



Schools Forum

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Venue: The Guildhall,
Frankwell, Shrewsbury
SY3 8HQ

Paper

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Public

Financial Transparency of Maintained Schools and Academy Trusts Consultation

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Summary

The Department for Education (DfE) has been looking at ways of improving transparency in the financial health of local authority maintained schools and believe that a number of accountability measures currently used in the academy trust sector could be adapted for local authority maintained schools.

The DfE has published a consultation containing proposals aimed at improving transparency across the local authority maintained sector whilst also providing insight into ways the DfE could help local authorities and schools.

The consultation document also highlights that from 2019-20 the Self-Assessment Tool will be mandatory for academies, as it currently is for maintained schools.

This report summarises the issues listed in the consultation document and provides a draft response for Schools Forum's consideration and comment to the DfE's proposals.

The consultation period runs to the 30 September 2019.

Recommendation

Schools Forum is invited to consider the consultation document and offer comment on the draft response to the DfE's proposals.

REPORT

Background

1. Analysis of 2016-17 and 2017-18 financial data by the Education and Skills Funding Agency found evidence of a higher percentage of local authority maintained schools getting into financial difficulty compared with academy trusts, although the situation does vary between local authority areas.

2. As a result, the DfE has been looking at ways of improving transparency in the financial health of local authority maintained schools and believe that a number of accountability measures currently used in the academy trust sector could be adapted for local authority maintained schools.
3. The DfE is inviting comments from interested individuals and organisations on proposed new measures that aim to improve transparency of the financial health of local authority maintained schools.
4. The consultation also highlights that from 2019-20 the Self-Assessment Tool will be mandatory for academies, as it currently is for maintained schools.
5. The consultation, launched on 17th July 2019, outlines the current financial transparency arrangements for maintained schools, and considers possible changes which focus on using or adapting existing academy measures to help change and improve maintained schools' financial transparency and financial health. The consultation closes on 30 September 2019
6. The full consultation document is available at https://consult.education.gov.uk/funding-policy-unit/financial-transparency-of-local-authority-maintained/supporting_documents/LA%20Financial%20Transparency%20Consultation.pdf

Consultation on the Financial Transparency of Maintained Schools and Academy Trusts

7. The consultation document details 8 issues and proposals for change as listed below.

Issue 1: Making public where local authorities are failing to comply with deadlines for completing assurance returns and financial collections.
8. Local authorities and maintained schools are required to complete the following assurance returns and financial collections on an annual basis:
 - Schools Financial Value Standard (SFVS) – Each year Shropshire has a number of schools that fail to submit a completed SFVS by the 31 March deadline.
 - Dedicated Schools Grant (DSG) Assurance Statement
 - Section 251 Budget
 - Section 251 Outturn
 - Consistent Financial Reporting
9. Each year Shropshire's SFVS assurance statement includes a number of schools that fail to submit a completed SFVS by the 31 March deadline.
10. The DfE has considered whether it would be appropriate to publish the names of schools that failed to comply with the SFVS without a good reason. However, as local authorities are the accountable body for maintained schools the DfE think it would be more appropriate to consider publishing compliance data at a local authority rather than school level.

11. Proposal 1: Following the same principle as with academy trusts, if a local authority fails to comply with more than two deadlines from the collections listed in paragraph 8 above, the DfE propose to publish the name of the local authority on GOV.UK.

Issue 2: Strengthening DSG annual assurance returns

12. Local authorities can withdraw delegation from schools for financial reasons or issue a notice of concern. Where the DfE publishes a notice of financial concern to an academy it publishes details on the gov.uk website. The DfE could require local authorities to publish equivalent information on their websites however as the DfE cannot mandate the format or structure of local authorities websites it may not be easy for the public to find the information. Also, local authorities currently recover funds from fraud investigations but only publish the number and value of reported cases, not the value of money recovered.
13. Proposal 2a: The DfE propose to collect the number of schools with suspended budgets and notices of financial concern through the existing annual DSG assurance statement. This will enable the DfE to devote further support to authorities that report a high number of suspended delegations or notices of financial concern.
14. Proposal 2b: The DfE propose to add a new section to the DSG assurance statement that captures the amounts that local authorities have recovered from investigating fraud. The DfE would analyse responses and request further details such as the nature of the case and the steps put in place to prevent further misuse of the DSG from local authorities that reported the highest incidence/value of fraud.

Issue 3: Maintained schools are not required to provide local authorities with 3 year budget forecasts

15. The DfE expects that maintained schools should be making multi-year budget plans, and many local authorities, including Shropshire, offer support with this through their traded financial support service. The DfE has recently introduced a requirement for academies to provide them with a three-year budget plan and they propose to extend the requirement to maintained schools in the form of sending a three-year budget plan to their maintaining authority.
16. Proposal 3: The DfE is proposing a directed revision to the schemes for the financing of schools to make it a requirement for maintained schools to provide local authorities with three-year budget forecasts.

Issue 4: Strengthening Related Party Transaction (RPT) arrangements in maintained schools

17. 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. A related party is a person or entity that is related to the reporting entity. The arrangements for reporting RPTs in maintained schools are not as stringent as those in academy trusts. The 2019-20 version of the SFVS contains only two specific questions in relation to RPTs so the DfE are seeking

to strengthen the arrangements to bring them more in line with what is asked of academy trusts.

18. The DfE are making a number of alternative proposals for comment that could be added separately or introduced in combination with each other.
19. Proposal 4a: Making schools append a list of RPTs to their response to the new question in the SFVS about their arrangements for managing RPTs, so that the information goes to the local authority and can then be passed on to the DfE via the SFVS assurance statement. The local authority can use the information to determine audit requirements.
20. Proposal 4b: Making a directed revision to the statutory Scheme for the Financing of Schools to require schools to report all RPTs, or RPTs above a certain threshold, directly to the local authority. The benefit of this option would be that local authorities would have immediate visibility of the RPTs as soon as they had been agreed, though it would be more difficult for local authorities to police than if it was in the SFVS.
21. Proposal 4c: Making a directed revision to the statutory Scheme for the Financing of School to require schools to seek permission from the local authority to enter into RPTs above a certain amount. This would mirror the requirement for academies.

Issue 5: Maintained Schools internal audit is too infrequent

22. Maintained schools are within the overall audit arrangements determined by the local authority's statutory section 151 officer. Authorities operate internal audit teams whose work is then relied upon by their external auditors. Most audit plans use a risk-based approach with some themed audits.
23. The cycles for auditing maintained schools vary and in some cases have fallen into disuse.

Proposal 5: The DfE propose making a directed revision to the scheme for the financing of schools guidance to require that every maintained school be subject to internal audit at least every 3 years.

Issue 6: Strengthening arrangements to help schools that are in financial difficulty

24. Across local authority schemes for the financing of schools there is a variance in the levels of deficit that trigger the submission of a recovery plan to local authorities. There is currently no requirement for local authorities to report to the DfE their actions to address financial difficulty and effective resource management in specific schools.
25. To strengthen the arrangements to help schools in financial difficulty the DfE propose introducing the following measures, either separately or in combination.
26. Proposal 6a: Make a directed revision to the scheme for financing schools requiring schools to submit a recovery plan to their maintaining authority when their revenue deficit rises above 5%.

27. Proposal 6b: Collect information on the number of recovery plans in each local authority through the DSG annual assurance return.
28. Proposal 6c: Formalise the approach to working with local authorities and include a request for high level action plans from some local authorities:
 - Data sharing and monitoring: share published data on the school balances in each local authority – highlighting the number and proportion with a revenue deficit of over 5% - and the available support from the DfE. Share published data with local authorities on their schools financial, educational performance and pupil/school characteristics.
 - Targeted monitoring and support: use of the above data and evidence-based requests for help from local authorities to ensure support is focused where it is most needed (including school resource management advice) and challenge from the DfE where it is needed most.
 - Action plan and increased monitoring: request high level action plans from local authorities in which the number or proportion of school revenue deficits over 5% is above a certain level. The DfE would review the thresholds each year, but an example might be local authorities that had more than 10 schools or more than 10% of their schools with revenue deficits of over 5% in the previous year. They would consider contextual information – such as the school balances in local authorities in previous years – when deciding the action plans required.

Issue 7: There is not enough transparency when it comes to reporting high pay for school staff

29. Currently there is a disparity between public access to information on high salaries within maintained schools and academies. Academy trusts must disclose in their published financial statements information about each individual earning over £100,000 – specifically (i) their total fte salary in £10,000 bandings, e.g. £100,000 - £110,000, (ii) their job role and description and (iii) whether they are predominantly focussed on curriculum and education leadership or school business management and leadership.
30. Proposal 7: The DfE propose 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.

Issue 8: There is not enough transparency when it comes to reporting maintained school income and expenditure

31. The DfE believe it would add significantly to transparency if there were a requirement for individual maintained schools to publish annually on their websites their latest Consistent Financial Reporting (CFR) statements.
32. Proposal 8: The DfE propose that all maintained schools should be required to publish annually on their website their latest CFR statement of income, expenditure and balances.

Academy Self-Assessment Tool and the Schools Financial Value Standard (SFVS)

33. Maintained schools are required to complete annually the SFVS – signed by the chair of governors and returned to the local authority. With effect from April 2019 the SFVS comprises 29 questions in relation to value and governance and a dashboard enabling schools to look at where they stand on a range of measures compared to similar schools.
34. In 2018 the DfE launched a similar tool for academies, the Self-Assessment Tool for academy trusts which is not currently mandatory.
35. The DfE have now decided to make the Self-Assessment Tool mandatory for academies with effect from the end of the 2018/19 academic year to ensure there is no area in which they are requiring a weaker accountability of academies than of maintained schools.

Consultation Response

The consultation deadline is 30 September, individual schools may wish to submit their own responses to the consultation also.