

Somerset Schools Forum

Wednesday 9 October 2019

10.00 am Long Sutton Golf Club



To: The Members of the Somerset Schools Forum

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk and Monitoring Officer –
1 October 2019

For further information about the meeting, please contact Andrew Randell or Mike Bryant –
arandell@somerset.gov.uk / mbryant@somerset.gov.uk or 01823 357628

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution
under Section 100A (4) of the Local Government Act 1972.

This agenda and the attached reports and background papers are available on request prior to
the meeting in large print, Braille, audio tape & disc and can be translated into different
languages. They can also be accessed via the council's website on
www.somerset.gov.uk/agendasandpapers



RNID typetalk

**Are you considering how your conversation today and the actions
you propose to take contribute towards making Somerset Carbon
Neutral by 2030?**

AGENDA

Item Somerset Schools Forum - 10.00 am Wednesday 9 October 2019

**** Agenda Guidance Notes****

- 1 **Welcome, Introduction and Apologies.**
- 2 **Notes of the Previous Meetings held on 27 June (attached) and 10 July (to follow) and matters arising (Pages 5 - 8)**

Matters Arising:

27th June:

- The opportunity for joint funding / trading – to be considered at this afternoons workshop
- Top slicing approach mechanism for delivery – to be considered at this afternoons workshop

10th July:

- DSG Recovery Plan to be recirculated with amended formatting - complete
- Letter submitted to the Secretary of State alongside the DSG Recovery Plan to be circulated to Forum members - complete
- Early Years Sub Group – a more detailed report is included as a part of today's agenda
- Academy balances – included as an item for information on today's agenda
- Consideration of the Budget Stakeholder Engagement Consultation - a briefing has been arranged for Forum members.

- 3 **Director of Children's Services Update - verbal update**
- 4 **SSE Update - verbal update**
- 5 **National Funding Formula Updates and Changes (Pages 9 - 12)**

Sub-Group Updates

- 6 **Early Years Sub Group Update (Pages 13 - 16)**
- 7 **High Needs Sub Group Update (to follow)**

Items for Information

- 8 **Academy Balances (Pages 17 - 18)**
- 9 **Themed Audit Schools Expenditure 2019-20 (Pages 19 - 42)**
- 10 **Schools Financial Value Standard (SFVS) 2018-19. (Pages 43 - 46)**
- 11 **Any other business**

THE MEETING – GUIDANCE NOTES

1. Notes of the Meeting Details of the issues discussed and decisions taken at the meeting will be set out in the Minutes, which the forum will be asked to approve as a correct record at its next meeting.

2. Meeting Attendance

Members of the public are welcome to attend schools forum meetings, but do not automatically have the right to speak. The Chair has the discretion to allow public contributions where appropriate.

3. Emergency Evacuation Procedure In the event of the fire alarm sounding, County Council officers will assist you to leave the meeting venue via the signposted emergency exit.

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SOMERSET SCHOOLS FORUM

Minutes of a Meeting of the extra- ordinary Schools Forum held at Long Sutton Golf Club, on Thursday 27th June 2019 at 10.00am

PRESENT

Primary headteachers &

Governors:

Susan Brewer

Morwenna Dunstan

PRUs:

Jo Simons

Academies:

Peter Elliott – chair

Barbara O’Keefe

Helen Rogerson

Paul Reddick

Jen Veal

Special Academies:

Mark Ruffett

Non-school members:

Louise Rowley

Rachel Parrish

Observers:

Phil Burner - SAPHTO

Lucinda Tuttiett – SAPHTO

Rob Benzie - SASH

Officers:

Faye Purbrick - Cabinet Member for Education & Council Transformation

Annette Perrington, Assistant Director Inclusion

Elizabeth Watkin, add Title/ role

Jackie Cottey, add Title /role

Dale Newland, add title / role

Jane Lock – County Councillor (Observer)

Julian Wooster, Director Children’s Services

Apologies for absence: Alison Crudginton, Claire Merchant-Jones, Dave Farrow, Mark Keating

1 **Welcome, Introduction and Apologies** – agenda item 1

The Chair welcomed everyone to the meeting, and highlighted that the Somerset DSG recovery plan needs to be submitted imminently.

2 **Feedback from the Task & Finish Group** - agenda item 2

The Assistant Director Inclusion, Annette Perrington, presented a number of slides to the Forum, noting: today’s meeting would update the wider forum on the work of the DSG Recovery Plan Task and Finish Group and would present the recovery plan to the Forum before submission to the DfE.

