

Education Resources Group
Schools Forum

Meeting Date 22 September 2020
Meeting Date 7 October 2020

Subject: Scheme for Financing 2021 – 22: Directed Revisions
Cabinet Member: Cllr Jewell
Report Number: 14

Item: 5d

Purpose of Report

1. This report:
 - Provides information on the recent revisions directed by the Secretary of State to the Scheme for Financing for maintained schools;
 - Includes update on the position in relation to the number of schools in deficits.

Proposal(s)

The Schools Forum maintained schools representatives are to note and accept the inclusion of the revisions to the Scheme for Financing.

Relevance to the Council’s Corporate Plan

2. The Council has a responsibility to maintain and publish a Scheme for Financing. The Scheme outlines the financial relationship between the Council and maintained schools and confirms that the Council has an overall responsibility and oversight of maintained schools’ budget.

Main Consideration for the Schools Forum

3. BACKGROUND TO THE DIRECTED REVISIONS

At the October 2019 meeting of the Forum, it was reported that the DfE were consulting on proposals to align financial management processes and improve financial transparency of local authority maintained schools and academy trusts.

The outcomes from this consultation were delayed due to the General Election last Autumn and then the lockdown and associated impact of the coronavirus impact.

The DfE published their final recommendations at the end of the summer term 2020. The remainder of this report outlines the DfE’s recommendations some of which are proposed as directed revisions to the Scheme for Financing and how these will effect maintained schools and the Council.

The report also provides an update on the balances projected by maintained schools as at 30 June 2020.

3.1 DfE RECOMMENDATIONS

The recommendations published impact both the Council and maintained schools. The requirements are as follows:

Requirements	Criteria	When	Comments
1 For LA: Publish on gov.uk if LA fails to comply with deadlines for returns to the Department	Starting when 3 deadlines missed	2020-21	Main reports to be submitted: 1.School Financial Value Standard (SFVS): May 2.Dedicated Schools Grant Chief Financial Officer (CFO) assurance statement: August 3.Consistent Financial Reporting

Requirements	Criteria	When	Comments
			(CFR): August 4. Section 251 Budget: April 5. Section 251 Outturn: August
2a For LA: Report on number of schools with suspended budgets & notices of financial concern through the existing CFO assurance statement.	Return for the financial year 2020-21.	September 2021	This is linked to the return detailed in 1 above. This should be feasible to do.
2b For LA: Include in the CFO assurance statement amounts the LAs has recovered from investigating fraud.	Return for the financial year 2020-21.	September 2021	This is linked to the return detailed in 1 above. This has been rare so should be feasible to do.
3 For schools: Schemes for financing to require maintained schools to provide LAs with three-year budget forecasts	Returns submitted between 1 May - 30 June	2021-22	This requirement is already within the Scheme and is being done.
4a For schools: Append a list arrangements for managing the Related Party Transactions (RPTs) to the Schools Financial Value Standard (SFVS) submission. In addition, the CFO Assurance Statement to include the total number and value of each RPTs.	Return for the financial year 2020-21.	March 21	RPTs are any transactions where a governor or member of staff has a connection and / or benefit from the transaction. Appendix A provides details of the information required and also a register of interest form used by the Council. The local deadline for submission of the SFVS is 31 December.
6a For schools: Schemes for financing to require schools to submit a deficit recovery plan (DRP) to the LA when their deficit rises above 5%.	5% deficit threshold for schools to submit deficits	Year-end 2020/21	The Scheme currently requires schools to submit DRPs for any reported deficit with their three year budget plan. This requirement will be monitored to ensure compliance and especially those schools close to the mandatory 5% threshold.
6b For LA: Collect information on the number of DRPs through the CFO assurance statement.	Return for the financial year 2020-21.	September 2021	This is linked to the return detailed in 1 above. This should be feasible to do.
6c For ESFA & LA: Formalise the approach for working with LAs. This includes requests for high level action plans from some LAs. This will be achieved by: – Sharing published data on the school balances in each LA. – Using this data & 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	The is no formal requirement at the moment.	From Year-end 2020/21	This should be feasible with the development of the process for monitoring deficits
7: For schools: Publish annually on their websites the number of	Schools publish on their	1 January	This should be feasible to do.

