

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	13/10/10
SUBJECT:	Financial Management Standard in Schools
REPORT BY:	Tony Warnock Head of Finance (Children's Services)
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IS REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to provide the latest information with respect to the Financial Management Standard in Schools (FMSIS).

All schools were required by law to have reached the Standard by 31 March 2010. In total, 80% of Lincolnshire schools had done so.

DISCUSSION

This Government initiative emerged from the national funding crisis in 2003 and was intended to help strengthen financial management in schools.

As reported to the Schools Forum on many previous occasions, all schools were required by law to reach the Standard by 31 March 2010. The DCSF required all secondary schools to reach the Standard by 31 March 2007 and Local Authorities (LA) were asked to ensure that 40%, 40% and 20% of remaining schools reached the Standard in the following three financial years. At its meeting on 24 January 2007, the Schools Forum supported the LA's proposal to require schools with the largest budgets to reach the Standard first.

This approach was communicated to schools in good time and despite the LA offering training, guidance and support, and complying with FMSIS best practice in all respects, the last four years has been characterised by success, but also a significant number of requests for deferrals.

Secondary schools were due for re-assessment in 2009/10 and so by 31 March 2010, all schools should have reached the Standard. The position at that date, as reported to the DfE on 30 June 2010, is summarised below, with comparative information shown for the earlier years.

31/3/10

Of the target for all schools to have reached the Standard, the following had done so¹:

- 233 nursery and primary schools (83%)
- 38 secondary schools (69%)
- 16 special schools (76%)

A copy of the return sent to the DfE is attached at Appendix 1. This includes explanations for the failure to achieve the 100% target. It is noteworthy that due to late submissions, evidence for 26 primary, 7 secondary and 3 special schools had not been fully assessed. Had all of those schools reached the Standard, the percentages above would have been 92% for primary; 82% for secondary; 90% for special, and; 90% in total.

31/3/09

Of the cumulative target number at this point in time, the following had achieved the Standard:

- 113 nursery and primary schools (69%)
- 53 secondary schools (91%)
- 12 special schools (80%) and

31/3/08

Of the target number for the year, the following had achieved the Standard:

- 53 primary schools (57%)
- 54 secondary schools (86%)
- 12 special schools (60%).

31/3/07

Of the target number for this year, the following had achieved the Standard:

- 46 secondary schools (73%).

This analysis shows a steady growth in the number of schools reaching the Standard each year, but the numbers were below the DfE' targets.

There were fewer requests for deferrals in 2009/10. Unlike previous years, the LA was forced to take the stance that deferrals could not be granted, as that would have been in contravention of legislation. Also, there is evidence to show that Internal Audit's change of approach² involving visits to the smallest primary schools to help advise and guide them, was warmly welcomed by very many of them and this helped increase the number that reached the Standard last year.

¹ The figures exclude those schools that became academies.

² This was, of course, supported by the LA and Schools Forum's agreement to allocate £0.060m from the DSG to finance this.

The relatively low percentage of secondary schools reaching the Standard at 31 March 2010 is disappointing. This reflects the fact that a number failed to submit evidence in sufficient time. In addition, it appears that having reached the Standard a few years ago, a number of secondary schools failed to maintain and embed the practices required.

The 2009/10 School Carry Forward report shows that the total number of schools with deficits increased last year for the first time since 2002/03, with the total value of deficits rising by £0.7m. Although the circumstances behind overspends are unique to each school, it is clear from routine Audit reports that some do not have the basic elements of good financial management³ embedded within the school, as the Standard requires. Maintenance of the Standard therefore remains important, not least as it will have a bearing on the number and cost of redundancies that need to be financed through the Dedicated Schools Grant.

Looking ahead, the LA is continuing to adopt the lighter touch approach⁴ for re-assessments, for those schools where there has been no change in key staff or a deficit in the preceding period. That approach has been communicated to all schools that are due for re-assessment this year. This should reduce the time and cost to schools, and the number of requests for deferrals.

Information regarding Lincolnshire's comparative performance with other LAs is not available, but will be reported to the Schools Forum if it becomes available.

The DCSF' guidance to LAs on reassessments, published in May 2009, required LAs to publish on their internet site, a list of schools that had achieved the Standard. The LA plans to do so shortly. It is worth noting that the DCSF' guidance also stated that the Standard can be withdrawn from a school if it fails to maintain the customs and practices required by the Standard.

RECOMMENDATIONS

The Schools' Forum is asked to note the report.

³ For example, detailed budget setting; regular monitoring and reporting, and forward planning.

⁴ The light touch approach does not constitute an external assessment and so schools will not receive a certificate from the DfE or be entitled to use the FMSIS logo. Schools can, however, elect to have an external assessment and if that is undertaken by LCC's internal audit team, a charge of £700 will apply to secondary schools, and £600 for all other schools.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.

Appendix 1 – Extract from the FMSiS CFO Assurance Statement 2009-2010

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report	DfES' directed revisions to Schemes for Financing Schools	24 January 2007	County Offices, Newland, Lincoln
Report	Financial Management Standard in Schools	7 November 2007	County Offices, Newland, Lincoln
Report	Financial Management Standard in Schools	8 October 2008	County Offices, Newland, Lincoln
Report	Financial Management Standard in Schools – arrangements for 2009/10 and beyond	28 January 2009	County Offices, Newland, Lincoln
Report	Financial Management Standard in Schools	1 July 2009	County Offices, Newland, Lincoln
Report	Financial Management Standard in Schools	7 October 2009	County Offices, Newland, Lincoln



Department for Children, Schools and Families
Financial Management Standard in Schools (FMSiS)
FMSiS CFO Assurance Statement 2009-2010

LA Name: Lincolnshire
 LA Number: 925

Name of CFO: David Forbes

The position as at 31 March 2010 was as follows:

	Secondary	Primary	Special
1. Total number of schools in LA	55	282	21
2. Number of schools considered to be meeting the Standard through external assessment, believed to be still valid	27	233	16
3. Number of schools considered to be meeting the Standard, without external assessment	11	0	0
4. Number of schools not meeting the Standard ⁵	17*	49*	5*

5. Reasons why schools have not met the Standard:

- Since the introduction of the Standard, there has been a reluctance on the part of schools to undertake FMSiS. That could possibly be due to the volume of work they felt was required and a lack of resource. Also, the unions were not supportive in the first few years. The Authority has consistently reviewed available guidance and followed best practice to support schools. Schools have not adhered to the original target of a 40:40:20 split of primary schools over 3 years resulting in a backlog of assessments.
- Delayed submission by schools – due to volume, Internal Audit are still in the process of assessing some schools (*26 primary / 3 special / 7 secondary).
- Some secondary schools were only due for re-assessment in February and March 2010 and are still to submit
- A small number of schools have ongoing management and leadership issues that prevent those achieving FMSiS. These are being monitored and supported by Children's Services and FMSiS will be completed as soon as appropriate.

I am satisfied that appropriate steps are being taken to ensure that schools currently not meeting the requirements of the Standard are being brought into line with FMSiS.

Signed.....

Date.....

⁵ The Department may approach Local Authorities to query the unsatisfactory percentages of schools not achieving FMSiS.

**This statement should be signed by the CFO and hard copy returned by
30 June 2010 to:**

Bharti Vakharia
Department for Children, Schools and Families
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Efficiency & Value for Money Unit – 3rd Floor
Great Smith Street
London
SW1P 3BT