

6. Annex B: Consultation Questions

A) Please provide your name:

Rob Disney

B) What is your email address?

rob.disney@nottscc.gov.uk

C) Are you responding as an individual, or as part of an organisation? (Circle)

Part of an organisation

D) What is your role?

Group Manager Assurance

E) What is the name of your organisation?

F) What type of organisation is this?

Local Authority

G) Which local authority are you responding from?

Nottinghamshire County Council

H) Are you happy to be contacted directly about your response? Yes

I) How did you hear about the consultation?

Midland Counties’ Chief Internal Auditors’ Group (MCCIAG)

Proposal 1: Making public where local authorities are failing to comply with deadlines for completing assurance returns and financial collections

Please refer to paragraphs 3.2 - 3.10 of the consultation document before responding to this proposal.

Local authorities, and maintained schools, are obliged to complete the following assurance returns and financial collections:

- Schools Financial Value Standard
- Dedicated Schools Grant

We have reviewed the approach to late returns that the ESFA has adopted this year for the academy sector, whereby they publish (on GOV.UK) the names of trusts who are late in submitting more than 2 out of 4 annual returns and believe similar measures could be used in the LA maintained schools sector.

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree ✓	Disagree	Neither agree nor disagree
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We propose to publish the names of local authorities on GOV.UK who fail to comply in any financial year with more than two deadlines from the following collections:

- School Financial Value Standard (SFVS)
- Dedicated Schools Grant CFO assurance statement
- Consistent Financial Reporting
- Section 251 Budget
- Section 251 Outturn

Comments: None

Proposal 2a: Strengthening DSG annual assurance returns: Collecting the number of schools with suspended budgets and notices of financial concern through existing DSG assurance statement

Please refer to paragraphs 3.11 - 3.14 of the consultation document before responding to this proposal.

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree ✓	Disagree	Neither agree nor disagree
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We propose to collect the number of schools with suspended budgets and notices of financial concern through the existing DSG assurance statement signed by the local authority CFO at the end of the financial year.

Comments: None

Proposal 2b: Strengthening DSG annual assurance returns: Adding a new section to the DSG assurance statement that captures the amounts that LAs have recovered from investigating fraud

Please refer to paragraphs 3.11 - 3.15 of the consultation document before responding to this proposal.

Currently, local authorities recover funds from fraud investigations but only inform DfE of the number and value of reported cases, not the value of money recovered

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose to add a new section to the DSG assurance statement that captures the amounts that LAs have recovered from investigating fraud

Comments:

The new section will need to be specific about the period of time the recovered funds relate to. In view of the length of time investigations can take any funds recovered may not relate to the financial year in question.

Proposal 3: Requiring maintained schools to provide local authorities with 3-year budget forecasts

Please refer to paragraphs 3.16 – 3.21 of the consultation document before responding to this proposal.

Local authorities are required to maintain schemes for financing schools, which set out the financial relationship they have with their maintained schools. We have recently introduced a requirement for academies to send the department a three-year budget plan and we believe that this could be extended to maintained schools in the form of sending a three-year budget plan to their maintained authority.

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose a directed revision of the schemes for financing schools to make it a requirement for maintained schools to provide local authorities with three-year budget forecasts

Comments:

Schools currently have to provide a budget plan by 31 May for the current financial year. Will the deadline for the 3 year budget plan be staggered to be consistent with academies submission dates? Guidance will be needed as to LAs role in reviewing the 3 year plans.

Proposals 4 (a,b,c): Strengthening Related Party Transaction arrangements in maintained schools:

Please refer to paragraphs 3.22 – 3.29 of the consultation document before responding to these proposals. The three proposals are alternatives to one another.

Academy trusts must report all Related Party Transactions (RPTs) to ESFA in advance of the transaction taking place, using ESFA’s on-line form. This requirement applies to transactions made on or after 1 April 2019. Since April 2019, all academy trusts have had to seek approval from the ESFA for RPT payments of more than £20,000 and all transactions below £20,000 must be declared. The arrangements for reporting RPTs in maintained schools are not as stringent as those in academy trusts.

Proposal 4a: : Making schools append a list of RPTs to their response to the new question in the Schools Financial Value Standard (SFVS) about their arrangements for managing RPTs, so that the information goes to the local authority and can be passed on to the department

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose to make schools append a list of RPTs to their response to the new question in the SFVS about their arrangements for managing RPTs.
In addition, we would insert additional columns into the CFO Assurance Statement, to request the number of RPTs and value for each to be disclosed.

Comments: None

Proposal 4b: Making a directed revision to the statutory Scheme for Financing Schools to require schools to report all RPTs, or RPTs above a certain threshold, directly to the local authority

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree	Disagree (✓)	Neither agree nor disagree
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We propose to amend the scheme for financing schools to require schools to report all RPTs, or RPTs above a certain threshold, directly to the local authority.

Comments: None

Proposal 4c: Making a directed revision to the statutory Scheme for Financing Schools to require schools to seek permission from the local authority to enter into RPTs above a certain amount.

Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree	Disagree (✓)	Neither agree nor disagree
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We propose to amend schemes to require schools to seek permission from the authority to enter RPTs above a threshold.

Comments: None

Proposal 5: Requiring maintained schools to be subject to internal audit at least every 3 years

Please refer to paragraphs 3.30 – 3.34 of the consultation document before responding to this proposal.