Requirements	Criteria	When	Comments
individuals (if any) earning over £100K in £10K bandings	website	2021	
8. For schools: Publish a link to the Schools Financial Benchmarking website, where the CFR statement of income, expenditure and balances is already published, instead of on their own website	school publish on the web link on their website.	1 January 2021	The link to the DfE Website is as follows: the schools financial benchmarking website
5, For ESFA & LA: Rather than impose minimum requirements for audit cycles, the ESFA will continue to work with LA to identify how audits can best be made both regular and targeted in the most effective way.	The is no formal requirement at the moment.	N/A	The Council's Audit Committee has increased its scrutiny of

A copy of the Scheme for Financing can be found on the Council website at <https://new.enfield.gov.uk/services/children-and-education/school-welfare-and-information/school-budgets-and-finances/> or the Hub.

3.2 SCHOOLS BALANCES

3.2.1 There are now a couple of additional requirements in relation to surplus and deficit balances held by schools and these are:

- Local: primary and special schools reporting surplus balances above 6.5% are *required* to submit a request as part of their Quarter three financial returns to retain these balances;
- National: all schools reporting a deficit of 5% or above are required to submit a DRP with their three budget plans. Where the DRP are not received, the LA is required to report these to the DfE as part of the CFO Assurance Statement.

The Local requirements are all schools projecting a deficit must advise the LA that they are projecting a deficit and confirm if the deficit can be addressed by the following year by taking remedial actions or not. Where the deficit cannot be addressed and is projected to grow, the Schools are then asked to develop a DRP and submit this as soon as possible during the year the deficit is reported or with their three year working budget return.

It is proposed that the current requirements is retained in the local Scheme for Financing. This will ensure any projected deficits are addressed as a priority and continue to meet the national requirements.

3.2.2 The three year budget plans and Quarter 1 financial projection have been received from schools. These returns indicate that there are changes to the position reported at the year-end both in terms of surpluses and deficits projected by schools. Table 1 details the position as reported by schools at Quarter 1.

Table 1: Summary of Projections at at 30 June 2020

Phases	Above 6.5%	Between 0 and -4.99%	-5% and above	Q1 % Range
Primary	6	7	3	(24.5%) - 10.1%
Secondary	0	2	4	(64.3%) - 1.62%
Special	0	1	0	(1.89%) - 6.1%
Total	6	10	7	

An update and provide comment to the Forum on the Local Authority's position regarding these projections:

- The schools with balances above 6.5% have reported the reasons for the high balances has been that they have been unable to carry out planned works due to Covid. It is the LA's view if the balances of these schools remain above 6.5% at the end of Quarter 3, then they be required to submit a request for retaining balances in line with the Scheme;
- The schools reporting a deficits of **-5%** or more have been in deficit for more than one year and the LA has been meeting with these schools. Of these schools, formal DRPs have been received from three of them and the other schools have been instructed to submit their DRP by mid-October;
- The schools with deficits of between 0 and **-4.99%** have also been asked to review their budgets and provide DRPs by mid-October where they are projecting their deficit to continue into 2021/22.

3.2.2 To support schools and enable them to develop DRP, the LA has arranged a programme of financial planning workshops.

As DRP plans are received from schools, these will be assessed. The aim is to test the assumptions and assure viability of these assumptions to aid recovery. The test will also assess when a schools is projecting to achieve an in-year balanced / surplus position and then when full recovery will be achieved.

The LA review the outcomes of these test and then consider whether to accept the DRP or assess what should be the next steps to be taken.