Further points raised during the presentation introduction included: the significant level of funding being considered; lobbying government; high needs funding pressures; collective responsibility for all children; and joint

commissioning.

The Assistant Director Inclusion, Annette Perrington, highlighted a number of key pressures including: Independent School placement requests; mainstream and special school capacity; and high rates of exclusion. The presentation then detailed the Central Schools Block historic commitments, and detailed a potential £2.63m gap in funding pending the introduction of the Hard funding formula

At this point the Forum were reminded of the importance of preparing for the 'hard funding formula', but that this had to be balanced alongside protecting services for the most vulnerable.

Action: Forum members requested opportunities for joint funding or trading be considered at the 9th October 2019 meeting.

The Director of Children's Services, Julian Wooster highlighted the need for a reduction in spend on Executive Officers.

The Assistant Director Inclusion, Annette Perrington, emphasised that the first 3 years of the plan would focus on 'in year' spend before beginning to tackle the cumulative deficit, noting that focusing on points of transition was a key medium-term activity, and highlighting the importance of reducing reliance on the independent sector as a longer term activity Further points raised included: the need for a planned reduction in the number of independent placements; noted that children with allocated high needs funding at band 1 and 2 are not appropriately placed in special schools and that children with these levels of needs can be accommodated in mainstream schools and the assumption that the DfE additional grant will continue.

Points raised by Forum members included: parental preference for specialist provision; seeking clarification that there would be no savings from the 2019/20 budget; and a request for an explanation of why there were no Early Years savings.

Officers responded to the points raised, noting: the only saving for the 2019/20 year was from the Central Schools Block; and that it was very difficult to realise any early year's savings as 97% of the funding is already delegated.

The Director of Children's Services, Julian Wooster, highlighted that the Task & Finish Group had agreed the priority was to resolve the in-year overspend before considering how to address the existing cumulative deficit and that it was unlikely this could be achieved within the timescales provided or at all. . The Forum was further informed that other Local Authorities had adopted a

similar approach, but the Secretary of State did have the power to suspend Schools Forums and directly manage funding.

Further points raised in discussion included: the potential to recoup schools surplus balances; using recouped moneys to reduce the cumulative deficit; ensuring the underlying funding issue is properly resolved to prevent the cumulative deficit increasing further; the importance of open communication from Academies regarding any surplus funding they may hold; and the potential for the DfE to mandate the use of surplus funding.

The Assistant Director Inclusion, Annette Perrington, highlighted discussion at the Task and Finish Group regarding top slicing schools' budget by approximately 0.68% to jointly commission Outreach funding. The deficit plan was based on achieving this and the Task & Finish group had indicated this should be explored.

A number of practical options were highlighted including:

Option 1:

Weighting/banding primary schools by size, with costs reducing by 10% by band and schools over 250 pupils making the 'standard' contribution. And that this would equate to a contribution of £18 - £30 per pupil.

The charges to be flat across all schools, regardless of support needs

The reduction for small schools to be paid by secondary schools, increasing their contribution to £36 per pupil.

Option 2:

A 25% additional contribution by Secondary Schools, equating to a charge of £25 per primary pupil and £37 per secondary pupil.

No weighting by school size.

Option 3:

A 50% additional contribution by Secondary Schools equating to a charge of £21 per primary pupil and £45 per secondary pupil.

No weighting by school size.

Points raised in discussion included: access to alternative provision in West Somerset and Frome; uncertainty regarding future funding; the inclusion of post 16 funding; additional charges for schools who are 'over' permanently excluding; the importance of a mechanism to ensure quality.

Outcome: the Forum agreed in principle to continue with the top slicing approach, but further requested the mechanism for delivery be subject to a further vote at the 9th October 2019 meeting.

The Assistant Director Inclusion, Annette Perrington, sought the Forums view regarding the reduction in the central schools block.

Outcome: the Forum noted its in principle support for an equal reduction over a three year period starting in Sept 2020 based on current budget assumptions

4 **Any other business** – agenda item 8

There was no other business.