Schools are within the overall audit arrangements determined by the local authority’s statutory section 151 officer (CFO). Authorities operate internal audit teams whose work is then relied on by their external auditors. Most audit plans use a risk-based approach with some themed audits. We have learned in discussion with local authorities that the cycles for auditing-maintained schools vary a great deal and, in some cases, have fallen into disuse. Consequently, we think there is a case for action.

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree	Disagree	Neither agree nor disagree ✓
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We propose to make a directed revision to the scheme guidance to require that every maintained school be subject to internal audit at least every 3 years.

Comment:

Clarification is needed as to what is envisaged by an ‘internal audit’ every three years, as adequate audit coverage can be achieved by different approaches. It is also noted from the consultation document that the internal audit requirements for academies are not well defined. Advances in data analytic approaches to internal audit may mean it is possible to deliver wide

assurance across LA maintained schools on key aspects of internal control, allowing follow-up, on-site work to be targeted by exception at specific schools. An alternative and valid approach would be to require an on-site visit to all schools on a rotational basis. In doing this, we would favour a proportionate, risk-based approach, taking into account the relative size of the school and an assessment its operating circumstances.

Proposals 6 (a,b,c): Strengthening arrangements to help schools that are in financial difficulty:

Please refer to paragraphs 3.35 – 3.37 of the consultation document before responding to these proposals. These proposals are additive, and we could implement all three together. There is currently no requirement for local authorities to report to the department their plans for addressing financial difficulty in specific schools. Local authorities include both a deficit and surplus policy within their scheme for financing schools and monitor their schools’ compliance with these. We have not previously collected information from authorities on the number of schools they intervene in but consider that this evidence base would help us to understand any variances in the level of support provided and target additional support from the Department.

Proposal 6a: Requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose to make a directed revision to the scheme for financing schools requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%.

Comment: *There needs to be a clear definition of how the deficit percentage should be calculated.*

Proposal 6b: Collecting information on the number of recovery plans in each LA through DSG annual assurance returns from the CFO

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose to collect information on the number of recovery plans in each LA through the DSG annual assurance return from the CFO.

Comment: None

Proposal 6c: Writing to local authorities each year when the end-year data is published, specifying the threshold of deficit that would trigger contact with the Department

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose to formalise the approach to working with LAs and include a request for high level action plans from some LAs. This will be achieved by:

- Sharing published data on the school balances in each LA
- Use this data and evidence-based requests from LAs to ensure support is focused where it is needed
- Request high level action plans from LAs in which the number or proportion of school revenue deficits over 5% is above a certain level.

Comment

Proposal 7: Increasing transparency in the reporting of high pay for school staff

Please refer to paragraphs 3.38 – 3.41 of the consultation document before responding to this proposal.

Currently there is a disparity between public access to information on high salaries within maintained schools and academies. Salary ranges within the national pay framework are published annually in the School Teachers Pay and Conditions Document – these apply to teachers and leaders in maintained schools.

Academy trusts must disclose in their published financial statements information about each individual earning over £100k - specifically (i) their total FTE salary in £10k bandings, e.g. £100k - £110k, (ii) their job role and description and (iii) whether they are predominantly focussed on curriculum and education leadership or school business management leadership. We believe that this measure should be introduced for LA maintained schools and would require them to publish annually on their websites the number of individuals earning over £100K in £10K bandings.

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose that all LA maintained schools should be required to publish annually on their websites the number of individuals (if any) earning over £100K in £10K bandings

Comment: None

Proposal 8: Increasing transparency in reporting maintained school income and expenditure

Please refer to paragraphs 3.42 – 3.45 of the consultation document before responding to this proposal.

Local authority school accounts are part of the local authority statements of accounts that are published at gross level for income and expenditure. While individual schools are not included on the LA balance sheet, individual maintained schools are required to produce annual income and expenditure statements, known as Consistent Financial Reporting (CFR), or else local authorities produce them on the schools’ behalf. The department publishes all the information from CFR in a spreadsheet but we believe it would add significantly to transparency if there were a requirement for individual schools to publish annually on their websites their latest CFR statements.

1) Please indicate whether you agree or disagree with the proposal below. Please Tick (✓)

Statement	Agree (✓)	Disagree	Neither agree nor disagree
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We propose that all LA maintained schools should be required to publish annually on their websites their latest Consistent Financial Reporting statement of income, expenditure and balances.

Comments: *The CFR upload process needs improving re the number of validation queries it produces e.g. zero pupil premium.*

New financial burdens on local authorities

Local authorities are invited to fill in the table below to indicate and quantify any new burdens they believe would arise from the proposals in this document. Please specify in as much detail as possible what costs you believe would arise and provide figures.

Proposal	Yes/No	Details and quantification of cost
2a	No	Collation of information, costs difficult to quantify.
2b	No	
3	No	
4a	Yes	
4b	Yes	
4c	Yes	Increase in number of audit visits, costs should be covered by sold service income.
5	Yes	
6a	No	
6b	No	
Other proposals (please specify)		
7	No	

Additional costs for schools

Respondents are invited to fill in the table below to indicate and quantify any additional costs they believe would arise for schools from the proposals in this document. Please specify in as much detail as possible what costs you believe would arise and provide figures.

Proposal	Yes/No	Details and quantification of cost
3	Yes	Increase in financial support. Could be an additional £250 - £1,000 per school depending on what support they choose to buy.
4a	No	
4b	No	
4c		
5	Yes	Increase in number of audit visits. The LA currently charges approx. £1,665 per audit.

6a	No
7	No
8	No

Other proposals
(please specify)