

## Response ID ANON-88B2-KVT7-G

Submitted to **Financial Transparency of local authority maintained schools and academy trusts**

Submitted on **2019-09-30 09:12:38**

### Introduction

#### 1 What is your name?

**Name:**

Mala Dadlani

#### 2 What is your email address?

**Email:**

Malasona.Dadlani@lewisham.gov.uk

#### 3 Response Type

**Are you responding as an individual or as part of an organisation?:**

Part of an organisation

**What is your role?:**

Local authority finance officer

**What is the name of your organisation?:**

London Borough of Lewisham

**What type of organisation is this?:**

Local Authority

#### 4 Which local authority are you responding from?

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London Borough of Lewisham

#### 5 Are you happy to be contacted directly about your response?

**Are you happy to be contacted directly about your response?:**

Yes

### Confidentiality

#### 6 Do you wish for your response to remain confidential?

No

### Proposal 1: Making public where local authorities are failing to comply with deadlines for completing assurance returns and financial collections

**7 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:1. School Financial Value Standard (SFVS)2. Dedicated Schools Grant CFO assurance statement3. Consistent Financial Reporting4. Section 251 Budget5. Section 251 Outturn**

Neither agree or disagree

#### Further comments:

In principle, Lewisham is not opposed to this proposal. However the DFE needs to consider the return timelines placed on the LA. Our comments would be as follows:

Section 251 Budget Statement.

LA await guidance from the DFE annually including a tool for completion. Our ability to submit the return in a timely way is reliant on receiving this information. Mindful that the return date is within the closure of accounts period which is the most challenging time for LA finance staff. Sometimes the guidance /tool is not the DfE's final version Taking 2019/20, on the 15th April 2019, the DFE published its excel file following need to amend glitches with a return date of 30th April. The clear issue here is that the main priority for the LA at this period is closure of accounts coupled with supporting schools with budget setting as well as the usual day job. Realistically, LA have very few central staff and this deadline is therefore difficult to meet.

Section 251 Outturn statement

from 3rd July to 23rd August works totally over the summer holidays. Documents of this nature do require senior management sign off. Extending this to 1st week

in September would be helpful.

CFR Deadline for this is the 16th July which appears fair.

Not clear why Schools cannot submit their own returns and take responsibility for meeting the deadline. Whilst the responsibility remains with the LA there is little incentive for schools to ensure the deadline is met. In fairness the vast majority of schools do achieve the deadline.

DSG CFO assurance statement required by the 13th September – this seems fine.

### **Proposal 2a: Strengthening DSG annual assurance returns: Collecting the number of schools with suspended budgets and notices of financial concern through existing DSG assurance statement**

**8 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.**

Neither agree or disagree

#### **Further comments:**

Very few notice of concerns or suspension of budgets should actually happen. For most LA this should not be a huge issue.

Schools have delegated budgets and responsibility for use of funds remains with the governing body, this proposal seems to shift the full liability to the LA for fraud and misuse of funds. Yet no additional powers or resources to deliver on the agenda.

Of course, each area of the LA plays its role in terms of schools improvement, finance, audit etc Lewisham prides itself on supporting schools to prevent fraud and misuse of funds but any additional requirements would place a greater burden on our LA. The majority of our schools are maintained as opposed to some other LA where majority of schools are academies.

LA place requirements on Schools as permissible by the DFE regulations. Since implementation of budgets the approach by default has been light touch and to a fair degree self-assessment. This is a complete shift in accountability and scrutiny for which LA are not geared up for. The pressure on each LA will also vary depending on the number of maintained schools within its remit.

For LA intervention to work effectively LA would require greater powers with a requirement for culture shift. LA would need funding to develop skilled staff to undertake a shift in roles and responsibilities. There will also be an issue around capacity to deliver.

### **Proposal 2b: Strengthening DSG annual assurance returns: Adding a new section to the DSG assurance statement that captures the amounts that LAs have recovered from investigating fraud**

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

Neither agree or disagree

#### **Further comments:**

Very few notice of concerns or suspension of budgets should actually happen. For most LA this should not be a huge issue.

Schools have delegated budgets and responsibility for use of funds remains with the governing body, this proposal seems to shift the full liability to the LA for fraud and misuse of funds. Yet no additional powers or resources to deliver on the agenda.

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LA place requirements on Schools as permissible by the DFE regulations. Since implementation of budgets the approach by default has been light touch and to a fair degree self-assessment. This is a complete shift in accountability and scrutiny for which LA are not geared up for. The pressure on each LA will also vary depending on the number of maintained schools within its remit.

