



CIPFA SUBMISSION TO  
CHILDREN, SCHOOLS AND  
FAMILIES SELECT COMMITTEE  
INQUIRY INTO SCHOOL  
ACCOUNTABILITY

FEBRUARY 2009

AT THE HEART OF  
PUBLIC SERVICES



# **SUBMISSION TO CHILDREN, SCHOOLS AND FAMILIES SELECT COMMITTEE INQUIRY INTO SCHOOL ACCOUNTABILITY**

## **Executive Summary**

- CIPFA's submission addresses the issue of financial accountability and in particular a number of obstacles faced by local authorities in helping improve schools' accountability.
- A small change in the requirements made by the Department for Children, Schools and Families and Ofsted could lead to a potentially large improvement in the lines of accountability if Ofsted could include in its inspections and reports the school's progress towards achieving the Financial Management Standard (FMSiS).
- Guidance to Ofsted inspectors should include the need to check for any worrying finance or accountability issues and if found, to include these in a Notice of Concern
- Schools should be required to provide information on school balances in the report card.
- Local authorities' existing powers to intervene if a school is unable to manage its finances effectively are cumbersome and not easily understood by the public. Therefore it would be helpful if local authorities could be clear that backing from the Department for Children, Schools and Families can be expected for authorities where a Notice of Concern has been issued

## **Submitter: The Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards, and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

## **Factual Information / Submission**

- 1 CIPFA welcomes the Inquiry into School Accountability. Although we appreciate that the focus of the Inquiry will be mostly on inspection and performance reporting in relation to maintained schools in England, we note that the Committee is interested to receive views on the operation of the current school accountability system including the key question around for what schools should be held accountable.

- 2 CIPFA believes that it is vital for accountability overall that schools should be held *financially accountable* and our submission addresses the issue of financial accountability.
- 3 Schools' expenditure through the Dedicated Schools Grant amounts to some £29bn of public money and in CIPFA's view there is currently no real opportunity to show publicly and ultimately to the taxpayer, how a school manages its finances for this money, however it is distributed to the schools and regardless of a school's model of governance. At present, in CIPFA's view, lines of accountability and delegated responsibility are not always present and where they are, there is sometimes confusion.
- 4 CIPFA believes that local authorities have a clear role to play in helping improve and reinforce lines of accountability from schools to government, but that at present local authorities face a number of obstacles to ensuring accountability, for example where there is currently no obligation on schools or some kinds of schools to provide the information essential for clear accountability.
- 5 One area where a small change in the requirements made by the Department for Children, Schools and Families and Ofsted could lead to a potentially large improvement in the lines of accountability is around the requirement in the authority's Scheme for Financing Schools that all schools are assessed against the Financial Management Standard (FMSiS). Good financial management must surely be a prerequisite for good financial accountability. Assessment against the FMSiS is currently – and CIPFA believes rightly so – compulsory. There is however little or no comeback for schools which score badly against the standard or fail to submit for assessment, apart from the Authority's ability to issue a Notice of Concern. It would be helpful if perhaps Ofsted could include in its inspections and consequent reports the extent of a school's progress towards achieving the standard. The authority's scheme should still make it clear that its section 151 responsibilities apply.
- 6 CIPFA believes that it would be helpful if schools could be required to provide information on how they control and manage their financial performance within their overall activities, and what part of their funding is spent on children currently attending the school, ie, that information on school balances should be included in the report card. Requiring the inclusion of the *trend* in school balances and the percentage that the total balances represent for the school, compared to the average percentage for the same sector in that Local Authority would also be useful, because if the percentage is rising it is indicative that the school is not spending its current funding on the children currently in school. While performance and financial accountability are intrinsically linked, there are in schools, as with other public services differences between service users and funders. Therefore schools should be accountable to the taxpayer who provides the resources, not just to the parents and children who use the service.
- 7 CIPFA believes that there is sometimes a lack of clarity about the evidence on which Ofsted make their judgements on financial management and Value For Money. CIPFA suggests therefore that guidance to Ofsted inspectors could include the need to check for any worrying finance or accountability issues and if found, to include these in a Notice of Concern. Such a Notice could then encourage good practice in financial management and accountability as could follow-up enquiries from Ofsted on whether and how a school resolved such concerns.
- 8 Also to this end, CIPFA suggests that school report cards, as part of school accountability to parents, could be required to include financial information, such

as: what the school's balances are and what they are held for. The school report card could also include a statement on whether or when the school had achieved FMSiS. This would help bring together both financial and performance accountability information, providing clear evidence of how a school is doing to those people to whom schools should be accountable – the parents, the local authority, the pupils, the teachers and other school staff.

- 9 We recognise that local authorities do have some powers to intervene if a school is unable to manage its finances effectively, i.e. issuing a Notice of Concern or withdrawing delegation. However, these are cumbersome and not easily understood by the public. Withdrawing delegation is widely regarded as a last resort as it takes away a governing body's responsibility to solve its own problems, causes significant additional work for the Local Authority, and can damage the relationship between the school and the Authority, making it difficult to make the transition when delegation is reinstated. It would be helpful if local authorities could be clear that backing from the Department for Children, Schools and Families can be expected for authorities where a Notice of Concern has been issued, as the Department's emphasis on school autonomy can sometimes lead schools to disregard the LA's powers.

## **Recommendations**

CIPFA therefore recommends:

- That guidance to Ofsted inspectors should include the need to check for any worrying finance or accountability issues and if found, to include these in a Notice of Concern
- That school report cards be required to include financial information, such as: what the school's balances are and the purposes for which they are held. For inspection purposes this could, for example, include a copy of the signed budget plan.
- That the school report card should also include a statement on whether or when the school had achieved the required Financial Management Standard (FMSiS) (or if the school has been deemed by the s151 Officer to have achieved the Standard without external assessment).
- That the Department for Children, Schools and Families should make clear to schools its backing for authorities where a Notice of Concern has been issued.