

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	7 October 2015
SUBJECT:	Schools Financial Value Standard (SFVS)
REPORT BY:	Tony Warnock (Operations and Financial Advice Manager)
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IS REPORT CONFIDENTIAL?	No

SUMMARY

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

DISCUSSION

Introduction

As reported in previous years, the DfE launched the SFVS after the Financial Management Standard in Schools (FMSiS) was withdrawn by the Secretary of State in November 2010. The SFVS is mandatory and is intended to assist maintained 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. There are 23 questions that governors should formally discuss with school staff and a declaration signed by the Chair of Governors must be sent to the Local Authority (LA) each year. The SFVS is not externally assessed. Academies and Free Schools are not required to complete the SFVS because it would duplicate their financial monitoring and assurance requirements. Maintained nursery schools and Pupil Referral Units are required to complete it. LAs are expected to audit a school or issue a notice of concern when the SFVS is not completed. The ultimate sanction that remains is for the LA to withdraw delegation.

Access to the DfE's information on the SFVS is available via this link:

<https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs>

The 2014/15 position

Maintained schools are required to complete the SFVS by 31st March each year. For most schools, the first submission was required by 31st March 2013.

The position for the third year, 2014/15, was set out in a statement sent by the LA to the DfE on 29th May 2015. It stated that:

- 6 maintained secondary schools
- 192 maintained primary schools
- 16 maintained special schools
- 5 maintained nursery schools
- 1 Pupil Referral Unit

had submitted their completed SFVS returns to the LA by 31st March 2015.

12 schools did not submit the returns and were exempted on the grounds that they were in the process of converting to an academy.

Discounting those schools, the return also showed that 17 primary schools and one secondary school had failed to submit the completed return by the due date. The LA's Schools Finance Team contacted those schools to press for submission of their returns and at the time of drafting this report, 10 primary schools had still to submit them. It is notable that most of those schools are comparatively small in size. The LA will continue to pursue the outstanding returns and officers have already alerted the Internal Audit team to the delay so that they can consider this issue when developing their audit programme for schools.

As reported previously, the SFVS provides a lighter touch approach compared to the FMSIS. It is not externally assessed; there is no prescription regarding the level of evidence that the governing body requires, and; governors simply have to be confident about their responses.

The government expects LA's to use schools' SFVS returns to inform their programme of financial assessment and audit, and to check whether the self-assessment is in line with their own judgement when an audit is undertaken. As reported in previous years, officers have concluded that they cannot place a significant degree of reliance on the SFVS returns submitted by schools. This is because since the introduction of the SFVS, there have been several cases where audit inspections have assessed some schools' financial management, procedures and systems of control to provide only 'limited assurance', and yet those schools' SFVS returns have recorded no gaps or weaknesses.

The schools' SFVS returns provide the LA with very little information to make sound and reliable judgements on the effectiveness of school financial management. Officers are only able to check that a return was submitted on time and that the entries against each question appear reasonable. So, although there are still 10 SFVS returns outstanding, the LA will not place significant reliance on those that have been submitted. Instead, the LA will continue to: review schools' budget returns and medium term finance plans at the start of each year; perform high level monitoring of school finances

throughout the year; work closely with schools that have overspent to help recover the position; provide advice and guidance to schools on a day-to-day basis, and; deliver an extensive training programme for school staff and governors. Furthermore, since April 2015, the finance team has been offering schools the opportunity to purchase an enhanced service to help them strengthen their financial management practices. Many schools have taken up this offer. Therefore, in view of the activities described above, it is not necessary for the LA to place significant reliance on schools' SFVS returns.

Academies

The SFVS does not apply to academies, although they are free to use it. Academies are required to comply with the Academies Handbook.

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)	8 October 2014	County Offices, Newland, Lincoln, LN1 1YQ
DfE guidance on the SFVS	Schools Financial Value Standard (SFVS)	April 2015	https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs

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