CHAIR

Schools Forum Decisions and Consultations
 – 9 October 2019

Title: **Schools Funding and other funding announcements**

Author: Lizzie Watkin, Strategic Finance Manager

Contact Details: 07880 182387

Email: ewatkin@somerset.gov.uk

Summary:	This report is an update on the latest announcements from government on funding, including the Schools Funding and the recent Spending Round 2019 (SR2019).
Recommendations:	<p>Recommendations for Schools Forum to note:</p> <ol style="list-style-type: none"> 1. The contents of this report. 2. The current uncertain impact for Somerset Schools as a result of the funding announcements.
Reasons for Recommendations:	<p>There are no formal recommendations for Somerset Schools Forum to approve.</p> <p>Although the increase in funding specifically for minimum per pupil funding and High Needs is welcome and indicates that Government recognise the pressure in the education system, uncertainty remains in regard to other funding and the impact of the announcements on these or whether additional responsibilities will transfer as part of the additional funding. The impact for Somerset schools is therefore not clear at this stage. As this becomes clearer future reports will provide updates.</p>
Links to Priorities and Children and Young Peoples Plan:	<p>Somerset County Councils Business Plan – Improving Lives, providing fairer life chances and opportunity for all</p> <p>Somerset Children and Young Peoples Plan – Learn well and develop skills for life</p>
Financial Implications:	<p>Financial implications are set out within the body of this report.</p> <p>No specific details are known for the financial impact for Somerset schools on the national funding announcements.</p>

1. Background

- 1.1** This report is an update on the latest announcements from government on funding, including the Schools Funding, National Funding Formula (NFF) and the recent announcements as part of the Spending Round 2019.
- 1.2** Over the summer there has been little in terms of confirmed updates on Government Funding at a local level however we are expecting confirmation of some elements of the funding for education in October. If announcements are made between the issuing of this report and the Somerset Schools Forum meeting on 9 October 2019 a verbal update will be given at the meeting.

2. Schools Funding update

- 2.1** An announcement on schools funding was made on 9 September 2019 (including the elements that were included in the Spending Round 2019 detailed below). This set out the commitment of Government to the National Funding Formula and the factors within that formula. In 2020/21 local authorities will continue to have discretion over their schools funding formulae and, in consultation with schools, will determine the allocations. Somerset County Council have no wish to move away from the continued alignment with the NFF. Final schools and high needs allocations will be published for Local Authorities in the usual timeframe of December.
- 2.2** Key factors of the formula for 2020/21 are:
- Minimum per pupil funding levels will be set at £3,750 for primary and £5,000 for secondary schools. The following year (2021/22) primary minimum level will rise to £4,000
 - Funding floor will be set at 1.8% per pupil. Increases will however be based on the individual schools NFF allocation in 2019/20
 - There will be no gains cap (unlike the previous 2 years)
 - Growth funding will be based on the same methodology as this year
- 2.3** 2 restrictions will continue, as follows:
- Minimum funding guarantee will continue to be set by the Local Authority, which for 2020/21 must be between +0.5% and +1.84%
 - Local authorities can only transfer up to 0.5% of their School Block to other DSG blocks, with Schools Forum approval. More than this, or any amount without Schools Forum approval, will require a request to the Department for Education.
- 2.4** The High Needs NFF will continue to have the same factors as present.
- 2.5** The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020/21.
- 2.4** A more detailed statement can be found here:
<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-09->

3. Spending Round 2019

3.1 A Spending Round (SR2019) was presented to parliament by the Chancellor of the Exchequer on 4 September 2019 detailing some commitments from the government in advance of the Provisional Funding settlement expected late autumn (beginning of December).

<https://www.gov.uk/government/publications/spending-round-2019-document>

3.2 The SR2019 stated the national position and announcements were made in terms of increased funding elements, however it was not clear about any areas of funding that may be reduced or whether there were additional responsibilities due to be transferred alongside the additional funding. As such it is not possible to inform Somerset Schools Forum of the financial impact either across Somerset or for individual schools at this stage. More information will be available when the Provisional Settlement is announced.

3.3 The main areas of the SR2019 were specific to education and are as follows:

- Commitment to a £7.1 billion increase in funding for schools by 2022/23 compared to 2019/20 funding levels
- Minimum per pupil funding for all schools for 2020/21 set as £3,750 for Primary Schools and £5,000 for secondary, rising to £4,000 for primary schools in 2021/22
- Over £700 million more in 2020/21 to support children and young people with special educational needs (SEN)

3.4 A full multi-year spending review is committed to be conducted during 2020 for capital and resource budgets beyond 2020/21. Consultations are expected over the up coming months to feed into the allocation basis for the additional funding announced for 2020/21 and also to lead into the spending review. Future reports will contain details of these consultations as they are opened.

