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To: Governance and Audit Committee – 25 March 2026

Subject: SCHOOLS AUDIT ANNUAL REPORT- PERIOD APRIL 2024
TO MARCH 2025

Classification: Unrestricted

Summary: The Council's Chief Finance Officer (CFO) has to certify annually to the Department for Education (DfE) that there is a system of audit for Local Authority (LA) Maintained schools that gives adequate assurance over the standards of financial management and the regularity and propriety of their spending.

FOR ASSURANCE

1. Introduction

- 1.1 The DfE requires that the CFO, (i.e., the Corporate Director of Finance), signs an assurance statement by the 31 May each year, confirming that there is a system of audit for schools which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending.
- 1.2 The content of this report provides detail of processes, metrics and controls that give the necessary assurance needed for the CFO to sign the annual DfE assurance statement.

2. Approach

- 2.1 The following are processes, metrics and controls that provide assurance over the financial management standards in LA schools, these processes unless stated are carried out by Schools Financial Services (SFS), a service within The Education People:
 - 2.2 Financial Compliance Programme – Each LA school will receive a financial compliance visit at least once every four years that consists of 118 targeted questions covering 8 different areas of control including Governance and Leadership, Financial Planning and Monitoring, and Procurement. Of the 118 questions, 48 of them relate to Critical areas and 70 to less significant areas.
 - 2.3 During the period April 2024 to March 2025, 63 schools were visited (and report sent) compared to a typical year of between 100 and 105 schools. This was due to staffing capacity as a result of staff turnover and the team operating at 1.5 Compliance Officers instead of three. The compliance programme continues to meet the criteria of a school visit once every four years.
 - 2.4 From September 2025 the Returns and Compliance team are now operating at full staffing capacity.
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- 2.5 Appendix A provides an overview of the different areas of the compliance programme, whilst showing which categories had the most recommendations. The spreadsheet also depicts how many of these were critical recommendations and how many were requires action.
- 2.6 Of the 7,434 questions asked in total across all 63 schools:
- 180 questions (5.95% of the Critical questions) came back with critical recommendations, meaning those schools did not fully comply with the Scheme for Financing Schools/Financial Controls.
 - 307 questions (6.96% of the less critical questions) came back with requires action, meaning these areas need attention but were not as urgent or as serious as those classed a critical.
 - This means of the 118 questions asked of the 63 schools – 93.45% were compliant
 - This is slightly down on 2023-24, where 94.33% were compliant.
- 2.7 Where a school receives a critical or requires action recommendation as a result of the compliance visit it receives a detailed report showing areas of non-compliance, the risks attached to continued non-compliance and detailed findings of the areas that need to be corrected. This final compliance school report is sent to the Chair of Governors and the Headteacher in a PDF format.
- 2.8 Following this, depending on the level and severity of non-compliance, schools will be asked to either send in evidence of compliance, or a follow-up compliance visit will take place.
- 2.9 For schools with critical recommendations, the main issues fell within the category of “Procurement” and not adhering to policy. In particular, question 5.01b of the Compliance Visit asks, “was the order authorised before the order was placed?”, 39 of the 63 schools asked failed on this one question. The second area of concern was with findings from the Schools Finance Policy. In the main, schools were using out of date policies.
- 2.10 As result of this, to help keep schools informed of policy and process, both procurement and financial controls (including Finance Policy) were covered at these events:
- “What is Good Financial Management” workshop at the TEP Show November 2024, presented by Emma Baldock, SFS Service Lead.
 - The Procurement Act presentation at the Finance Information Group, June 2025. Presentation by Michael Bridger, Strategic Commercial and Procurement Lead and Clare Maynard, Head of Commercial and Procurement Division, both KCC.
 - Statutory Finance Update on Financial Controls and Finance Policy, given at the October 2025 Finance Information Group.
 - Emails to all Kent Maintained Schools regarding updates to the Model Finance Policy and Financial Controls on 23 September 2025.
- 2.11 Within the requires action recommendations, the area with most concern was “Finance Policy and Assets”, although a number of other categories were also not compliant.
- 2.12 In light of findings from the compliance programme, we regularly provide topical updates and training in these areas. Examples being:
- Updates to all Kent Schools via the E-Bulletin or SFS Update emails on subjects which aid schools’ leaders and finance staff in being compliant with funding, statutory returns and the STPCD.
 - Training for Headteachers, Governors and finance staff on all aspects of school’s finance, all of which refers back to the Scheme for Financing Schools and Financial
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Controls.

- Advice and guidance via our Helpdesk on all compliance and statutory related issues.

2.13 Schools Financial Value Standard (SFVS)- Schools complete an annual self-assessment which is agreed by governors and is sent to SFS as part of schools' statutory returns. This document is referred to when conducting a compliance visit and is referenced within the report against any recommendations made. All 291 LA schools (1 Nursery, 247 primary, 17 Secondary, 21 Special, 5 PRU) submitted a return that met the required deadline.

2.14 The Service Lead and Returns and Compliance Manager from SFS have begun working with Jody Catterall-James, Schools, High Needs and Early Years Manager, KCC, on creating greater accountability of schools on and around the SFVS Return. This is something which is being developed and will provide greater assurance to Kent County Council.

2.15 Budget and monitoring statutory returns – LA schools have to provide annually a 3 Year Budget Plan by the 31 May, 6 and 9 month monitoring during the year and year end outturn. All other schools have been compliant in providing these returns. SFS robustly scrutinise financial returns including using trend analysis, so that schools can be identified at the earliest opportunity if there is any sign of financial difficulties.