For LA intervention to work effectively LA would require greater powers with a requirement for culture shift. LA would need funding to develop skilled staff to undertake a shift in roles and responsibilities. There will also be an issue around capacity to deliver.

### **Proposal 3: Requiring maintained schools to provide local authorities with 3 year budget forecasts**

**10 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**

Neither agree or disagree

#### **Further comments:**

LA response

Lewisham is a LA that already places a requirement on schools to provide a three year rolling budget plan.

In fact we have recently agreed with Schools Forum that Schools should provide two budget plans per year covering a three year rolling period.

One in June and one post October census in November. The plans are expected to enable governing bodies establish the discipline to consider impact of key considerations such confirmation of pupil numbers, updated funding information at least twice a year. The plans are expected to cover three year rolling period returns. We are also encouraging schools to develop plans locally that cover the full year groups for the school.

This is working on the assumption that pupil numbers are key drivers for both spend and funding.

Our schools have welcomed this approach. We are also asking our schools to provide key data such as pupil teacher ratio, etc. as part of the return.

#### **Proposals 4 (a,b,c): Strengthening Related Party Transaction arrangements in maintained schools:**

##### **Proposal 4a: : Making schools append a list of RPTs to their response to the new question in the Schools Financial Value Standard (SFVS) about their arrangements for managing RPTs, so that the information goes to the local authority and can be passed on to the department**

**11 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.**

Neither agree or disagree

##### **Further comments:**

The pressure on LA will vary depending on the number of schools that are maintained. Lewisham has mostly maintained schools so the impact on us will be greater.

The real question is on what basis would the LA approve such a request? It is not as simple as "rubber stamping" a request. If the LA is required to approve, what criteria would be considered against and what compliance would be required and what are the repercussions of not supporting a request.

Schools operate a delegated budget and report to the governors.

The LA does not have resources to support this function. At this stage it is not clear what volume of transactions are within scope. It could potentially be very few. However, if there are more, the issue would be difficult to manage.

Of the options proposed option A, would in part be acceptable if the information was collected and passed on to the DfE. However, in this case the DfE could collect them direct from the schools. If the LA is expected to analysis this information prior to passing to the DfE then this will create the same issues around criteria, compliance and resources to facilitate this work.

##### **Proposal 4b: Making a directed revision to the statutory Scheme for Financing Schools to require schools to report all RPTs, or RPTs above a certain threshold, directly to the local authority**

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

Neither agree or disagree

##### **Further comments:**

The pressure on LA will vary depending on the number of schools that are maintained. Lewisham has mostly maintained schools so the impact on us will be greater.

The real question is on what basis would the LA approve such a request? It is not as simple as "rubber stamping" a request. If the LA is required to approve, what criteria would be considered against and what compliance would be required and what are the repercussions of not supporting a request.

Schools operate a delegated budget and report to the governors.

The LA does not have resources to support this function. At this stage it is not clear what volume of transactions are within scope. It could potentially be very few. However, if there are more, the issue would be difficult to manage.

Of the options proposed option A, would in part be acceptable if the information was collected and passed on to the DfE. However, in this case the DfE could collect them direct from the schools. If the LA is expected to analysis this information prior to passing to the DfE then this will create the same issues around criteria, compliance and resources to facilitate this work.

##### **Proposal 4c: Making a directed revision to the statutory Scheme for Financing Schools to require schools to seek permission from the local authority to enter into RPTs above a certain amount.**

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

Neither agree or disagree

**Further comments:**

The pressure on LA will vary depending on the number of schools that are maintained. Lewisham has mostly maintained schools so the impact on us will be greater.

The real question is on what basis would the LA approve such a request? It is not as simple as "rubber stamping" a request. If the LA is required to approve, what criteria would be considered against and what compliance would be required and what are the repercussions of not supporting a request.

Schools operate a delegated budget and report to the governors.

The LA does not have resources to support this function. At this stage it is not clear what volume of transactions are within scope. It could potentially be very few. However, if there are more, the issue would be difficult to manage.

Of the options proposed option A, would in part be acceptable if the information was collected and passed on to the DfE. However, in this case the DfE could collect them direct from the schools. If the LA is expected to analysis this information prior to passing to the DfE then this will create the same issues around criteria, compliance and resources to facilitate this work.

**Proposal 5: Requiring maintained schools to be subject to internal audit at least every 3 years**

**14 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 3 years.**

Neither agree or disagree

**Further comments:**

This proposal is in line with Lewisham's current audit work plan of an internal audit once every three years.

