



NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday, 17 September 2020
Title of report:	Financial Transparency of Local Authority Maintained Schools and Academy Trusts
Type of report: Delete as required	For decision / discussion / information only
Executive summary: Including reason for submission	The report provides information on the outcome of the government consultation on financial transparency of local authority maintained schools and academy trusts. The report highlights which proposals will be implemented and DfE's timescale.
Budget / Risk implications:	None
Recommendations:	To note the contents of the report.
Voting requirements:	None
Appendices: To be attached	None
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Presenting officer: If not the originator	

NORTH YORKSHIRE SCHOOLS FORUM

17 September 2020 - Item 2.5

(Financial Transparency of Local Authority Maintained Schools and Academy Trusts)

1.0 INTRODUCTION

- 1.1 The Department for Education (DfE) undertook a consultation on the Financial transparency of local authority maintained schools and academy trusts between 17 July 2019 and 30 September 2019. The consultation proposed a number of changes.
- 1.2 Although the consultation ended on 30 September 2019, the Department indicated that they had delayed publication of the response and implementation of the proposals due to Covid-19. The consultation response was finally published in July 2020.

2.0 PROPOSALS

- 2.1 The following section describes the proposals that the Department for Education will implement along with their implementation timescales:

Proposal 1: the DfE will publish names of local authorities on GOV.UK if they fail to comply with deadlines for returns to the Department. Returns include: School Financial Value Standard (SFVS), DSG CFO assurance statement, CFR, Section 251 Budget and Section 251 outturn. The proposal will commence from April 2020-21 and will be applied when three or more returns are not submitted on time.

Proposal 2a: the DfE will collect the number of schools with suspended budgets and notices of financial concern through the existing DSG assurance statement signed by the LA Chief Financial Officer (CFO) at the end of the financial year. North Yorkshire County Council can withdraw delegation from schools for financial reasons or issue a notice of financial concern. As at July 2020, North Yorkshire County Council had placed additional financial controls in seven schools and had issued four Notices of Financial Concern. The proposal will apply for the returns for the financial year 2020-21, which is due in September 2021.

Proposal 2b: the DfE will add a new section to the DSG assurance statement that captures the amounts that LAs have recovered from investigating fraud. This will also be implemented in September 2021.

Proposal 3: there will be a directed revision to LAs' scheme for financing schools to make it a requirement for maintained schools to provide LAs with three-year budget forecasts. Schools will be required to submit their forecasts between 1 May and 30 June of each year, starting in 2021-22.

Proposal 4a: schools will be required to append a list of Related Party Transactions (RPTs) to their response to the question in the Schools Financial Value Standard (SFVS) about their arrangements for managing RPTs. Additional columns will be added into the CFO Assurance statement, so that the number of RPTs and value for

each can be disclosed. Changes to the SFVS will be made for the 2021-22 return, which schools will submit to Las by the end of the financial year 2021-22.

Proposal 4b: the DfE will not require LAs to amend their scheme for financing schools to require schools to report all RPTs, or RPTs above a certain threshold, directly to the LA. The DfE acknowledge that this proposal would be administratively bureaucratic without adding any clear value.

Proposal 4c: the DfE will not require schools to seek permission from the LA to enter RPTs above a threshold. Again, the DfE acknowledged the imposition of additional administrative burden without clear value.

Proposal 5: the DfE will not implement a proposal imposing minimum requirements of a three-year audit cycle. The DfE acknowledged that this would impose a significant New Burden for LAs with additional costs for schools and would represent poor value for money.

Proposal 6a: there will be a directed revision to LAs' scheme for financing schools, requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021. It is not clear what the 5% refers to: in-year deficit, accumulated deficit and the DfE will need to provide further clarity around this proposal.

Proposal 6b: the DfE will collect information on the number of recovery plans in each LA through the DSG annual assurance return from the CFO. This will be implemented from September 2021.

Proposal 6c: the DfE intend to formalise their approach with LAs to 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.
- Using this data and evidence-based requests from LAs to ensure support is focussed where it is needed.
- Requesting high level action plans from LAs in which the number or proportion of school revenue deficits over 5% is above a certain level.

Proposal 7: the DfE will require all LA maintained schools to publish annually on their websites the number of individuals (if any) earning over £100k in £10k bandings. This will come into force from 1 January 2021.

Proposal 8: the DfE will require LA maintained schools to publish a link to the schools financial benchmarking website, where CFR information is already published. This will come into force from 1 January 2021.

2.2 Under the New Burdens Policy, the DfE have indicated that LAs will be compensated for the additional burden that these changes will impose. For 2021-22, this will be done through a direct grant to each LA.

3.0 RECOMMENDATION

3.1 Schools Forum are asked to note the contents of the report.