

LA Financial Transparency Measures  
Department for Education  
5<sup>th</sup> Floor  
2 St Pauls Place  
125 Norfolk Street  
Sheffield  
S1 2JF

30 September 2019  
Via email

Dear Sir/Madam,

### **LA Financial Transparency Measures Consultation**

On behalf of The Chartered Governance Institute (the Institute) I am pleased to provide feedback on the proposals to improve financial transparency in the maintained schools sector.

The Institute is the international professional body for governance, with more than 125 years' experience and with members in all sectors. Our purpose is defined in our Royal Charter as 'leadership in the effective governance and efficient administration of commerce, industry and public affairs' and we work with regulators and policy-makers to champion high standards of governance, providing qualifications, training and guidance.

We are the professional membership and qualifying body supporting chartered secretaries and governance, risk and compliance professionals in all sectors of the UK economy. Members are educated in a range of topics including finance, company law, administration and governance, which enables them to add value to any organisation.

The Institute has an extensive pedigree in the governance arena, advising governments and regulators on company law, charity law and governance issues. The breadth and experience of our membership enables ICSA to access a variety of applied experience in order to provide insights into effective practices across a range of organisations. Our wealth of expertise and experience has informed our response.

### **General comments**

Transparency of financial matters in publicly funded organisations is always going to be of interest to some sections of the public. Making such information transparent, easy to access and in a form where it can be compared with similar bodies with little difficulty will be popular. However, the needs and interests of one group of interested individuals and sector bodies should be balanced with a wider need for proportionality, reasonableness and cost-effectiveness.

It is unclear from the consultation document what financial concerns the proposals seek to address, other than recalibrating the degree of financial transparency arrangements within both academy trusts and local authority maintained schools. While equalising transparency requirements may be the ultimate aim, it should be borne in mind that academy trusts are given freedoms that maintained schools do not have, and as such it is only right that there is a higher degree of reporting placed upon the former.

Notwithstanding that point, improving good governance - and transparency is part of that, is a commendable aim especially when public funds are at the centre of the discussion. The Institute, therefore welcomes the consultation document as a start of the conversation about improving financial transparency in maintained schools.



### Specific questions

- 1. We propose to publish the names of local authorities on GOV.UK who fail to comply in any financial year with more than two deadlines from the following collections:**
  - School Financial Value Standard**
  - Dedicated Schools CFO assurance statement**
  - Consistent Financial Reporting**
  - Section 251 Budget**
  - Section 251 Outturn**

This proposal appears to incur limited administrative impact for local authorities, while providing a useful initial indicator of financial concern in the maintained school sector.

- 2. We propose to collect the number of schools with suspended budgets and notices of financial concern through the existing DSG assurance statement signed by the local authority CFO at the end of the financial year.**

This proposal would appear to add extra insight into the first indicators detailed above. Understanding how that information will be used by DfE to improve future maintained school finances would be helpful.

- 3. We propose to add a new section to the DSG assurance statement that captures the amounts that LAs have recovered from investigating fraud.**

This proposal appears to be useful, especially if combined with turning that data into practical guidance for all schools to help avoid fraud in the future.

- 4. We propose a directed revision of the schemes for financing schools to make it a requirement for maintained schools to provide local authorities with three-year budget forecasts.**

Disciplined financial budgeting and effective forecasting will be invaluable tools for all types of schools and the revised scheme should be useful to governing bodies, even if there is some short term discomfort while the new processes are embedded.

- 5. We propose to make schools append a list of RPTs to their response to the new question in the SFVS about their arrangements for managing RPTs. In addition, we would insert additional columns into the CFO Assurance Statement, to request the number of RPTs and value for each to be disclosed.**

This is one proposal that would benefit from quantifying the issue it seeks to address. Are maintained schools more exposed to the inappropriate use of RPTs than academy trusts or does the LA oversight prevent the governing body from entering into such arrangements? If the current arrangements in LAs do not provide suitable assurance against the misuse of RPTs in maintained schools, it could be argued that reporting their use is not, in itself, sufficient to counter such misuse and other measures may need to be considered. Understanding how the proposed collected information will be used to minimise the misuse of RPTs would be most useful.



- 6. We propose to amend the scheme for financing schools to require schools report all RPTs, or RPTs above a certain threshold, directly to the local authority.**

This proposal might make some governing bodies think twice before agreeing a RPT, but to be truly effective it needs to be backed up with more teeth to actively discourage schools from entering into inappropriate RPTs.

- 7. We propose to amend schemes to require schools to seek permission from the local authority to enter RPTs above a threshold.**

Clear guidance would need to be issued to local authorities to ensure the approach for considering and consenting authority is consistent and therefore comparable in a meaningful manner. Any variation, where it exists, should be explained to better help interested parties understand why there may be disparity in the use of RPTs across local authorities.

- 8. We propose to make a directed revision to the scheme guidance to require that every maintained school be subject to internal audit at least every three years.**

This appears to be a sensible recommendation in improving and maintaining good governance in maintained schools.

- 9. We propose to 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%.**

This appears to be sensible.

- 10. We propose to collect information on the number of recovery plans in each LA through the DSG annual assurance return from the CFO.**

Information about how that data will be used to prevent future financial failures would be helpful in understanding how successful this proposal is likely to be. Data collection alone is unlikely to achieve the intended aims.

- 11. We propose to formalise the approach to working with LAs and include a request for high level action plans from LAs. This will be achieved by:**

**Sharing published data on the school balances in each LA**

**Use this data and evidence-based requests from LAs to ensure support is focused where it is needed**

**Request high level action plans from LAs in which the number or proportion of school revenue deficits over 5% is above a certain level.**

No comment.

- 12. We propose that all LA maintained schools should be required to publish annually on their websites the number of individuals (if any) earning over £100k in £10k bandings.**

The Institute agrees with the proposal in order to improve transparency.



- 13. We propose that all LA maintained schools should be required to publish annually on their websites their latest Consistent Financial Reporting statement of income, expenditure and balances.**

Assuming this information is already provided by maintained schools, there seems little additional administrative burden to publishing it. Clear guidance would be beneficial in ensuring that this information is published in a consistent manner in a visible place on the website.

I trust the above comments help with the consultation and the development of any changes to the reporting regime of local authority schools. Should you require any clarification or have questions, please do not hesitate to contact me directly.

Yours faithfully,

Louise Thomson FCG  
Head of Policy, Not for Profit  
The Chartered Governance Institute  
Tel: 020 7612 7040  
Email: lthomson@icsa.org.uk

