

## REGULATORY AND OTHER COMMITTEE REPORT

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| <b>NAME OF COMMITTEE:</b>             | Lincolnshire Schools Forum                                |
| <b>DATE OF MEETING:</b>               | 8 October 2014  |
| <b>SUBJECT:</b>                       | Schools Financial Value Standard (SFVS)                   |
| <b>REPORT BY:</b>                     | Tony Warnock<br>(Operations and Financial Advice Manager) |
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| <b>IS REPORT CONFIDENTIAL?</b>        | No  |

### SUMMARY

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

### DISCUSSION

#### Introduction

The DfE launched the SFVS after the Financial Management Standard in Schools (FMSiS) was withdrawn by the Secretary of State in November 2010.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. 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/government/publications/schools-financial-value-standard-and-assurance>

### **The 2013/14 position**

Maintained schools are required to complete the SFVS by 31<sup>st</sup> March each year. For most schools, the first submission was required by 31<sup>st</sup> March 2013 and, as reported last year, two schools failed to complete the return on time, albeit one of those schools was due to close.

The position for the second year, 2013/14, was set out in a statement signed by the LA's Director of Resources that was sent to the DfE on 28<sup>th</sup> May 2014. It stated that:

- 11 maintained secondary schools (100%)
- 212 maintained primary schools (98%)
- 17 maintained special schools (94%)
- 5 maintained nursery schools (100%)
- 1 Pupil Referral Unit (100%)

had submitted their completed SFVS returns to the LA by 31<sup>st</sup> March 2014.

The return showed that four primary schools and one special school failed to submit the completed return by the due date. One school's submission was delayed because it did not have a governing body at the date for submission; another was late due to the federation / merger of two schools, and; a third was late due to a problem with communications. The SFVS returns from all schools were received by 14<sup>th</sup> July 2014.

As reported previously, the SFVS provides a lighter touch approach when compared to the FMSIS. It is not externally assessed; there is no prescription regarding the level of evidence that the governing body should require, 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 last year, officers have concluded that they cannot place a significant degree of reliance on the SFVS returns submitted by schools. That 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 has again been a high percentage of SFVS returns submitted on time, the LA will not place significant reliance on them. 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, from April 2015, the finance service to schools will be provided by the LA, not Mouchel, and schools will be given the opportunity to purchase an enhanced service to help them strengthen their financial management practices. 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**

| <b>PAPER TYPE</b>        | <b>TITLE</b>                            | <b>DATE</b>    | <b>ACCESSIBILITY</b>  |
|--------------------------|---|----------------|---|
| Report to Schools Forum  | Schools Financial Value Standard (SFVS) | 9 October 2013 | County Offices, Newland, Lincoln, LN1 1YQ   |
| DfE guidance on the SFVS | Schools Financial Value Standard (SFVS) | May 2014       | <a href="https://www.gov.uk/government/publications/schools-financial-value-standard-and-assurance">https://www.gov.uk/government/publications/schools-financial-value-standard-and-assurance</a> |