Main Considerations for the Council

4. It is important that the LA and all schools are fully compliant with the regulatory requirements as any non-compliance may impact on the Council's financial rating.

With regards to schools in deficit, the Council has to ensure that there is a robust process in place whereby schools reduce and negate their deficits and alleviate any financial risk for the Council.

Equalities Impact of the Proposal

5. The equalities impact in relation to schools in deficits will be considered as part of the escalation process for each school.

Financial Implications

6. The key requirement is schools take ownership of the regulatory framework and work within this. Where a schools is reporting a deficit, then it is important to have a viable DRP which moves the schools to a balanced position.

Options Considered

7. There are no other alternative options available to meet the regulatory framework

Conclusions and Recommendations

8. The Group are asked to note and comment on this report.

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Date of report 14 September 2020

Appendices: Appendix A – RPTs Guidance

Background Papers

Financial outturn and quarterly returns
 School Funding Regulations 2019 & DfE guidance
 DfE response to consultation
 Scheme for Financing Maintained Schools

Requirements for Related Party Transactions

Related Party Transactions (RPTS) are transactions where an individual at the school or a governor receives any type of remuneration, expenses reimbursement or benefit or there is a close connection or relationship with the third party.

The schools must ensure that they have agreed the RPTs with the Governing Body prior to any expenditure being incurred.

The list of RPTs must be submitted with the Schools Financial Value Statement by 31st December at the latest. The list must be provided on excel spreadsheet and each item includes the following information:

- Supplier details;
- Start date for contract or agreement;
- Details of procurement process followed, which should include confirmation of compliance with Council's Contract Procedure Rules (CPRs) and the school's scheme of delegation;
- Details include approval through a record of minutes of confirming Governing Body approval;
- Details include a record through minutes of any conflict of business interest of governors and school staff;
- Confirmation and link of all minutes published on the school's website relating to RPTs;
- Arrangements for managing and monitoring the contracts.

A sample of guidance and form used by the Council

Conflict of Interest and Confidentiality Agreement

Procurement Exercise:

Name: _____ Job Title: _____

Tel: _____ E-mail: _____

Dept/Org: _____

A. Conflict of Interest

Conflict of Interest refers to situations in which personal interests (which may include financial interests) may compromise, or have the appearance of, or potential for, compromising professional judgement and integrity and, in doing so, the best interests of the School and Governing Body.

It is the individual's responsibility to ensure that **any and all** potential conflicts are disclosed to the prior to them becoming involved in any procurement process. Individuals will be excluded from the procurement process where the identified conflict is material and cannot be mitigated. The decision as to whether the identified conflict is material, and whether any mitigating arrangements are required, is to be made by **the School and the Governing Body**.

Note: tick 'potentially' if others could perceive you have a conflict

Do you have any actual, potential or perceived conflicts of interest?		Yes	No	Potentially
1	Do you have any personal interest in the purchasing decision? (e.g. you own shares in a supplier or related company)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Are you a relative or close friend of someone with a personal interest in the goods or services being purchased or who could be personally affected by the purchasing decision? (e.g. a family member is an employee or shareholder of a supplier)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Do you have any personal obligations, loyalties or bias that could influence the way you evaluate offers and recommend purchases? (e.g. a close friendship with an employee of a supplier)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Have you recently been offered any special discounts, gifts, trips, hospitality, rewards or favours by suppliers of the goods or services being purchased? (e.g. free travel; football or concert tickets, free samples for your own use)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Are you aware of anything that could give the appearance that you might be biased towards or against a particular supplier?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>(e.g. you have expressed strong views about a supplier; you worked for a supplier; you use a supplier's corporate box at a sports event)</i>			
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Option 1 - If you answered 'NO' to all of the questions above:

"I do not have any conflicts of interest that prevent my full and unprejudiced participation in this procurement process.

I also declare that I will inform the school or Governing Body immediately, should my circumstances change in any way that effects this declaration."

