



11th September 2019

Agenda Item: 5

**REPORT OF THE SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE
& IMPROVEMENT AND SECTION 151 OFFICER**

**FINANCIAL TRANSPARENCY OF LOCAL AUTHORITY MAINTAINED
SCHOOLS AND ACADEMY TRUSTS – GOVERNMENT CONSULTATION**

Purpose of the Report

1. The report informs the Committee of the current Department for Education (DfE) consultation on the financial transparency of local authority maintained schools and academy trusts and seeks approval for the proposed response, which has been agreed with the Corporate Director for Children & Families and the Chairman of the Children & Young People's Committee, to be sent to the DfE. The report also asks the Committee to consider any further actions it requires as a result of the information contained within the report/consultation response.

Information

2. The Department for Education launched a consultation on the financial transparency of local authority maintained schools and academy trusts on 17th July 2019 with a closing date of 30th September 2019.
3. The purpose of the consultation is to outline the current financial transparency arrangements for maintained schools and to consider possible changes. The belief held is that current transparency measures used in academies are generally stronger than those in the maintained school sector and the consultation focus is on using and adapting existing academy measures to help change and improve maintained schools' financial transparency and financial health.
4. The consultation also seeks views from local authorities (LAs) on whether any of the new measures proposed would constitute a new burden and if so how much that cost would be.

Consultation Proposals

5. The proposals recommended by officers are as follows:
 - i. **Making public where LAs are failing to comply with deadlines for completing assurance returns and financial collections.** This proposal applies where 2 or more of the 5 statutory returns are not completed by the deadline. This proposal is

agreed with. The LA already meets the minimum requirement and would not be impacted by it. There would be no impact for schools.

- ii. **Strengthening Dedicated Schools Grant (DSG) annual assurance returns which are signed by the S151 Officer at the end of the financial year.** There are two proposals, reporting schools with suspended budgets and monies recovered from investigating fraud. Both proposals are agreed with, the information is readily available so there would be minimal impact for the LA. There would be no impact for schools.
- iii. **Requiring maintained schools to provide LAs with 3-year budget forecasts.** This proposal is agreed with. Schools currently provide a one year budget and it would be good financial management for them to plan further ahead. The LA already provides a Budget Planner tool which will assist them with this. The impact for the LA cannot be ascertained from the information provided with the consultation. This would result in additional work and potentially costs for schools as they tend to purchase financial support for their budget setting process.
- iv. **Strengthening related party transactions arrangements in maintained schools (3 alternative proposals).** These proposals relate to the disclosure of related party transactions (RPTs) to the LA. The first proposal is for schools to provide a list of all RPTs with their statutory School Financial Value Standard return (SFVS) for collation by the LA. This proposal is agreed with as the impact would be the least resource intensive for both schools and the LA. The statutory Scheme for Financing Schools requires governing bodies to maintain a register of business interests which records RPTs. This information should, therefore, be readily available although would involve additional work for the LA to collate. The other two proposals require schools to report all RPTs above a certain threshold to the LA as they arise and to seek LA permission for RPTs above a certain amount. Officers disagree with both of these proposals because they would have additional resource implications for both the school and the LA.
- v. **Requiring maintained schools to be subject to internal audit at least every 3 years.** The current requirement under this Council's arrangements is for schools to have an internal audit at least every five years. The suggested response, neither agree or disagree, notes that the stated internal audit requirements for academies are not well defined, therefore it is not clear that LA arrangements require improvement. Clarity is also needed on what is meant by internal audit coverage, as effective assurance may be delivered by different approaches. Schools have to purchase internal audit services currently therefore this would result in additional cost for them.
- vi. **Strengthening arrangements to help schools that are in financial difficulty (3 proposals).** The first proposal is for schools to submit a recovery plan to the LA when their deficit rises above 5%. This proposal is agreed with and would have minimal impact for the LA as a recovery plan for **any** level of deficit is currently required. The other two proposals are also agreed with which cover the collection of the number of recovery plans through the DSG annual assurance return and the DfE specifying a threshold above which a deficit % would trigger contact with it.

