



## SCHOOLS FORUM

### Financial Transparency of Maintained Schools

28 September 2020

Content Applicable to;		School Phase;	
Maintained Primary / Secondary / Special Schools	Yes	Pre School	No
Academies	No	Foundation Stage	Yes
PVI Settings	No	Primary	Yes
Local Authority	Yes	Secondary	Yes
		Post 16	No
		High Needs	No

#### Purpose of Report

Content Requires;		By;	
Noting	Yes	Maintained Primary School Members	Yes
Decision	Yes	Maintained Secondary School Members	Yes
		Maintained Special School Members	Yes
		Academy Members	No
		All Schools Forum	No

1. This report sets out some changes in financial reporting for local authorities and maintained schools following the Department of Education (DfE) consultation on financial transparency of local authority maintained schools which reported in July 2020.
2. The outcome of the consultation has resulted in the Secretary of State directing a revision to the Scheme for Financing Schools which sets out the financial relationship between the local authority and the schools it maintains. The changes are set out in this report for approval.

The changes set out in this report apply only to local authority maintained schools and are not applicable to academies where similar requirements are already in place either through the Academies Financial Handbook or Funding Agreements.

## **Recommendations**

3. That Schools Forum note the new reporting requirements for both local authorities and maintained schools
4. That Schools Forum approve the revised Scheme for Financing Schools and its retrospective application from 24 August 2020.

## **Background**

5. The DfE launched a consultation which ran from 17 July to 30 September 2019 which put forward a number of proposed changes to the financial transparency arrangements for local authorities and maintained schools with the objective of aligning processes with those already in place in academy trusts. The consultation reported in July 2020 and implements a number of new requirements some of which apply to the 2020/21 financial year with others to follow in 2021/22.
6. The change to be implemented are:
  1. The DfE will publish the names of local authorities if they fail to meet 3 or more deadlines for the following returns. It should be noted that a) and c) are dependent upon schools making a timely submission of information to the LA.
    - a. School Financial Value Standard (SFVS)
    - b. Dedicated Schools Grant assurance statement
    - c. Consistent financial reporting
    - d. Section 251 Budget
    - e. Section 251 Outturn.
  2. The DfE will collect information on the number of maintained schools with suspended budgets or operating under a Notice of Financial Concern.
  3. The DfE will collect information of the amounts recovered by the LA following fraud investigations.
  4. A directed revision to the Scheme for Financing Schools to make it a requirement for maintained schools to submit three-year budget plans.
  5. Schools will be required to report any Related Party Transactions through their SFVS submission.
  6. A directed revision to the Scheme of Financing Schools requiring schools to submit a recovery plan to the local authority when their deficit rises above 5%.
  7. The DfE will collect information on the number of recovery plans from each local authority.
  8. The DfE will formalise an approach to working with local authorities in respect of these requirements and the manner in which they manage schools with deficit budgets which may include;
    - a. Sharing published data on school balances

- b. Using data and evidence-based requests from local authorities to ensure support is focused where it is needed.
  - c. Requesting action plans from local authorities in which the number or proportion of deficits over 5% is above a certain level.
9. Maintained schools will be required annually to publish the number of individuals earning over £100k in £10k bandings.
  10. Maintained schools will be required to publish a link to the schools financial benchmarking website annually on their own website.
7. The consultation also considered implementing changes to local authority's internal audit processes but has not implemented this aspect.
  8. Most changes will apply to the 2020/21 financial year, further details and guidance will be provided to schools on their role in the implementation of these new measures.

### **The Leicestershire Scheme for Financing Schools.**

9. Changes to the Scheme for Financing Schools are made in two ways 1) revisions are 'directed' by the Secretary of State, local authorities have no power to amend these and 2) local changes to reflect local systems and processes. The approval for any local changes in the Scheme for Financing Schools (the Scheme) is vested in the Schools Forum. Changes in the Scheme apply only to maintained schools, therefore decisions are taken only by maintained schools representatives of the Schools Forum.
10. The proposed Scheme is set out in Appendix 1 of this report with all changes highlighted in a 'Tracked Changes' format. The changes enact to the two directed revisions as set out above;
  1. The requirement for maintained schools to submit three year budget plans to the local authority
  2. The requirement for maintained schools to submit recovery plans where deficits in any one year exceed 5%.
11. A further change responds to an earlier directed revision in relation allowing maintained schools to enter into the DfE's Risk Protection Arrangements which was previously only available to academies.
12. The Scheme has been reviewed to ensure that all terminology is up to date and that its provisions appropriately reflect the current financial and management environments and some minor changes in wording have been made

### **Resource Implications**

13. The changes implemented through the financial transparency requirements will increase the workload of local authorities. The DfE have stated that a direct grant will be made available to reflect this increased workload although no details are known on how this will be allocated. An assessment to the resource need as a result of these changes is underway.

### **Equal Opportunity Issues**

14. None specifically related to this report. However it should be noted that the changes implemented as set out in paragraph 6 of this report will align a number of financial reporting requirements in maintained schools with those in place for academies.

#### Background Papers

Financial Transparency of local authority maintained schools and academy trusts.  
Government consultation response – Department for Education July 2020

<https://www.gov.uk/government/consultations/financial-transparency-of-la-maintained-schools-and-academy-trusts>

#### Officers to Contact

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