

Government consultation on financial transparency of LA maintained schools and academy trusts

Response of the Association of School and College Leaders

A. Introduction

- 1 The Association of School and College Leaders (ASCL) represents over 19,000 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million young people in more than 90 per cent of the secondary and tertiary phases, and in an increasing proportion of the primary phase. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
- 2 ASCL welcomes the opportunity to contribute to this consultation.

B. Key points

- 3 We support transparent and robust accountability. However, the demands of the processes and measures involved must be proportionate to the level of risk involved.
- 4 The vast majority of schools, both academy and maintained, are extremely well run and observe high standards of financial probity. ASCL continues to be concerned about the increasingly onerous level of bureaucratic oversight to which academy schools are subjected. We are concerned that some of the proposals in this consultation threaten to subject schools in the maintained sector to a similarly disproportionate approach.
- 5 It is difficult to see how additional regulatory burden is not going to result in already scarce resources being diverted away from the classroom, either directly at school level or indirectly at LA level. We welcome DfE's acknowledgement of the risk of additional burden and their commitment to assessing benefits against burden (see Paragraph 2.4 of the consultation document).
- 6 Maintained schools are already subject to local authority controls and monitoring. It is our view that these should normally be regarded as sufficient unless there is clear evidence to the contrary.

C. With reference to your specific proposals

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

- 7 We disagree with publishing compliance failures for LAs, just as we do not support the practice of 'naming and shaming' academy trusts. In our view, the emphasis should be on a review of how these situations are dealt with now, and the efficacy of the process.

It seems unlikely that publishing a list of compliance failures will deliver an improved system.

Proposal 2a: Strengthening DSG annual assurance returns by collecting information about suspended budgets and notices of financial concern

- 8 We neither agree nor disagree with this proposal. While we support transparency, we cannot see how this measure will improve weaknesses in financial assurance systems.
- 9 ASCL does not believe that the proposal to collect the number of schools with suspended budgets and notices of financial concern through the existing DSG assurance statement is a necessary or effective way of strengthening financial assurance. This information in isolation could lead to the drawing of false conclusions, as it does not provide context or information about important local factors. Such a move would not 'add' to the system, but simply lead to a school being added to another list. We fail to see how this would solve the problem it is intended to address.
- 10 This proposal detracts from the main issue of the severe funding cuts that have been imposed on all schools over the last few years. These have had a particularly devastating effect on schools in already challenging financial circumstances, and are compounded by simultaneous cuts to other essential public services.

Proposal 2b: Strengthening DSG annual assurance returns by adding a section to the DSG assurance statement that captures the amounts LAs have recovered from investigating fraud

- 11 ASCL does not support this proposed change. This is an unnecessary requirement which serves no purpose and would be a duplication of effort. Incidents of fraud investigated by the local authority would be covered as required within their policies and procedures, and where applicable scrutinised by external auditors.

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

- 12 We agree that it is good practice to complete rolling three-year budget plans. This forms part of ASCL's guidance on effective strategic financial planning, and we know that many schools already do this.
- 13 It is, in our view, right that LA scheme guidance should be subject to a directed revision to ensure that all schools can be supported to undertake strategic financial planning. We would welcome information regarding the funding of such support for schools in LAs where this level of financial planning has not previously been a requirement.
- 14 Whilst we broadly agree with this proposal, we do so with a word of warning. Government must acknowledge awareness of the inherent lack of reliability of future financial projections in making decisions, given that schools and local authorities may make differing assumptions for individual budget lines. The same applies with regard to academy schools. The Government could improve the reliability of strategic financial planning by providing rolling three-year budget settlements. The Department could improve the reliability and comparability of financial information by providing a list of recommended assumptions.

Proposal 4: Strengthening Related Party Transaction arrangements in maintained schools

- 15 ASCL supports the proposal to ensure financial probity through the consideration of related party transactions in relation to schools. However, our view is that it would be over-burdensome to require schools to report all RPTs directly to their local authority. Consideration should be given to determining a transaction level above which RPTs must be reported to the LA.

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

- 16 ASCL broadly agrees with this proposal. We support robust accountability and it is our view that the scrutiny of internal financial policies and procedures should provide a constructive contribution to risk management and the stewardship of public money.
- 17 We note the consultation indicates that there is evidence to suggest that some schools are being failed by the current provision as part of their LA's overall audit arrangements. If introduced, it is important that the impact of this proposal on both schools and LAs is proportionate in terms of cost and regulatory burden.

Proposal 6: Strengthening arrangements to help schools that are in financial difficulty

- 18 Paragraph 2.3 of the consultation document refers to the increasing proportion of maintained schools in deficit. It is ASCL's view that these statistics are a reflection of the underfunding of education and the real terms cuts of 8% that the sector has experienced since 2010¹.
- 19 Local authorities are well placed to offer support at a local level. It is our view that, in the majority of cases, schools forecasting a significant in-year or cumulative deficit budget position are already held to account through further scrutiny of their finances by local authorities. Local authorities currently have access to school resource management advisors to support them and/or work with schools which find themselves in challenging financial circumstances.
- 20 ASCL does not support the proposal to collect information on the number of recovery plans in each LA through the DSG annual assurance returns from the CFO. The majority of LAs already have and follow stringent processes and procedures, and are best place to support those in need at a local level.

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

- 21 ASCL disagrees with this proposal. Maintained schools are subject to the requirements set out in the STPCD. The STPCD is deemed suitable by an independent body, so to have to report on pay that falls within it makes no sense.
- 22 Academy trusts, as a single legal entity, are required to disclose this information within the audited financial statements published on the trust website. They are not required to publish pay information on individual school websites. This would be an unnecessary administrative burden on local authority maintained schools.

¹ <https://www.ifs.org.uk/publications/14194>

- 23 We should be working towards reducing the bureaucracy and layers of accountability which has increased school leader workload to unmanageable levels within the academies sector, not increasing it for the maintained sector.

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

- 24 Accounts are published at trust level in the academy sector and local authority level in the maintained sector. Our view is that the impact on maintained schools of this proposal goes beyond what is required for the constituent academies in a trust, and is therefore inappropriate.
- 25 Data about an individual school's income, expenditure and balance is already available and downloadable from the schools benchmarking website. Requiring schools to produce or pay for a separate report, and spend time uploading this information, would be an unnecessary administrative task for no benefit or statutory requirement. This proposal would impose a wholly unnecessary additional burden on school leaders.

D. Conclusion

- 26 I hope that this response is of value to your consultation, ASCL is willing to be further consulted and to assist in any way that it can.

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