

## SCHOOLS FORUM AGENDA ITEM

For Action For Information **Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

To update Schools Forum members on the Schools Financial Value Standard for 2016.

**Date (s) of any Previous Discussion at the Forum**

Julv 2015

**Background / Context**

The Schools Financial Value Standard (SFVS) was introduced by the Department for Education (DfE) to assist maintained schools in managing their finances and to give assurance that schools have secure financial management in place. It consists of 25 questions and on an annual basis the Governing Body of every maintained school must formally discuss each question with their senior staff and complete the self assessment, identifying remedial action and a timescale for completion where appropriate. The standard was updated this year with the addition of two further questions concerning the pay decisions of staff and the Headteacher. All maintained schools, excluding those falling within listed exceptions were required to complete and submit a return by 31 March 2016, which for most schools was their fifth year of submission.

**Details of the Item for Consideration****Summary of the Position as at 31 March 2016 and Summary of the Analysis of Returns**

As at 31 March 2016 SFVS self assessments had been completed by 158 of the Council's 170 schools. The returns received for 2016 show an overall improvement in the standard of completion of the returns and the quality of action plans. The number of late returns has also decreased, giving assurance that more schools are engaging with the SFVS process and complying with its requirements. To date there are three schools yet to provide a return which is an improvement on the position last year. The number of returns provided by the required deadline has increased slightly to 93% in 2016 from 92% in 2015, giving continued assurance that more schools are engaging with the SFVS process and complying with its requirements.

**Overall Level of Compliance with SFVS Questions**

In 2016 53% of the total 158 schools providing a return gave a 'Yes' response to every question indicating that they fully complied with the standard. This shows an improving trend in full compliance from 2015 when 51% of returns gave a 'Yes' response to all questions.

**Approach to the analysis of returns received**

The approach of analysing returns changed in 2015 and is now based on a sample of a third of returns (58 out of a possible 170 returns) as opposed to a check of all returns as in previous years. The returns that were selected for analysis were representative of the types of schools providing a return. This sample will be adjusted annually on a rolling basis to ensure that coverage of all schools will be achieved over three years.

**Standard of Completion**

During the analysis each self assessment return was graded either 'good', 'average' or 'poor'. This grading is subjective, however a comparison of the standard of completion between years highlighted that there had been an overall improvement in the standard of returns, which is indicative of schools becoming more familiar with the requirements of SFVS and the impact of the training taking effect.

**Summary of Action Plan Findings**

Of the 58 schools which were sampled 19 schools (33%) were required to produce an Action Plan to identify remedial actions to ensure compliance with all SFVS requirements. The analysis of the Action Plans considered whether they demonstrated SMART principles: specific, measurable, achievable, realistic and timely. It was pleasing to note that 13 (68%) of the sample did demonstrate SMART principles.

SFVS requires that all action points are addressed prior to the next submission of the SFVS return. Therefore, consideration was given to whether returns showed evidence of action points from the 2015 return being addressed. It was pleasing to note that, where applicable, the majority of action points had been addressed.

**Analysis of the impact of full school audits on SFVS**

Of the 58 returns which were analysed, three had been subject to a full school audit programme during 2015/16 out of a possible eight full school audits which were completed during 2015/16. During the analysis, consideration was given as to whether the recommendations raised in the audit report that related to SFVS, had been addressed prior to submission. The results of this analysis showed positive results and all recommendations relating to SFVS requirements had been addressed.

### **Analysis of the impact of SFVS training**

Following the success of the Internal Audit SFVS training which was offered to schools in February 2015 the training was offered again in November 2015, this time with a focus on engaging with Governors. The aim of the training was to equip Governing Bodies with the skills needed to produce a good quality SFVS return. From the analysis of returns it was pleasing that improvement was evident in the returns provided by schools that had attended the SFVS training.

As reported last year the SFVS training has replaced the specific SFVS audits with the intention of achieving a wider coverage of schools to demonstrate efficiency and effectiveness in the deployment of audit resources. This approach has been successful with 68 schools (40%) being represented at the training, coverage which would be difficult to achieve through the traditional SFVS audit process.

Internal Audit has allocated time in the 2016/17 audit plan for further SFVS training and will monitor the number of schools becoming exempt from SFVS due to having an academy order in place to ensure that any training offered is commensurate with need.

### **ACTION TAKEN TO MEET LOCAL AUTHORITY OBLIGATIONS FOR SFVS DURING 2015/16**

- **Confirmation that SFVS returns are used to inform the programme of financial assessment and audit**
- **A system of audit is in place to give adequate assurance over the standard of financial management and the regularity and propriety of spending within schools**
- **The requirement to make the Governing Body, management committee and the LA aware of any major discrepancies in judgements when carrying out an audit and ensure that all actions have been addressed before an SFVS review takes place**

The risk model used to prioritise schools for inclusion in the 2015/16 audit plan includes non submission of SFVS as one of a number of risk factors via the inclusion of the Light Touch Financial Monitoring bandings.

The audit testing programme for schools requires auditors to review a school's SFVS return as part of the planning process prior to an audit and compare the schools self assessment judgements to their findings during the audit. The auditor then makes an assessment on the level of correlation that can be identified between the SFVS assessment and the audit findings and advises the school to review their responses to specific questions where necessary. This position is highlighted to the school, Chair of Governors and authority recipients in the ensuing audit report.

Audit recommendations that are linked to the SFVS have been tracked as part of the audit follow up process, thus ensuring that schools are taking necessary action on all recommendations to improve their control environment and financial management practices in a timely manner.

### **Conclusion**

The results of the full school audits and SFVS analysis suggest that the level of audit coverage of schools is appropriate. The system of audit in place for the year was sufficient to give the Chief Finance Officer adequate assurance over the standards of financial management and the regularity and propriety of spending within schools.

Consequently the SFVS submission for 2016 was signed off by the Director of Finance on the 26 May 2016 and submitted to the Department for Education on this date.

### **Implications for the Dedicated Schools Grant (DSG) (if any)**

None

### **Recommendations**

That the information in this report be noted.

### **List of Supporting Appendices / Papers (where applicable)**

None

### **Contact Officer (name, telephone number and email address)**

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