**Report to Hartlepool Schools’ Forum 24 September 2020**

**From Amanda Whitehead (Assistant Director - Education)**

# Agenda Item 15 – Financial Transparency for Schools

1. **Introduction**
   1. Through the academies programme, the Department for Education (DfE) has introduced a number of measures to increase the financial transparency and accountability of Trusts. DfE have decided to adapt and implement a number of measures for maintained schools to strengthen current arrangements for use of the Dedicated Schools Grant (DSG) across all schools.
   2. Implementation of the new measures will involve changes to the current Chief Finance Officer DSG Assurance Statement, the Schools Financial Value Standard (SFVS), the Scheme for Financing Schools and to individual school website content.
   3. This report outlines the required changes to be introduced for maintained schools and the effective date for implementation.

1. **Background**
   1. DfE published their response to consultation for “Financial Transparency of LA Maintained Schools and Academy Trusts” in July 2020.
   2. The outcome of consultation covers 8 separate areas for implementation and changes are summarised in the sections that follow.

**3** **Transparency Information Changes affecting the Chief Finance Officer (CFO) DSG Assurance Statement**

3.1 At the close of each financial year, the Council’s CFO is required to sign an assurance statement to confirm proper use of DSG funds.

3.2 Fraud Affecting Schools

The existing assurance statement includes information on instances of any fraud affecting schools. With effect from financial year 2020/21, the assurance statement will include a new section that captures the amounts that local authorities have recovered from investigating fraud.

3.3 The assurance statement will also be extended to collect the number of maintained schools with suspended budgets and notices of financial concern. This change is also effective from the 2020/21 financial year.

**4** **Transparency Information Changes affecting the Schools Financial Value Standard**

4.1 Related Party Transactions

DfE believe that the arrangements for reporting Related Party Transactions (RPTs) in maintained schools are not as stringent as those in academy trusts. In particular, 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.

4.2 To strengthen current arrangements, maintained schools will need to append a list of RPTs to their response to a new question in the Schools Financial Value Standard (SFVS) about their arrangements for managing RPTs. In addition, DfE will insert additional columns into the CFO Assurance Statement, to request the number of RPTs and value for each to be disclosed.

4.3 The list of RPTs will be first attached to the SFVS for 2021/22 (for completion by May 2022). Authorities will first report on this to the DfE in the CFO statement for 2021/22, for submission in September 2022.

**5** **Transparency Information Changes affecting the Scheme for Financing Schools**

5.1 3-Year Budget Plans

DfE will revise the existing Scheme to require a 3-year budget plan to be provided by maintained schools to their local authority each year. The requirement will come into effect for the financial year 2021/22 and 3-year budget plans will need to be submitted by 30 June 2021.

5.2 Although not currently required by the Scheme, Hartlepool schools already provide 3-year budget plans by 31 August each year.

5.3 School Deficit Recovery Plans

The statutory guidance on local authority Schemes for Financing Schools includes a requirement for schools to manage their resources effectively to maximise pupil outcomes. Authorities are also required to have a deficit and a surplus policy within their Scheme and monitor compliance. Across local authorities, there is a variance in the levels of deficit that trigger the submission of a recovery plan. There is currently no requirement for Councils to report to the DfE their actions to address financial difficulty and effective resource management in specific schools.

5.4 DfE will 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%. Forum Members are aware that Hartlepool already operates a deficit clinic process for schools operating with a deficit. Establishing recovery plans and measuring key milestones against plans are an integral part of the current process.

5.5 DfE has stressed that the 5% threshold should not be seen as in any way giving “permission” for schools to have deficits up to that level, and that they fully support Councils who require all schools with any level of deficit to submit recovery plans. The 5% threshold will operate as an absolute minimum requirement for when a recovery plan is needed. In most cases DfE would expect authorities to request recovery plans from schools where deficits are much lower.

5.6 The 5% trigger will apply when deficits are measured as at 31 March 2021.

5.7 In addition, DfE will collect information on the number of recovery plans in each local authority through the DSG annual assurance return from the CFO.

**6** **Other Transparency Information Changes**

6.1 Timeliness of Statutory Returns

Local authorities are required to submit the following returns relating to maintained schools each year:

1. School Financial Value Standard (SFVS)

2. Dedicated Schools Grant CFO assurance statement

3. Consistent Financial Reporting

4. Section 251 Budget

5. Section 251 Outturn

6.2 Starting from returns in 2020/21, DfE will publish names of any local authorities submitting at least 3 late returns on their website.

6.3 The Council relies on timely submission of the annual SFVS from schools in order to meet the statutory deadline of 31 May.

6.4 Formalise Process for Deficit Recovery Plans

Linked to the changes described at paragraph 5.5 above, DfE will formalise the approach to working with Councils and include a request for high level action plans from some authorities.

6.5 Action plans will be requested where the number or proportion of school revenue deficits over 5% is above a certain level across a local authority. The threshold is yet to be set and will be reviewed on an annual basis.

6.6 DfE have stated that they would only envisage requiring action plans from a small minority of local authorities which have several schools with significant financial deficits.

6.7 Action plans, where appropriate, will be requested by DfE following the submission of the 2020/21 Consistent Financial Reporting (CFR) submission in summer 2021.

6.8 Disclosure of Salary Costs above £100k

The authority currently discloses all salaries above £50k in bands of £10k on behalf of schools in the Council’s annual accounts. However, DfE believe there is a significant disparity in public access to information on high salaries between maintained schools and academy trusts. To address this, maintained schools will be required to disclose information on individuals earning over £100k in £10k bandings on their website.

6.9 Originally it was intended that this information requirement would come into force at the start of the school year in September 2020. However, owing to delays caused by Covid-19 and in order to provide schools with a term’s notice to comply with the incoming regulations, the requirement will be included in amending regulations to come into force on 1 January 2021.

6.10 Reporting Income and Expenditure

DfE believe there is insufficient transparency of income and expenditure for maintained schools. To address this, maintained schools will be required to publish annually on their websites their latest Consistent Financial Reporting (CFR) statement of income, expenditure and balances.

6.11 The information is to be published via a link to the existing CFR published data on the gov.uk website. Originally it was intended that this information requirement would come into force at the start of the school year in September 2020. However, due to delays caused by Covid-19 and in order to provide schools with a term’s notice to comply with the incoming regulations, the requirement will be included in amending regulations to come into force on 1 January 2021.

**7 Summary**

7.1 The table below lists the new requirements and assigns ownership to maintained schools or the local authority.

|  |  |  |
| --- | --- | --- |
| **Requirement** | **Method** | **Ownership** |
| Provide fraud recovery amount | CFO assurance statement | Authority |
| Disclose RPTs | SFVS | Schools |
| 3-Year Budget Plans by 30 June | Scheme | Schools supported by Authority |
| Deficit Recovery Plans | Scheme | Schools supported by Authority |
| Timeliness of Statutory Returns | DfE Website | Authority |
| Action plans – deficit recovery | Regulation | Authority |
| Disclosure of salary costs > £100k | School website | Schools |
| Link to CFR | School website | Schools |

8 **Recommendations**

8.1 Forum is asked to:

a) note the DfE changes outlined in the report

b) implement the appropriate changes described from the effective date

**Please note that only Maintained School Forum Representatives are affected by these changes.**