

REGULATORY AND OTHER COMMITTEE REPORT

| | |
|---------------------------------------|--|
| NAME OF COMMITTEE: | Schools' Forum |
| DATE OF MEETING: | 10 October 2012 |
| SUBJECT: | Schools Financial Value Standard (SFVS) |
| REPORT BY: | Tony Warnock (Head of Finance – Children's and Specialist Services) |
| NAME OF CONTACT OFFICER: | Tony Warnock |
| CONTACT OFFICER TEL NO: | 01522 553250 |
| CONTACT OFFICER EMAIL ADDRESS: | tony.warnock@lincolnshire.gov.uk |
| IS REPORT CONFIDENTIAL? | No |
| IS REPORT EXEMPT? | No |

SUMMARY

The purpose of this report is to provide an update on the Schools Financial Value Standard (SFVS).

DISCUSSION

Introduction

As reported to the Schools' Forum on 12 October 2011, the DfE launched the new SFVS after the Financial Management Standard in Schools (FMSiS) was withdrawn by the Secretary of State from 15th November 2010. The SFVS has been designed to assist schools 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 the SFVS is available via this link:

Key features

The Schools Forum will recall the key features of the SFVS. Maintained schools are required to complete the SFVS once a year and those schools that did not attain the FMSiS were expected to complete and submit the SFVS to their Local Authority (LA) 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. There are 23 questions that governors should formally discuss with school staff. A declaration signed by the Chair of Governors must be sent to the LA each year. The SFVS is not externally assessed. Academies and Free Schools are not required to complete SFVS because it would duplicate their financial monitoring and assurance requirements. Nursery schools will have to complete it. LAs may be expected to audit a school or issue a notice of concern when the SFVS is not completed. The ultimate sanction that remains is the withdrawal of delegation.

The SFVS is a lighter touch approach than the FMSiS and it may not be possible to judge the impact of it for several years.

2011/12 position

There were 30 schools that did not complete the FMSiS. 3 of those schools have since federated with schools that had completed the necessary returns and so the LA was expecting returns from 27 schools. It then transpired that one of those schools was due to close due to the re-organisation of special schools in Lincoln, and a primary school fell under temporary management of the School Improvement Service, so SFVS returns were not sought from either of these schools. One primary school failed to submit a return, despite several enquiries being made with the headteacher.

Officers reviewed all of the SFVS returns that were received. Unlike the FMSiS, no evidence was attached to support each school's response. However, officers concluded that all of the returns were reasonable.

As happened with the FMSiS, external reporting arrangements have been established by the DfE. The Dedicated Schools Grant Outturn Statement for 2011-12 must be returned to the DfE by 31st October 2012. The outturn statement now requires additional data to be presented regarding the SFVS:

'Schools Financial Value Standard (SFVS)

CFOs are expected to say how many signed SFVS reports from their total number of schools they have received for self-assessments carried out before 31 March, and give an assurance that they are taking the contents of these reports into account in planning their future programme of audit.

For 2011-12 only, CFOs are expected to make an additional statement about the SFVS returns from those schools that had never attained FMSiS to confirm whether all of them have submitted a return by the 31 March 2012 deadline.

CFOs will be expected to give a general assurance to the department that they have a system of audit in place which gives them adequate assurance over their schools' standards of financial management and the regularity and propriety of their spending. The DSG CFO statement for 2011-12 includes this wording. LAs will be asked to complete a return to the Financial Monitoring Team by 31st October 2012.'

So, apart from one school that failed to submit the SFVS, the LA will be able to make a positive statement in its response to the DfE.

2012/13

Looking ahead, officers will write to all maintained schools shortly, to remind them of the need to submit their SFVS returns at the end of this financial year. Procedures will be put in place to monitor submission of the returns, review the contents and chase up any schools that have failed to submit theirs.

Academies

The SFVS does not apply to academies, although they are free to use it. Academies are required to comply with the Academies Handbook which was revised on 21 September 2012. It is effective from the 1 September 2012 and replaces the 2006 version. A copy can be found via:

<http://www.education.gov.uk/schools/toolsandinitiatives/efaebulletins/h00214013/issue-12/article-10>

The DfE website states:

*The **Academies Financial Handbook** offers advice on the financial systems and controls that academies should have in place to meet the expected standards of accountability. From time to time the Education Funding Agency (EFA) may carry out financial reviews at academies to advise on these systems.*

Within this framework, academies are responsible for their own financial management and, in particular, are expected to operate a balanced budget. However, the EFA has special responsibility for obtaining assurance on academies' financial health and requires them to submit a copy of their budget to the EFA each academic year. If an academy has a deficit it will be required to produce a recovery plan for agreement with the EFA.

Academies are also expected to complete a self-assessment of their financial management and governance. The EFA may undertake validation of the evidence provided.

Academies are required to prepare annual accounts for each academic year ending 31 August and to have these accounts independently audited and published. Exemptions may apply in a school's first year of conversion.

The handbook covers roles and responsibilities, financial oversight, financial planning, internal control, financial monitoring and management and audit requirements. Governors have a key role to play and the handbook states under 'Financial Monitoring and Management' that governors and managers of the academy trust should monitor the academy trust's current and forecast financial position. It states that the governing body and finance committee should receive financial reports at least termly.

It is noteworthy that the new Handbook now states:

'The EFA previously set limits on the sum of General Annual Grant (GAG) that could be carried forward from one year to the next. These limits have now been removed so that Academy Trusts (ATs) can keep money aside for when it is needed most and build up reserves, for example for long-term capital projects.'

Updates

Further updates on the SFVS will 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.

None

| BACKGROUND PAPERS | | | |
|--------------------------|---|-----------------|---|
| PAPER TYPE | TITLE | DATE | ACCESSIBILITY |
| Report to Schools Forum | Schools Financial Value Standard (SFVS) | 12 October 2011 | County Offices, Newland, Lincoln, LN1 1YQ |