Signature: **Date:**

Option 2 - If you answered 'YES' or 'POTENTIALLY' to any of the questions above:

"I do have a conflict of interest that may prevent my full and unprejudiced participation in a procurement process. The nature of this conflict of interest is set out on the Declaration of interest form at Appendix 1 below.

Signature: **Date:**

B. Confidentiality Undertakings

"Procurement exercise" encompasses any formal and informal meetings, associated discussions, meeting preparation and follow up or any other activity related to the procurement exercise.

"Information" means all information, facts, data and other matters of which I acquire knowledge, either directly or indirectly, as a result of my activities as an evaluator of any supplier Pre-Qualification Questionnaire or Tender submissions or tender interviews/presentations etc.

"Documents" means all draft, preparatory information, documents and any other material in either paper or electronic form, together with any information contained therein, to which I have access, either directly or indirectly, as a result of my participation in any procurement exercise. Furthermore, any records or notes made by me relating to information or documents shall be treated as Confidential Documents.

I understand that I may be invited to participate either directly or indirectly in the procurement exercise and agree:

1. To treat all information and documents under conditions of strict confidentiality
2. Not to disclose, make copies of, or discuss any received information with any person who is not a member of the Tender Evaluation Panel (without the prior written approval of the Chair of the Tender Evaluation Panel)
3. Not to use (or authorise any other person to use) information and documents other than for the purpose of my work in connection with the procurement process

4. To return documents to the Chair of the Tender Evaluation Panel as soon as the evaluation process is complete

This undertaking shall not apply to any document or information that becomes public knowledge otherwise than as a result of a breach of any of the above undertakings.

C. Restrictions on Contact with Suppliers

I agree that my contact with potential suppliers is restricted during the period of the tender. I understand that until the successful supplier has been announced I will not:

- pass information or make comments to them about the tender
- receive any gift, gratuity, hospitality or any inducement from them
- meet with; or have any discussion about the tender.

I will pass any requests for information and meetings from potential suppliers to the Project Manager.

Signature: _____ **Date:** _____

Appendix 1

Declaration of Interest Form/Register for individual procurement

To be completed where a participant in a procurement process has an interest in a potential supplier or bidder for a contract.

Name:

Procurement Exercise:

Role in procurement:

1. Direct Pecuniary Interests			
Where an individual may financially benefit from the consequences of a procurement decision (for example, as a provider of services)			
Name of Organisation:			
Nature of Business:		Position Held:	
Business Address:			
2. Indirect Pecuniary Interests			
Where an individual is a partner, member or shareholder in an organisation that will benefit financially from the consequences of a procurement decision			
Name of Organisation:			
Nature of Business:		Position Held:	
Business Address:			
3. Non-Pecuniary Interests			
Where an individual holds a non-remunerative or not-for profit interest in an organisation, that will benefit from the consequences of a procurement decision (for example, where an individual is a trustee of a voluntary provider that is bidding for a contract)			
Name of Organisation:			
Nature of Business:		Position Held:	
Business Address:			
4. Where you are closely related to, or in a relationship, including friendship, with an individual in the above categories			
Name of individual			
Nature of relationship			
Nature of interest	1. Direct pecuniary <input type="checkbox"/>	2. Indirect pecuniary <input type="checkbox"/>	
	3. Non pecuniary <input type="checkbox"/>	4. Non pecuniary personal benefit <input type="checkbox"/>	

Name of Organisation:			
Nature of Business:		Position Held:	
Business Address:			
5. Any other Conflicts - including where other people might reasonably think you are not being objective.			
Name of Organisation:			
Nature of Business:		Position Held:	
Business Address:			
Nature of interest:			

Declaration – I confirm that the above details are complete and correct to the best of my knowledge and I make this declaration in good faith.

Signature: _____ **Date:** _____

Please return this form to **the Headteacher with a copy to the Chair of Governors.**