

2.3.1 Submission of Financial Forecasts

The authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

LAs should consider the extent to which such forecasts may be used for more than just confirming schools are undertaking effective financial planning or not. For instance: they could be used as evidence to support the LA's responsibility for declaring their schools' adherence to the Financial Management Standard in Schools and/or used in support of the LA's balance control mechanism. However, the requirement to submit a financial forecast should not place undue burdens on schools and should be proportionate to need. In requesting such forecasts LAs should state the purposes for which they intend to use this forecast: such a forecast may be used in conjunction with a LA's balance control mechanism.

2.15 Financial Management Standard

The scheme must include a provision that imposes a requirement on specific phases/groups of schools, as defined from time to time by the authority, to demonstrate achievement of and maintain the Financial Management Standard in Schools (FMSiS) as published by the DfES. Such demonstration may be by compulsory external assessment or by a local authority defined process.

The text for this provision is set out below. The Department will be willing to consider variants on this.

All maintained schools must demonstrate compliance with the DfES' Financial Management Standard in Schools in line with the timetable determined by the authority, and at any time thereafter.

The authority may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone an external assessment. External assessment must be carried out by the authority or by a third party that has been approved to carry out such assessment by either the DfES or the local authority.

This model scheme allows a local authority to set out clearly the expectations on schools and to require external assessment where necessary. The scheme may also describe how the costs of such external assessment must be met including stating that such costs must be met from school budget shares.

The Financial Management Standard & Toolkit (FMS&T) was developed and released to schools as a self-management package in June 2004. The standard and toolkit is available at:

http://www.ipfbenchmarking.net/consultancy_dfes_update/

As local authorities will be responsible for declaring their schools' adherence to the Standard, it will be up to them to decide how that compliance is delivered. The evidence to support the declaration is a matter for the CFO's judgement - it need not rely on formal FMSiS assessment of every individual school.

This provision is designed to assist local authorities in getting compliance with FMSiS, by allowing them to impose a requirement on schools to demonstrate achievement of and maintain the FMSiS, and to declare external assessment of the standard compulsory for their schools.

If schools do not have an external assessment, a review of their self-assessment may provide the LA with the appropriate information to make a judgement. CFOs will of course also take account of relevant comments in the reports of auditors, advisers and inspectors, of budgetary and accounting performance, and of any other relevant information available. Where schools are subject to a local authority-led assessment of the standard the local authority should set out clearly what such an assessment will entail. Where a school chooses to gain external assessment of the standard, despite it not being a requirement of the local scheme, such external assessment should, unless there are exceptional circumstances, be accepted in place of the local authority led assessment.

2.16 Notice of concern

The scheme must include a provision that allows the authority to issue a notice of concern to any of its maintained schools. Model text is provided below but the Department will be willing to consider alternative wording, including any additional conditions, prohibitions or limitations a local authority considers to be relevant in support of a notice of concern.

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Chief Education Officer/Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

- **insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;**
- **insisting that an appropriately trained/qualified person chairs the**

finance committee of the governing body;

- **placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local authority;**
- **insisting on regular financial monitoring meetings at the school attended by local authority officers;**
- **requiring a governing body to buy into a local authority’s financial management systems; and**
- **imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.**

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.

The purpose of this provision is to enable a local authority to set out formally any concerns it has regarding the financial management of a school it maintains and require a governing body to comply with any requirements it deems necessary. The principal criterion for issuing a notice, and determining the requirements included within it, must be to safeguard the financial position of the local authority or school.

It should not be used in place of withdrawal of financial delegation where that is the appropriate action to take; however, it may provide a way of making a governing body aware of the authority’s concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

Where a local authority issues a notice of concern the scheme must provide for the notice to be withdrawn once the governing body has complied with the requirements it imposes.

In placing this provision in their scheme, a local authority may wish to consider the way in which a dispute between it and the school it is issuing a notice to regarding any aspect of the notice may be resolved.