2.16 Traded financial services - SFS provides two types of financial service to schools, the benefit of this is twofold, the first is that it supports good financial management in schools and the second is that a gross profit margin is achieved which contributes towards the cost of statutory services, for example the School Support Team who assist schools in or facing financial difficulty. The two types of traded services are:

- An individual school specific bursarial service for around 105 schools at any point in time throughout the year.
- A Help Desk service providing guidance and support on school specific finance related matters, where around 380 schools subscribe. For the period April 2024 to March 2025 there were 15,225 (phone calls 5,041, emails 10,184) logged and completed incidents.

2.17 Training- There is a comprehensive finance training programme for Headteachers, senior leaders, bursars and governors as well as Finance Information Groups for bursars and other finance staff. During 2024-25 there were 48 training courses attended by 583 delegates and 3 Finance Information Groups attended by over 769 delegates from Kent maintained schools and academies.

2.18 For the majority of 2024-25 the training team was operating at only two-thirds of its normal staffing capacity, hence the training attendance numbers were down compared to 2023-24. Additionally, SFS now charge for finance training, and this could be having an impact on attendance. As of January 2025, the team are back to 100% and work is now beginning on a new suite of training for schools.

2.19 School Finance Systems Support – A key component in maintaining financial management standards in schools is to ensure that schools have the appropriate financial systems and tools to achieve this. KCC (via SFS) currently support a monitoring and budgeting system called Business Planning Software provided by a company called TES and a financial accounting system called Financial Management

System 6 (FMS6) provided by The Parent Pay Group. In 2023-24 SFS became accredited to work with and support Bromcom. There are currently 22 schools who use Bromcom, 3 who use Arbor and 266 who still use FMS6.

Throughout 2025-26 SFS have been carrying out their due diligence on the Arbor finance system to ensure it is a system that will be fit for purpose for Kent Maintained Schools. From January 2026 SFS staff will undertake the Arbor training and by Spring 2026 hopefully accreditation. Work continues with Arbor developers to ensure the reports from the system meet KCC's statutory needs. This is all in readiness for when schools will need to renew their finance system license (April 2027).

2.20 KCC annual audit of accounts – Following the recommendation from Grant Thornton that all schools must reconcile their bank account at year-end up to the 31st March, SFS successfully got the majority of schools (two schools reconciled up to 28th March 2025) to do this for financial year-end 2024-25. There were no recommendations for schools following the 2024-25 audit.

2.21 Deficit Schools – The level of schools in financial deficit has remained consistent over recent years, with three Kent Maintained Schools ending in deficit for 2024-25. They were:

2024-25

DFE	Name	Revenue position
3328	Bapchild & Tonge CEP School	£3,710
3055	Churchill CEP School, Westerham	£16,514
2574	Downs View Infant School	£28,501
		£48,725

In 2023-24 there were also three schools which ended in deficit, with the total value of deficits being £472,878.

For schools in deficit, Kent continues to remain well below the national average, as this table indicates:

Percentage of LA schools with a negative revenue balance (deficit)	2021-22	2022-23	2023-24	2024-25
LA National average published by the DfE	8%	13.10%	15.30%	TBC
Kent %	1.6% (5 Schools)	1.3% (4 Schools)	1% (3 Schools)	1% (3 Schools)
Total number of Kent Maintained Schools (KMS)	312	304	297	291
Number of KMS's if National average %	25	39	45	TBC

Although it is not the only indication of good financial management in Kent schools, it is a stable marker. However, it is important to note that schools' budgets are under increasing pressure with these not increasing in line with inflation, being expected to absorb unfunded pressures, and as KCC increases the levels of de-delegation and top-slicing it seeks for services it provides to maintained school. Combined with falling rolls in the primary sector, an increasing number of schools are finding it challenging to set and deliver balanced budgets without local authority advice and

guidance.

3. Summary of Findings

- 3.1 Alongside the compliance programme, the analysis of returns, training programme and traded activities with schools, SFS regularly liaise and work with other colleagues who support schools. This includes meetings with Assistant Directors of Education, School Improvement Officers, and Governors Service Officers to ensure KCC have a complete picture of a school, so that support can be provided to the Headteacher, finance staff and governors to ensure the school is financially well managed.
- 3.2 SFS continue to develop and build working relationships with KCC Officers. There has been more joint working in 2025 than before; for example, Jody Catterall-James was asked to be one of the hiring managers alongside the SFS Service Lead for the Returns and Compliance Manger vacancy. The successful candidate starts on 5th January 2025.
- 3.3 Developments and improvements have been made between KCC and SFS around the collection of Balance Control Mechanism (BCM) data and scrutiny. This will result in greater accuracy of reporting to the Director for Education and the Schools Funding Forum.
- 3.4 SFS continues to collaborate with relevant KCC Officers to ensure the Scheme for Financing Schools and Budgetary controls are kept up to date, edited and communicated with key changes when necessary.
- 3.5 The comparative data shows favorably the number of schools in deficit and the value of the deficits, which strongly suggests that financial management controls in place and non-financial support network are robust and effective for Kent LA schools.

4. Opinion

- 4.1 It is considered that the comprehensive compliance programme analysis of statutory returns, financial training programme, support for schools in deficit and preventing them going into deficit, traded work completed in schools and the schools' own self assessments provide suitable assurance for the CFO to sign the annual DfE assurance statement.

5. Recommendations

- 5.1 Members are asked to note the contents of this report for assurance.

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