

**TO: SCHOOLS FORUM
15 SEPTEMBER 2011**

**IMPLEMENTING THE SCHOOLS FINANCIAL VALUE STANDARD
Director of Children, Young People and Learning**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform the Schools Forum of the new requirement on schools to complete the Schools Financial Value Standard (SFVS).

2 RECOMMENDATIONS

- 2.1 **To NOTE the expectation that maintained schools will be required to complete the SFVS on an annual basis, no later than 31 March 2013.**
- 2.2 **To NOTE that one BF school has failed to meet the Financial Management Standard in Schools and will therefore be required to meet the SFVS by 31 March 2012.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 **It is appropriate for the Forum to be aware of the financial management standards required of maintained schools.**

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None, implementation of statutory requirement.

5 SUPPORTING INFORMATION

Background

- 5.1 Members of the Forum will be aware that the Financial Management Standard in Schools (FMSiS) was withdrawn by the Secretary of State with effect from 15 November 2010. This Standard was originally introduced as “a simple statement of what a school that is managed well financially would look like” with all schools required to comply by 31 March 2010. It is now considered to be too prescriptive, bureaucratic and time consuming to complete for governors and school staff.
- 5.2 There is still recognition that effective financial management in schools is essential to make the most of available resources, to be able to demonstrate value for money and to exercise proper controls over the significant amounts of public money that is spent. Therefore, the new Schools Financial Value Standard (SFVS) has been developed as “a clear and consistent standard for financial management which schools are required to complete, providing a meaningful benchmark to encourage self-improvement. It ensures that money is spent wisely and properly allowing schools to optimise their

resources to provide high quality teaching and learning and so raise standards and attainment for their pupils”.

- 5.3 The DfE intends that completion of SFVS will be a requirement for maintained schools. It became available at 1 September and is primarily aimed at governors as governing bodies have formal responsibility for the financial management of their schools. It is expected that the DfE will instruct local authorities to amend their scheme for financing schools – the legally binding document which sets the financial framework that schools and local authorities must comply with – with prescribed text to require SFVS compliance.
- 5.4 Other schools are able to use any of the material developed by the DfE in relation to the SFVS for the purposes of their own financial management standards.

The SFVS

- 5.5 The Standard consists of 23 questions, covering four main areas, which governing bodies should formally discuss annually with the head teacher and senior staff. The general areas covered by the SFVS are:
- 1 **The governing body and school staff.** This considers the relative financial skills of individuals and their independence, their responsibilities and the content and regularity of information provided for financial management.
 - 2 **Setting the budget.** This asks whether the school budget is formulated having regard for the need to raise standards, that a medium term plan is produced and how accurate the budget projections were compared to the final outturn.
 - 3 **Value for money.** This looks at the use of financial benchmarking, procedures for the purchase of goods, the adequate maintenance and protection of assets, the extent to which collaboration is undertaken with other schools and the reasonableness and intended use of balances held at year end.
 - 4 **Protecting public money.** Asks whether recommendations from audit reports have been implemented, that arrangements are in place to protect against fraud and allow for whistleblowing, that appropriate financial systems are in place and that an adequate disaster recover plan exists.

Annex A sets out the full list of questions contained in the SFVS.

- 5.6 There is a simple process to complete the SFVS, with each question requiring a Yes, In Part or No answer. A separate column requires comments. 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.
- 5.7 There is a final section where governors should summarise remedial actions and the timetable for reporting back. This must ensure that each action has a specified deadline and an agreed owner.
- 5.8 To assist schools, the DfE has developed a web site which provides a word document to download and complete accompanied by notes which give guidance as to what the question means, good practice and what to do if improvements are required. The web site address is:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/Schools%20Financial%20Value%20Standard/a00192114/schools-financial-value-standard-sfvs>

Annex B provides an example of the additional guidance available to governors from question 2 of the SFVS: Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?

- 5.9 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. The completed form must also be returned to the local authority.
- 5.10 SFVS will not be externally assessed but local authorities will use schools' SFVS returns to inform their programme of financial assessment and audit. Local authority 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. Auditors will make the governing body and the local authorities aware of any major discrepancies in judgements
- 5.11 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, compliance is required by March 2013. An annual review is required thereafter.
- 5.12 The DfE is expected to require local authorities to confirm each year how many schools complete the SFVS self-assessments before the 31 March deadline and to give an assurance that they are taking the contents of these reports into account in planning their future programme of audit. There will also be a requirement to give a general assurance that a system of audit is in place which gives adequate assurance over schools' standards of financial management and the regularity and propriety of their spending.
- 5.13 For 2011-12 only, local authorities are expected to have to make a supplementary statement about the SFVS returns from those schools that had never attained FMSiS. The DfE has indicated that there will be 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. The DfE will undertake direct follow up with local authorities where there are schools required to meet the SFVS by 31 March 2012 but do not achieve it.

