret the regulations very differently. In order to get a better understanding we have joined a CIPFA benchmarking club. CIPFA have run these benchmarking clubs for some time and we have belonged to the Children Social Care benchmarking club for some time and this has helped to develop and drive some of the strategic thinking and improve the value for money in this area. The Special Education Needs club is a new club set up this year as colleagues around the country have concerns about the increasing costs of SEN provision. Currently data is being collected from individual authorities in order for CIPFA to collate the information.

We have seen the increasing pressures on SEN in the budget monitoring report. It would seem sensible to build into the SEN review the s251 benchmarking data and the CIPFA benchmarking information.