This could have resource implications for both the LA and schools although difficult to quantify from the information provided.

- vii. **Increasing transparency in the reporting of high pay for school staff.** The proposal is that all maintained schools should be required to publish annually on their websites the number of individuals earning over £100,000 in £10,000 bandings. This information is already collated and disclosed in the County Council's annual Statement of Accounts. For 2018/19 no schools were reported in this banding. This proposal is agreed with and would have minimal impact for the LA and schools.
 - viii. **Increasing transparency in reporting maintained school income and expenditure.** This relates to schools publishing their annual statement of income, expenditure and balances, Consistent Financial Reporting (CFR) statement on their websites. This proposal is agreed with and would have minimal impact on the LA and schools. The LA already provides all maintained schools with an annual CFR statement which is in a format suitable for publication. Some schools already publish this statement on their website.
- 6. The proposed response to the consultation is attached at **Appendix 1** and the consultation document is available as a background paper.
 - 7. The potential implications for the LA have been detailed above and are assessed to be minimal with any potential costs difficult to quantify. There may be some impact for the traded service to schools offered by the Children & Families Finance team for a potential increase in the number of internal audit and budget setting visits for multi-year budget planning. These would need resourcing and should be self-funding from increased sold service income.
 - 8. There are implications for schools which would be required to incur additional cost to pay for more frequent internal audits and possibly to purchase financial support with multi-year budget planning. The information for some of the proposals is already available so may not have significant resource implications for schools.
 - 9. In general it is felt that the proposals are positive and would strengthen financial transparency in maintained schools and offer increased assurance to the LA, governing bodies, parents and carers that schools are managing their resources effectively.

Other Options Considered

- 10. No other options have been considered.

Reason/s for Recommendation/s

- 11. To take the opportunity of contributing to a review that may influence changes to the governance framework for local authority maintained schools.

Statutory and Policy Implications

12. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

13. There has been an initial assessment of the potential implications for the LA based on the information provided with the consultation and these are assessed to be minimal with additional costs difficult to quantify. There may be some impact for the traded service to schools offered by the Children & Families Finance team for a potential increase in the number of internal audit and budget setting visits for multi-year budget planning. These would need resourcing and should be self-funding from increased sold service income.
14. There are implications for schools which would be required to incur additional cost to pay for more frequent internal audit visits and possibly to purchase financial support with multi-year budget planning. The information for some of the proposals is already available so may not have significant resource implications for schools.

RECOMMENDATION/S

That the Committee:

- 1) approves the proposed response to the government consultation on the financial transparency of local authority maintained schools.
- 2) considers whether there are any further actions required in relation to the information contained in the report.

Nigel Stevenson

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Constitutional Comments (SLB 20/08/19)

15. Governance and Ethics Committee is the appropriate body to consider the content of the report. If Committee resolves that any actions are required it must be satisfied that such actions are within the Committee's terms of reference.

Financial Comments (SAS 29/08/19)

16. There has been an initial assessment of the potential implications for the LA based on the information provided with the consultation and these are assessed to be minimal with additional costs difficult to quantify. There may be some impact for the traded service to schools offered by the Children & Families Finance team for a potential increase in the number of internal audit and budget setting visits for multi-year budget planning. These would need resourcing and should be self-funding from increased sold service income.
17. There are implications for schools who would be required to incur additional cost to pay for more frequent internal audit visits and possibly to purchase financial support with multi-year budget planning.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Department for Education Financial transparency of local authority maintained schools and academy trusts Launch date: 17 July 2019 – 30 September 2019.

https://consult.education.gov.uk/funding-policy-unit/financial-transparency-of-local-authority-mainta/?_ga=2.109677505.51499006.1566890117-120072633.1525967687

Electoral Division(s) and Member(s) Affected

All.

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