

**REGULATORY AND OTHER COMMITTEE REPORT**

<b>NAME OF COMMITTEE:</b>	Schools' Forum
<b>DATE OF MEETING:</b>	12 October 2011
<b>SUBJECT:</b>	Schools Financial Value Standard (SFVS)
<b>REPORT BY:</b>	Tony Warnock Head of Finance (Children's and Specialist Services)
<b>NAME OF CONTACT OFFICER:</b>	Tony Warnock
<b>CONTACT OFFICER TEL NO:</b>	01522 553250
<b>CONTACT OFFICER EMAIL ADDRESS:</b>	tony.warnock@lincolnshire.gov.uk
<b>IS REPORT CONFIDENTIAL?</b>	No
<b>IS REPORT EXEMPT?</b>	No

**SUMMARY**

The purpose of this report is advise the Schools' Forum on the DfE's recent announcement regarding the new Schools Financial Value Standard (SFVS).

**DISCUSSION**

**Introduction**

On 10<sup>th</sup> March 2011, the DfE launched a consultation on the SFVS. On 27<sup>th</sup> April 2011, the Local Authority (LA) sought the views of the Schools Forum, prior to a response being submitted for the 30<sup>th</sup> April 2011 deadline.

On 18 July 2011 the DfE announced the launch of the new SFVS and, in doing so, stated that:

- The standard is available to schools to use from September 2011.
- The SFVS replaces the Financial Management Standard in Schools (FMSiS), which was withdrawn by the Secretary of State with effect from 15<sup>th</sup> November 2010.
- The SFVS has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

Access to all the information on SFVS is available via this link:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/Schools%20Financial%20Value%20Standard>

## **Background**

As previously reported, the Government introduced the 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 31<sup>st</sup> March 2010. Not all schools did.

The Secretary of State announced on the 15<sup>th</sup> November 2010 that the FMSiS would cease with immediate effect (a report on that was presented to the Schools Forum on 26<sup>th</sup> January 2011). In a series of questions and answers published at that time, 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 new SFVS**

The key points to note from the DfE' website outlining details of the new SFVS are:

- Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.
- Maintained schools are required to complete the SFVS once a year.
- Those schools which never attained FMSiS will be expected to complete and submit the SFVS to their local authority by 31 March 2012.
- For all other maintained schools, the first run through is required by March 2013 and an annual review is required thereafter.
- SFVS will not be externally assessed.
- Local authorities should use schools' SFVS returns to inform their programme of financial assessment and audit.
- Assessment forms are available on the website, together with notes to assist schools.

- A declaration signed by the Chair of Governors must be sent to the LA each year.
- There are 23 questions that governors should formally discuss with school staff.
- Supporting notes are available to assist schools with answering these questions (although rather interestingly the website states that schools are not required to refer to them all). There are links to websites that can provide further guidance.
- Academies and Free Schools will not be required to complete SFVS because it would duplicate their financial monitoring and assurance requirements.
- Nursery schools will have to complete the SFVS.
- LAs may be expected to audit a school or issue a notice of concern when the SFVS is not completed. The ultimate sanction is still to withdraw delegation.

Officers' initial observations are:

- This is a lighter touch approach than the FMSIS and should for most schools involve less work. However, it is unlikely to have such a dramatic impact in Lincolnshire, as the LA had already adopted a lighter touch approach to FMSIS not long after its introduction.
- It may be difficult for LA finance departments to assess a school's strength in financial management from the very limited and / or variable evidence that may be provided by schools, to help shape the LA's planned audit programme.
- Furthermore, given Lincolnshire's historical 'hands-off' approach to schools, it will be difficult for the LA to check whether a school's self assessment is in line with its own judgement if there is little other, independent information to help the LA formulate a view.
- Managing the additional workload, without extra resource, and at time of unprecedented Government reductions in LA funding, will be a challenge for LA finance teams.
- Even if governing bodies identify skills gaps, it may not necessarily be the case that in the more rural areas of Lincolnshire, they are able to secure the skills or expertise they need.

Nevertheless, it will be interesting to see what impact the SFVS has on schools' financial management, although that will be difficult to measure.

To fulfil its responsibilities, the LA will be developing plans to ensure that schools understand the new SFVS and that it is implemented in the way the DfE expects.

Further updates may be provided to the Schools Forum in due course.

## **RECOMMENDATIONS**

The Schools' Forum is asked to note the content of this report.

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

Appendix 1: DfE note on the SFVS

<b>BACKGROUND PAPERS</b>			
<b>PAPER TYPE</b>	<b>TITLE</b>	<b>DATE</b>	<b>ACCESSIBILITY</b>
Report	Financial Management Standard in Schools	26 January 2011	County Offices, Newland, Lincoln
Report to Schools Forum	Government consultation on the Schools Financial Value Standard (SFVS)	27 April 2011	County Offices, Newland, Lincoln, LN1 1YQ
DfE' document	Schools Financial Value Standard (SFVS).	18 July 2011	<a href="http://www.education.gov.uk/schools/adminandfinance/financialmanagement/Schools%20Financial%20Value%20Standard">http://www.education.gov.uk/schools/adminandfinance/financialmanagement/Schools%20Financial%20Value%20Standard</a>