

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools' Forum
DATE OF MEETING:	27 April 2011
SUBJECT:	Government consultation on the Schools Financial Value Standard (SFVS)
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IS REPORT EXEMT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

On 10th March 2011, the DfE launched a consultation on the Schools Financial Value Standard (SFVS).

The purpose of this report is to seek the Schools' Forum's views prior to a response being submitted on its behalf.

DISCUSSION

The Government introduced the Financial Management Standard in Schools (FMSIS) in 2006, following the national funding 'crisis' in 2003. The intention was to help strengthen financial management in schools. All schools were required by law to have reached the Standard by 31st March 2010.

The Secretary of State announced on the 15th November 2010 that the FMSIS would cease with immediate effect (a report on that was presented to the Schools Forum on 26th January 2011). In a series of published questions and answers, it was stated that:

- Effective financial management in schools remains important, not least because schools are responsible for considerable sums of public money.

- The replacement system will be a much simpler version concentrating on the key points for which Governors and Heads ought to assure themselves.
- The DfE expects those schools that fail to achieve the FMSIS to be amongst the first to achieve the new standard.
- The new system will concentrate on demonstrating value for money rather than processes.
- It will be usable by academies and free schools, as well as the maintained sector.

The DfE's consultation on the SFVS appears to be consistent with these points. The draft SFVS applies to all maintained schools and takes the form of a series of questions which school governing bodies should formally discuss with their headteacher and other staff.

A copy of the DfE' consultation documents can be accessed via:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/a0075378/schools-financial-value-standard-sfvs-consultation>

The following comments and observations may assist the Schools' Forum with its discussion of this issue:

- The list of questions to be considered by schools each year appears to cover all key aspects of financial management.
- The new system may appear to be less bureaucratic than the FMSIS, but in Lincolnshire, those criticisms had already been addressed with the introduction of a 'lighter touch' approach to assessment. Unlike the draft SFVS, the provision of key evidence remained an important aspect of that system.
- The strength of financial systems in schools tends to rely on a few key staff. As these can change in a relatively short period of time, it is important that the SFVS is an annual exercise.
- Like the FMSIS, it is not clear what sanctions are available if schools fail to undertake the assessment. The mere publication of a list of schools that have not carried out the assessment may not be a deterrent. Also, the SFVS may drive some schools to submit a statement without giving each question appropriate consideration. That appeared to happen with the Best Value statements, with many schools simply re-submitting the LA's model policy.
- Although advice and guidance may be available for governors on various websites, there appears to be no recognition that governors have limited time available to acquire the necessary skills. They give their time freely and some small schools in rural parts of counties like Lincolnshire struggle to recruit governors, especially those that are willing and able to undertake such a role. Indeed, by clarifying the roles and responsibilities of governors, the SFVS may deter the public from becoming school governors.
- The fact that there will be no prescription of the level of evidence or assurance that the governing body will require may address some of the concerns that arose with the FMSIS, but it is likely to give rise to variations between schools in the degree of attention given to the SFVS and the quality and value of their assessments.
- Although schools will be expected to indicate the remedial action that will be undertaken to address any weaknesses they identify, there may not be sufficient, independent oversight of the adequacy of those plans. There appears to be an assumption by the DfE about the level of resource available from LA audit teams. That will vary nationwide and in Lincolnshire it is not extensive. Furthermore, following the Comprehensive Spending Review, audit teams will be under pressure to contribute to the savings required from the significant reduction in Government funding over the next four years and so they may not be able to provide the level of support previously available.
- Likewise, there is an assumption that LA finance teams also have the capacity to collate and review school assessments. The size of those teams varies enormously across the country and so their capacity to use this information will also vary. In addition, the SFVS questions are subjective in nature and the value that LA finance and audit teams will wish to place upon them remains to be seen.
- It is not clear what value the LA's Chief Finance Officer supplementary statement will deliver by recording the number of schools that had not achieved the FMSIS or carried out the SFVS assessment.

The consultation ends on 30th April 2011.

RECOMMENDATIONS

The Schools' Forum is asked to:

- a. Note the content of this report and the DfE' consultation document.
- b. Decide whether to respond to the consultation exercise and, if so, to outline its views on each of the questions, for inclusion in the response.

APPENDICES (if applicable) - these are listed below and attached at the back of the report.

Appendix 1: Consultation questions

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report	Financial Management Standard in Schools	26 January 2011	County Offices, Newland, Lincoln
DfE' document	Schools Financial Value Standard (SFVS).	10 March 2011	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/a0075378/schools-financial-value-standard-sfvs-consultation

CONSULTATION ON THE SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

The questions below indicate the range of issues we are particularly interested in receiving your views on. You do not have to respond to every question and are welcome to submit a general response if you prefer.

1. Do you consider the new standard - Schools Financial Value Standard - to be an improvement on FMSiS?

Content

2. Does the new standard – Schools Financial Value Standard - cover the right range of topics for effective financial management and securing value for money in schools?
3. Please provide any specific comments on the range and content of the topics and questions.

Process

4. Do you think it is reasonable to expect schools to review the standard on an annual basis? If not, what would be appropriate?
5. Do you think the right individuals in the school are required to be involved in the standard (governing body with head and senior staff)?
6. How will local authorities use the information the standard provides to inform their programme of financial assessment and audit? How far will it support their programme?

Support

7. How useful is the sample draft advice that we have provided and what can we do to make it more useful?
8. What problems do you think schools might have in meeting the new standard and what support would be helpful?
9. What problems do you think local authorities might have in using the new standard as part of their financial assessment and audit programme and reporting back to the Department?
10. How well equipped are governing bodies to confidently assess their schools' financial management and efficiency? What more can we do to help governing bodies support and challenge schools on this?

Please provide any further comments on any aspect of the new standard and assurance arrangements.