



Report of the Director of Children's Services

Scrutiny Board (Children's Services)

Date: 21st July 2011

Subject: Control of School Balances

Electoral Wards Affected: All	Specific Implications For: Equality and Diversity <input type="checkbox"/> Community Cohesion <input type="checkbox"/> Narrowing the Gap <input type="checkbox"/>
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1.0 Purpose of the Report

1.1 This report provides a response by the Director of Children's Services to the Scrutiny Committee report of April 2011 regarding the control of school balances.

2.0 Background

2.1 The Scrutiny Board (Children's Services) received a report on 2008/09 school balances in April 2010. The Board identified the topic as an area for further work in 2010/11. It was agreed that this work would be undertaken by a working group of the Board. Membership was confirmed at the new Board's first meeting in June.

The working group held two meetings, in November and December 2010. The working group's findings, which were endorsed by the full Scrutiny Board, were presented in the report of April 2011.

3.0 Main Issues

The report produced five recommendations. The recommendations are highlighted below together with the response from the Director.

3.1 Recommendation 1

That the Schools Forum and the Member Management Committee give further consideration to including a Scrutiny Board representative on the Schools Forum panel, if this remains appropriate in the light of emerging legislation regarding control of school balances.

This recommendation is accepted and Schools Forum and the Member Management Committee should give consideration to including a Scrutiny Board representative on the Schools Forum panel. However, it is recommended that implementation of this recommendation should await greater certainty about the future of the Panel mechanism to save making an appointment to a body that may not be continuing in its present form.

In the meantime, as Scrutiny Board members are aware, a pragmatic approach has been adopted for this year's Panel, in that the Scrutiny Board nominated an informal observer who attended the Panel meeting in June. This experience will help inform a decision about the appropriateness of a formal appointment once the future of the Panel has become clearer.

Recommendation 2

That the Director of Children's Services ensures that all correspondence with headteachers in relation to school balances is copied automatically to the chair of governors.

This recommendation is accepted and all correspondence with headteachers regarding school balances will be copied to the chair of governors.

Recommendation 3

That the Director of Children's Services provides model questions for governing bodies to use to assist them in scrutinising the school's budget plan, including any contingency or unallocated funding.

This recommendation is accepted The DfE have recently published proposals for the introduction of the Schools Financial Value Standard (replacement of FMSiS), which would require all governing bodies to formally discuss financial management with the head teacher and other senior staff. A series of standard questions has been put together to assist this process. This includes questions relating to budget setting and levels of balances. A copy of the draft standard is attached as an appendix.

Recommendation 4

That the Director of Children's Services provides an annual report to councillors on school balances. This could highlight the key issues to reassure councillors about the prudent management and allocation of school balances, without necessarily naming specific schools.

This recommendation is accepted An annual report is prepared for the Leeds Schools Forum of all school balances, highlighting schools with balances above the thresholds. It is proposed that this report is circulated to Cllrs together with a summary of responses from schools as to the reasons for retaining balances.

Recommendation 5

That the Director of Children's Services monitors the extended services and partnership balances held by schools to ensure value for money from council funding of these activities.

This recommendation is accepted. Balances on extended services are included on the annual schools outturn report. Monitoring of extended services activity is

undertaken by the Extended Services Team in Children's Services

4.0 Future Direction of Travel

The DfE has published revised guidance regarding the power of Local Authorities to recover surplus balances from schools. There is no longer a requirement to have a balance control mechanism. The revised guidance for Local Authorities is as follows: *“The scheme may contain a mechanism to clawback excess surplus balances. Any mechanism should have regard to the principle that schools should be moving towards greater autonomy, should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate, and should not be burdened by bureaucracy. The mechanism should, therefore, be focused on only those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area.”*

Additionally, Academies are outside of the control of Local Authorities and the Authority has no ability to question balances held by them.

5.0 Conclusion

The Scrutiny Committee is requested to note the response of the Director to its recommendations, listed in section 3.1 above.