Position in Bracknell Forest

- 5.14 In general, schools in Bracknell have completed the FMSiS to the required timetable and have therefore been able to demonstrate through self assessment compliance with the financial management standards required at the time. The local authority has reviewed school returns and has been satisfied that they present a fair reflection of the circumstances in the school.
- 5.15 One school failed to meet the FMSiS by 31 March 2010 and will therefore be required to meet the SFVS by 21 March 2012 and will be subject to "interest" from the DfE if this is not met. The school in question also received a limited assurance audit report in 2011 which identified a number of significant weaknesses in controls and

procedures. An action plan for improvement has been developed and the council is working closely with the school to achieve the required improvements.

Next steps

- 5.16 The council will continue to work closely with the school that has yet to meet the FMSiS, and this will include reviewing the current action plan for improvement to ensure the requirements of the SFVS can be met by 31 March 2012.
- 5.17 A general guidance note for schools is being prepared for distribution and the council intends to seek views from schools and governors at that time as to whether specific training should be arranged to support meeting this new requirement.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal provisions are contained within the main body of this report.

Borough Treasurer

- 6.2 No significant financial implications are expected to arise from this report. Completing the Standard will provide confidence in the financial management being exercised in schools. It will provide an additional tool to help in the planning and conduct of school audits.

Impact Assessment

- 6.3 There are no specific impact assessments arising from this report.

Strategic Risk Management Issues

- 6.4 There are no specific strategic risk management issues arising from this report.

7 CONSULTATION

- 7.1 Not appropriate as this is a statutory requirement.

Background Papers

DfE website and documents Schools Financial Value Standard

Contact for further information

David Watkins, Chief Officer: Strategy, Resources and Early Intervention (01344 354061)

David.watkins@bracknell-forest.gov.uk

Paul Clark, Head of Departmental Finance - CYPL

(01344 354054)

<mailto:paul.clark@bracknell-forest.gov.uk>

School Financial Value Standard (SFVS)

LIST OF QUESTIONS	ANSWER (Yes/In Part/No)	COMMENTS, EVIDENCE AND PROPOSED ACTIONS
A: The Governing Body and School Staff		
1. In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?		
2. Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?		
3. Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?		
4. Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year?		
5. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?		
6. Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent, eg on sick leave?		
7. Does the school review its staffing structure regularly?		

LIST OF QUESTIONS	ANSWER (Yes/In Part/No)	COMMENTS, EVIDENCE AND PROPOSED ACTIONS
B: Setting the Budget		
8. Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?		
9. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?		
10. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?		
11. Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?		
C: Value for Money		
12. Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?		
13. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?		
14. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?		

LIST OF QUESTIONS	ANSWER (Yes/In Part/No)	COMMENTS, EVIDENCE AND PROPOSED ACTIONS
15. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?		
16. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?		
17. Can the school give examples of where it has improved the use of resources during the past year?		
D: Protecting Public Money		
18. Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?		
19. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?		
20. Are all staff aware of the school's whistleblowing policy and to whom they should report concerns?		
21. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?		
22. Does the school have adequate arrangements for audit of voluntary funds?		
23. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?		

OUTCOME OF SELF-ASSESSMENT

E: Summary of agreed remedial action and timetable for reporting back:

**[signed]
Date:**

Chair of Governors

Example guidance note for governors completing SFVS

Q2. Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?

A	What does the question mean?
1	<p>The role of the governing body's finance committee (or equivalent) Governing bodies are responsible for setting their school's annual budget. Most schools have a finance committee, the governing body delegates some financial responsibilities to them and they report to the full governing body. However, the finance committee is non-statutory and so governors can determine their individual requirements and delegate their financial responsibilities to one or more committees, if desired.</p>
2	<p>What are clear terms of reference for a finance committee? In schools where a finance committee has been set up, the governing body should define in writing the terms of reference for the committee and the extent of its delegated authority. These should be reviewed annually or if there are any changes to its committee members. The committee's terms of reference set out the parameters of its operations and the limits on the powers which have been delegated.</p>
3	<p>What knowledge and experience does the chair need? It is important that the chair has a good understanding of financial matters and experience in chairing committees and/or meetings. They need to be able to:</p> <ul style="list-style-type: none"> • lead the development of strategic plans; • identify viable options and select or recommend those most likely to achieve the school's goals and objectives; • have a clear understanding of best financial management practice and the school's performance compared to it; • understand the statutory financial requirements for the school, and the local authority's requirements for maintained schools; • understand the importance of communicating the school's performance to stakeholders; • have a commitment to the school and the work of the governing body; and • present information and views clearly and influentially to others.
4	<p>Why it is important for the committee to have clear terms of reference and a chair who is knowledgeable and experienced It is essential for the governing body to have access to adequate financial competencies to ensure they meet their statutory responsibilities for the financial management of the school and can safeguard the large amounts of public money for which they are responsible.</p>