However, the document does not make clear if any further direction would be made around content and coverage.

Depending on the depth required there could be potential issues around resourcing the workload.

**Proposals 6 (a,b,c): Strengthening arrangements to help schools that are in financial difficulty:**

**Proposal 6a: Requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%**

**15 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%.**

Neither agree or disagree

**Further comments:**

Option 6A is preferred that schools submit a recovery plan. As schools are likely to be required to set three year plans, a more measured approach would be to have a plan that prevents a school from going into a deficit. Not sure if 5% is too generous.

Approach should be more about preventing deficits not reacting to a 5% deficit.

6B –this is partially done anyway as reports are presented to schools forum (summer) in line with DfE requirements.

6C –this option is not supported unless additional funding is accompanying for the LA to undertake role.

The SRMA project is not an efficient method of empowering LA. The process does not work effectively. A better option would have been if the DfE trained one to two local authority officers so that best practice could be shared within schools.

We have not been impressed with the support provided by the SRMA's

**Proposal 6b: Collecting information on the number of recovery plans in each LA through DSG annual assurance returns from the CFO**

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

Neither agree or disagree

**Further comments:**

Option 6A is preferred that schools submit a recovery plan. As schools are likely to be required to set three year plans, a more measured approach would be to have a plan that prevents a school from going into a deficit. Not sure if 5% is too generous.

Approach should be more about preventing deficits not reacting to a 5% deficit.

6B –this is partially done anyway as reports are presented to schools forum (summer) in line with DFE requirements.

6C –this option is not supported unless additional funding is accompanying for the LA to undertake role.

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We have not been impressed with the support provided by the SRMA's

### **Proposal 6c: Writing to local authorities each year when the end-year data is published, specifying the threshold of deficit that would trigger contact with the Department**

**17 We propose to formalise the approach to working with LAs and include a request for high level action plans from some LAs. This will be achieved by: a) sharing published data on the school balances in each LA, b) using this data and evidence-based reuests from LAs to ensure support is focused where its needed and c) requesting high level action plans from LAs in which the number or proportion of school revenue deficits over 5% is above a certain level**

Neither agree or disagree

#### **Further comments:**

Option 6A is preferred that schools submit a recovery plan. As schools are likely to be required to set three year plans, a more measured approach would be to have a plan that prevents a school from going into a deficit. Not sure if 5% is too generous.

Approach should be more about preventing deficits not reacting to a 5% deficit.

6B –this is partially done anyway as reports are presented to schools forum (summer) in line with DFE requirements.

6C –this option is not supported unless additional funding is accompanying for the LA to undertake role.

The SRMA project is not an efficient method of empowering LA. The process does not work effectively. A better option would have been if the DFE trained one to two local authority officers so that best practice could be shared within schools.

We have not been impressed with the support provided by the SRMA's

### **Proposal 7: Increasing transparency in the reporting of high pay for school staff**

**18 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.**

Neither agree or disagree

#### **Further comments:**

As part of the final accounts, there is already a requirement to publish a column showing the number of school based staff earning over £100k in bands of £10k

By seeking schools to provide this information at school level on the schools website could potentially create issues of compromising each individual's anonymity. There are also potential issues around data protection, individuals rights, contractual positions etc

Academy trusts publish data as part of (in many cases bigger MAATS) the information is included in the published accounts statement (same as for maintained schools in LA accounts) not on their specific websites

In our view maintained schools already comply with the required level of disclosure.

### **Proposal 8: Increasing transparency in reporting maintained school income and expenditure**

**19 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.**

Neither agree or disagree

#### **Further comments:**

LA response

No issues on this request as schools already produce this information which is used on benchmarking websites.

### **New financial burdens on local authorities**

**20 Please select all proposals that you believe will place a new financial burden on local authorities from the list below:**

Proposal 2a, Proposal 2b, Proposal 4a, Proposal 4b, Proposal 4c, Proposal 5

**Please specify the details and quantification of costs for all proposals you believe will place a new financial burden on local authorities :**

Due to the timeline of the consultation it has not been possible to cost these proposals. Given the level of work potentially required we think at least 1 additional senior member of staff would not be unreasonable, suggesting a minimum of £65k.

### **Additional costs for schools**

**21 Please select from the list below all proposals that you believe would result in additional costs for schools.**

None

**Please specify in as much detail as possible what costs you believe would arise and provide figures.:**

Due to the timing of the consultation we were not able to quantify the impact of proposals on schools.