

School Financial Value Standard (SFVS)

Purpose of the Paper

1. To raise School Forums awareness of the DfE's replacement for the Financial Management Standard in Schools (FMSiS).

Background

2. The Schools Financial Value Standard (SFVS) 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 The SFVS replaces the Financial Management Standard in Schools (FMSiS), which was withdrawn by the Secretary of State with effect from 15 November 2010. It 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.
3. All local authority maintained schools are required to complete the standard once a year. The SFVS will not be externally assessed and there is no prescription to the level of evidence that the governing body should require. However, the DfE expect the completed returns to feed into the regular internal audit processes of local authorities.
4. Those schools which had not attained the FMSiS by the end of March 2010 must complete and submit the SFVS to the local authority by 31st March 2012 and conduct an annual review thereafter. For all other maintained schools the first return should be submitted by 31st March 2013 with an annual review thereafter.
5. CFOs will be expected to say each year how many SFVS reports they have received from schools before 31 March. Local authorities (LAs) will also be expected to give a general assurance 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.
6. The current Education Bill contains a clause restoring the Secretary of State's power to make directed revisions to local authority schemes for financing schools. The DfE expect to consult as soon as practicable on a directed revision which will add SFVS as a requirement into LA schemes.
7. What do schools need to do?
 - i. The standard consists of 23 questions which governing bodies should formally discuss annually with the head teacher and senior staff.
 - ii. The questions which form the standard are in 4 sections (The Governing Body and School Staff, Setting the Budget, Value for Money and Protecting Public Money) and each question requires an answer of Yes, In Part, or No.

If the answer is “Yes”, the comments column can be used to indicate the main evidence on which the governing body based its answer. If the answer is “No”, or “In Part”, the column should contain a very brief summary of the position and proposed remedial action.

- iii. In the 5th section, governors should summarise remedial actions and the timetable for reporting back. Governors should ensure that each action has a specified deadline and an agreed owner.
 - iv. The governing body may delegate the consideration of the questions to a finance or other relevant committee, but a detailed report should be provided to the full governing body and the chair of governors must sign the completed form.
 - v. The school must send a copy of the signed standard to: **Schools Accounting & Budget Support Team, East Wing, County Hall, Trowbridge.**
8. What are Local Authorities expected to do with the SFVS returns?
- i. Unlike FMSiS, the SFVS will not be externally assessed. LAs should use schools’ SFVS returns to inform their programme of financial assessment and audit.
 - ii. LA and other auditors will have access to the standard, and when they conduct an audit can check whether the self-assessment is in line with their own judgement.
 - iii. Auditors should make the governing body and the LA aware of any major discrepancies in judgements.
9. Since SFVS will be brought within the scope of schemes for financing schools, it will be in scope of local authorities’ powers to issue a notice of concern or in extremis to withdraw financial delegation. Local authorities could issue a notice of concern where schools fail to complete SFVS as required. They could also consider publishing a list of schools that have not completed SFVS on time.
10. The Department have indicated that they will take a particular interest in those schools that had failed to attain FMSiS by the due date of 31 March 2010 and will therefore be required to complete SFVS by 31 March 2012. They have also stated that they expect to follow up with local authorities any cases where the CFO statement shows that such schools have not completed SFVS.

Main considerations

11. It is clear however, with the introduction of SFVS, that there is a DfE expectation that maintained schools will receive regular probity audits and, as a consequence, the Internal Audit Team have programmed in thirty school audits this financial year, commencing in September 2011. These schools have already been contacted. A return to a cycle of school audits will contribute to the CFO providing the assurance required as mentioned in paragraph five above. It should be noted that the internal audit will also focus upon reviewing and testing those areas of financial management/administration and governance which are considered to be of highest risk for schools, many of which are not included in the SFVS.
12. Processes will need to be put in place that monitors compliance with this initiative and which also objectively assesses the comments contained in individual returns, so that they can usefully inform internal audit programmes and the LAs intervention and support activities.

13. To raises awareness of the SFVS a letter has been sent to all maintained schools including links to the guidance, materials and the self assessment return.

Proposals

14. That the SFVS self assessment return is included in the financial returns compliance statement which is sent to head teachers and governors routinely during the year.

15. That a system of “scoring” the returns on an objective basis is put in place to inform the LAs programme of financial assessment and audit.

16. That consideration is given to the LA publishing a list of those schools that do not complete the SFVS on time in an annual report to Schools Forum.

Recommendations

17. That SFVS returns are included in the financial returns compliance statement.

18. That a further report is presented to the School Funding Working Group on the proposal contained in paragraph fifteen above.

19. That a list of those schools that do not complete the SFVS on time is published in an annual report to Schools Forum.

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Unpublished documents relied upon in the production of this Report: NONE

Environmental impact of the recommendations contained in this Report: NONE KNOWN

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