6.0 Background Papers

6.1 Scrutiny Report – Inquiry into School Balances April 2011

Schools manage many billions of pounds in public money, and it is very important that this management is done well, in order both to safeguard public funds, and to get the best value from them. Formal responsibility within schools lies with governing bodies, and this standard is in the first place aimed at governors. It takes the form of a series of questions which school governing bodies should formally discuss with their head teacher and other senior staff. We recommend that this is done annually. The first run through should be before September 2012; and in the case of schools which had not attained the Financial Management Standard in Schools (FMSiS) must be before the end of March 2012.

There is no prescription of the level of evidence or assurance that the governing body should require: the important thing is that they should be in a position to feel confident about their answers. The DfE website includes advice and tools for governing bodies in relation to each question, which they can use if they wish to. The advice and tools provide clarification of what the question implies, examples of good practice, and access to materials which will assist action on that issue where it is necessary.

The governing body may wish to delegate the consideration of the questions to a Finance Committee or similar; but the chair of governors must sign the completed form. There should be at least a minuted report to the full governing body.

Each question requires an answer of Yes, In Part, or No. Where the answer is In Part or No, the column for comments, evidence and proposed actions should be used to enter a very brief summary of the position and proposed remedial action. Where the answer is Yes, the column should be used to indicate the main evidence on which the governing body based its conclusions. At the foot of the list of questions is a section which requires a summary of remedial actions and the timetable for reporting back.

The standard will not be formally assessed like FMSiS. However, a copy of each signed record must be sent to the local authority's finance department, where it will be used to inform the programme of financial assessment and audit. Local authority and other auditors will have access to it, and when they conduct an audit will be able to check whether the self-assessment is in line with their own judgement. They should make the governing body and the local authority aware of any discrepancies in judgement.

The questions which form the standard are divided into five sections.

<p>LIST OF QUESTIONS A: The Governing Body</p>	<p>ANSWER (Yes/In Part/No)</p>	<p>COMMENTS, EVIDENCE AND PROPOSED ACTIONS</p>
<p>1. In the view of the Governing Body itself and of senior staff, does the Governing Body have adequate financial competence among its members to fulfil its role of challenge and support in the field of budget management?</p> <p>2. Does the Governing Body have a Finance Committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?</p> <p>3. Is there a clear definition of the relative responsibilities of the Governing Body and of the school staff in the financial field?</p> <p>4. Does the Governing Body receive adequate monitoring reports of the school’s budget position on at least a termly basis?</p> <p>5. Are business interests of Governing Body members (and senior staff) properly registered and taken into account so as to avoid conflicts of interest?</p>		
<p>B: The School Staff</p> <p>6. Does the staff include people who between them supply the school with an adequate level of financial competence?</p> <p>7. Does the school have adequate arrangements to cope with the absence of specialist finance staff, eg on sick leave?</p> <p>8. Does the school have policies and mechanisms for deploying the staff of the school to best effect in view of their talents and competencies and the needs of the school?</p> <p>9. Does the school review its staffing structure regularly?</p>		
<p>C: Setting the Budget</p> <p>10. Is there a clear and demonstrable link between the school’s budgeting and its plan for raising standards and attainment?</p> <p>11. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?</p> <p>12. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?</p> <p>13. Is end year outturn in line with budget projections, or if not, is the Governing Body alerted to significant variations in a</p>		

timely manner, and do they result from genuinely unforeseeable circumstances?

D: Value for Money

14. Does the school regularly benchmark its expenditure against that of similar schools and investigate further where any category of spend appears to be high?

15. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?

16. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?

17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?

18. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?

19. Can the school give examples of where it has improved the use of resources during the past year?

E: Protecting Public Money

20. Is the Governing Body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the Governing Body?

21. Are there adequate arrangements in place to guard against fraud by staff, contractors and suppliers (please note any instance of fraud detected in the last 12 months)?

22. Are all staff aware of the school's whistleblowing policy and to whom they should report concerns?

23. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?

24. Does the school have adequate arrangements for audit of voluntary funds?

25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?

OUTCOME OF SELF-ASSESSMENT

F: Summary of agreed remedial action and timetable for reporting back:

[signed]

Chair of Governors

Date: