

SCHOOLS FORUM

Meeting date: 27th November 2020

**From: Daniel Barton
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DFE FINANCIAL TRANSPARENCY CONSULTATION - OUTCOME

1.0 EXECUTIVE SUMMARY

- 1.1 *On 17th July 2019 the DfE launched a consultation about Financial Transparency of local authority maintained schools and academy trusts.*
- 1.2 *The key changes to the current financial transparency arrangements were reported the Schools Forum budget working group on 18th September 2019. The local authority submitted a response to the consultation and this paper reports on the outcome of the government consultation and the key changes specifically impacting maintained schools.*
- 1.3 *One the key changes requires all maintained schools with a deficit above 5% to submit a recovery plan to their local authority. The LA Scheme for Financing for Schools published in August 2020 has been updated to include this directed revision which is effective from 31st March 2021.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATION

- 2.1 *Ensuring that Cumbrian schools financial transparency arrangements are appropriate is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.*

3.0 RECOMMENDATION

- 3.1 *The Schools Forum is asked to:*

- ***note the contents of this paper and the key changes specifically impacting maintained schools and the effective dates for these changes.***

4.0 BACKGROUND

4.1 On 17th July 2019 the DfE launched a consultation in which it proposed a number of changes to the current financial arrangements in maintained and academy schools.

4.2 The consultation highlighted that although both maintained and academy schools are funded through DfE specific grants (Dedicated Schools Grant for maintained schools and the General Annual Grant for academy trusts) the current financial transparency arrangements and levels of assurance are different.

4.3 It is the DfE's view that the current financial arrangements in academy trusts are generally stronger than those in the maintained school sector and the consultation proposed a number of changes impacting both the local authority and maintained schools.

4.4 Maintained schools were encouraged to respond to the consultation and the key changes proposed in the consultation were presented to the Schools Forum Budget Working Group on 18th September 2019. These included:

- Making public where local authorities fail to comply with more than two deadlines from the following assurance returns and financial collections:
 - Schools Financial Value Standard (SFVS)
 - Dedicated Schools Grant CFO assurance statement
 - Consistent Financial Reporting
 - Section 251 Budget
 - Section 251 Outturn
- Collecting the number of schools with suspended budgets and notices of concern through the existing DSG assurance statement;
- Adding a new section to the DSG assurance statement that captures the amounts that local authorities have recovered from investigating fraud;
- A directed revision to the LA Scheme making it mandatory for maintained schools to provide local authorities with three-year budget forecasts (it should be noted that this is already in place in Cumbria);
- Strengthen the arrangements for reporting related party transactions (RPTs) by making maintained schools append a list of RPTs in their SFVS returns, a directed revision to the LA Scheme for Financing Schools requiring schools to report all RPTs or RPTs above a certain

level and requiring schools to gain approval from the authority to enter into RPTs above a threshold;

- Requiring that every maintained school be subject to internal audit at least every 3 years;
- Making a directed revision to the LA Scheme for Financing Schools requiring schools to submit a recovery plan to their maintaining authority when their revenue deficit rises above 5%, collect the number of recovery plans in each local authority and formalise the approach to working with local authorities including request for high level action plans from some local authorities;
- Requiring maintained schools to publish on their websites the number of individuals earning over £100k in £10k bandings.
- Requiring maintained schools to publish annually on their websites their latest Consistent Financial Reporting (CFR) statement of income, expenditure and balances;

4.5 The local authority submitted a response to the consultation and agreed with the majority of the proposals but strongly disagreed with the requirement for maintained schools to be subject to a three year audit cycle due to the significant additional resource and the additional financial burden this would create; the publication of CFR on school websites as this is already available publicly on the DfE website and the naming of LAs late with returns as it was not clear how this proposal would improve financial transparency of maintained schools.

5.0 GOVERNMENT CONSULTATION RESPONSE

5.1 The government consultation outcome, which is at Appendix 1 for reference, was published in July 2020 following a delay due to COVID19 which has also resulted in the effective dates for the changes be introduced to be pushed back. In response to the consultation the government have decided not to implement a requirement for a three year audit cycle and have removed the requirement for schools to publish their CFR statement on their websites however schools will be required to provide a link on their websites to the DfE CFR benchmarking website. They have also decided not to take forward to the amendment to the LA Scheme for Financing Schools requiring schools to report RPTs directly to the LA as soon as they have been agreed.

5.2 All other proposals included in the consultation will be implemented as planned. The effective dates of the key changes specifically affecting maintained schools are as follows:

Requirement	Effective Date
To attach a list of Related Party Transactions to the SFVS return	By the end of March 2022.
Schools with a deficit over the 5% threshold must submit a recovery plan to the LA	Effective from 31 st March 2021
Schools must publish on their website individuals earning more than £100k in bandings of £10k	Effective from 1 st January 2021
Schools must provide a link to their CFR benchmarking data on their website	Effective from 1 st January 2021

5.3 The requirement for maintained schools with deficits over the 5% threshold has resulted in a directed revision to LA Schemes for Financing Schools and the provision was included in the updated Cumbria LA Scheme for Financing schools published via the School Portal in August 2020.

5.4 A summary of the key changes specifically impacting on maintained schools will be communicated via the School Portal and further details about the practicality of implementing the additional financial transparency requirements will be communicated as appropriate.

6.0 OPTIONS

6.1 The Schools Forum is asked to note the contents of this paper, the key changes impacting maintained schools and the effective dates.

7.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

7.1 Resource and value for money implications are considered throughout this report. There are a number of new requirements which will increase the burden on local authorities and under the New Burdens policy the DfE will compensate LAs in 2021-22, details of funding levels have not yet been announced.

8.0 CONCLUSION

8.1 This paper summarises the outcome of the government's consultation on the improving the financial transparency arrangements in maintained schools and highlights the key changes affecting maintained schools and the effect date of these changes.

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20th November 2020

Accompanying Documents

Appendix 1 – Government Consultation Response on Financial Transparency in local authority maintained schools and academy trusts

REPORT AUTHOR

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