B	Good Practice
5	<p>The governing body should set clear terms of reference for its committee dealing with school finance Terms of reference for the finance committee would normally include:</p> <ol style="list-style-type: none"> 1. Recommendation of the annual budget to the governing body including the delegation of the budget responsibilities to budget managers. 2. Regular monitoring of actual income and expenditure against each budget and revised forecast for the year. 3. Awarding of contracts by tender up to a specified limit. 4. Reviewing reports by internal audit and the finance governor/responsible officer (if applicable) as to the effectiveness of the financial procedures and controls. 5. Delegation limits above which the approval of the governors is needed before goods or services can be purchased or money can be moved between budget headings. The level of these limits will vary according to the size of your school.
6	<p>The tasks the finance committee should perform A finance committee has, at the very least, the following tasks to perform:</p> <ul style="list-style-type: none"> • Preparation of draft budget • Appraising different expenditure options • Assessing expenditure bids • Forecasting rolls and expected income levels • Monitoring and adjusting in-year expenditure • Ensuring accounts are properly finalised at year end / reviewing outturn • Evaluating the effectiveness of financial decisions • Ensuring there are effective and appropriate systems of internal financial control • The administration of voluntary funds
7	<p>How often should the finance committee meet and report to the full governing body? The finance committee should provide the governing body with an on-going involvement in financial issues. It should meet frequently enough to discharge its responsibilities (in most schools at least once a term but requirements may vary due to financial matters requiring the committee's attention, such as capital projects). The finance committee minutes should be reported to the governing body and all decisions made must be reported to the next meeting of the main governing body, usually with sufficiently detailed minutes.</p>
8	<p>Making sure the finance committee has an effective membership with adequate financial competencies Membership will be determined by the governing body, but should include the head teacher and people with financial expertise. If the governing body does not have governors with appropriate financial expertise, it may appoint associate members to the finance committee. Associate members are people with relevant skills and expertise and are a way that schools with limited financial expertise on the governing body can invite suitably qualified individuals to serve on their committees. Associate members do not have voting rights on the budget and financial commitments of the governing body.</p>

C	What do you do if things are not right in your school?
9	<p>What to do if your governing body does not have a finance committee (or equivalent) with clear terms of reference</p> <p>The governing body should ensure that an appropriate committee (or equivalent) is established as soon as possible and provide them with written terms of reference (see section 2). The governing body should review the membership and terms of reference for its committees annually.</p>
10	<p>How to make sure your finance committee has a knowledgeable and experienced chair</p> <p>Governing bodies should carry out skills audits to identify the skills that are present on the governing body and those that are missing so that this can be addressed by targeting governor recruitment activity. A skills audit would help identify those who have the necessary skills to undertake the role of chair of the finance committee. The DfE website has an example skills matrix that you could use as part of a skills audit (see section 11).</p>

11	<p>Further information</p> <p>Maintained schools should contact their local authority for further information and support. In addition, these websites provide help and advice:</p> <ol style="list-style-type: none"> <p>1. Department for Education – www.education.gov.uk – you can find information on finding, appointing, training and managing school governors at: www.education.gov.uk/schools/leadership/governance Here you can find financial and efficiency information relating to the governing body including a governing body value for money health check tool. You can download an example financial management skills matrix for governors from the “Additional Resources” page in the “Support Notes” section of the DfE SFVS webpages.</p> <p>2. National Governors Association (NGA) – www.nga.org.uk – this website provides guidance on everything relating to governors including online finance training. You can contact the NGA at: NGA Headquarters, Ground Floor, 36 Great Charles Street, Birmingham, B3 3JY Tel: 0121 237 3780</p> <p>3. School Governors One-Stop Shop (SGOSS) – www.sgoss.org.uk – this website provides information on recruiting volunteers to serve on school governing bodies. Any school having difficulty recruiting governors with financial expertise can seek assistance from SGOSS. You can find further information about this at: www.sgoss.org.uk/schools. You can contact SGOSS at: School Governors One-Stop Shop, Unit 11, Shepperton House, 83-93 Shepperton Road, N1 3DF Tel: 020 7354 9805 Email: info@sgoss.org.uk</p> <p>4. Direct Gov – www.direct.gov.uk – provides a brief outline of governors’ responsibilities and information on how to become a school governor here.</p>
----	--