4. Funding and other consultations

4.1 Implementing mandatory minimum per pupil funding levels

<https://consult.education.gov.uk/funding-policy-unit/mandatory-minimum-per-pupil-funding-levels-in-5-16/>

Consultation details – opened on 10 September and closes on 22 October 2019

Views are being sought on how local authorities should implement the national funding formula's mandatory minimum per pupil funding levels in local funding formulae and covers:

- The methodology used to calculate the minimum per pupil levels in the local funding formulae;

- The circumstances in which local authorities can request to disapply the use of the minimum per pupil levels;
- Any other considerations for delivering this change at a local level;
- With regard to the public sector equality duty, the impact of the proposals on different groups of pupils, particularly those with protected characteristics.

The Local Authority will respond to this consultation and will include responses on areas such as the overall DSG funding levels, the pressures Somerset faces in all blocks of the DSG and the financial impact of Somerset's ability to fully fund the NFF considering such elements as minimum funding and minimum funding guarantee levels per pupil.

5 Consultations undertaken

- 5.1** Consultations are not required as a result of any elements of this report. The report is presented to Somerset Schools Forum as a significant partner in delivering the County Council Vision, Improving Lives, especially in relation to providing fairer life chances and opportunity for all.
- 5.2** Technical consultations will be issued later in the year and due regard will need to be considered for any Consultation and Equalities Impact Assessment requirements as a result of these technical consultations.

6. Background papers

- 6.1** A link to Schools Funding, the Spending Round 2019 and specific consultation on implementing mandatory minimum per pupil funding are included within the body of the report but also included below for ease.

6.2 Schools Funding:

https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-09-09/HCWS1828/?utm_medium=email&utm_source=govdelivery

Spending Round 2019:

<https://www.gov.uk/government/publications/spending-round-2019-document>

Implementing mandatory minimum per pupil funding consultation:

<https://consult.education.gov.uk/funding-policy-unit/mandatory-minimum-per-pupil-funding-levels-in-5-16/>

Schools Forum Decisions and Consultations

– 09 October 2019

Update from Early Years Sub Group

Lead Officer/Author: Alison Jeffery, Early Years Lead and Primary Adviser

Contact Details: Alison Jeffery 01823 359227 AJeffery@somerset.gov.uk

<p>Summary:</p>	<p>This paper is an update from the Early Years Sub Group which met on 18th September and considered the budget position as at month five. Members also started initial conversations about changes to the Quality Supplement element of the single funded formula to ensure this is more equitable across qualification types from April 2020.</p>
<p>Recommendations:</p>	<p>The Schools Forum is recommended to note:</p> <ul style="list-style-type: none"> • the large reduction in the number of universal early years entitlement hours for 3- and 4-year olds being claimed in 19/20 compared to the same period last year. • the proposals for future consulting with stakeholders regarding the possible changes to the Quality Supplement of the Early Years Single Funded Formula from April 2020.
<p>Reasons for Recommendations:</p>	<p>Schools forum will be required to vote on the changes to the quality supplement once consultation with stakeholders has completed.</p>
<p>Links to Priorities and Children and Young Peoples Plan:</p>	<p>The Early Years Budget supports The Somerset Plan for Children, Young People and Families 2019- 2022 – Priority 3 Education – building skills for life.</p>
<p>Financial Implications:</p>	<p>The EYSFF for 3 and 4 year olds budget is £27m but the ‘spend’ is determined by the actual hours taken throughout the year and therefore dependent on decisions made by parents and number of entitled hours they require.</p>

1. Background

- 1.1. The position regarding the Early Years Entitlement funding for 3- and 4-year olds 2019/20 was first reported to Schools Forum on 6th March.
- 1.2. The Local Authority was not in a position before the end of the Summer to report accurately on the 2 year olds and 3 and 4-year-old early years entitlements because the final January 2019 census figures had not been confirmed by the DfE. The DfE have now confirmed the final 2018/19 DSG allocations and revised 2019/20 DSG allocations based on the January 2019 census. The DSG allocation for 2019/20 will be revised again following the January 2020 census.
- 1.3. In order to forecast, as accurately as possible, on future spend the finance team have analysed the previous 3 years of spend. This has been further analysed on a month by month basis.
- 1.4. It is likely that the total number of universal hours claimed in 2019/20 will continue to be less than in 2018/19 which may result in the DSG allocation for 2019/20 being reduced next July.

2. Early Years Census

- 2.1. The Early Years census is carried out for one week in January. There are no opportunities to revise the data to consider additional children claiming the entitlement later in the year. The Summer period is the time that sees the most children claiming the entitlement but the DSG is based on January figures and does not reflect the increase in children.
- 2.2. The return was made to the Department for Education in March, but the Local Authority did not receive confirmation of figures until late July.
- 2.3. The January 2019 census numbers are used to calculate funding for 2019/20 for the period April to August. The funding for September to March will be based on the January 2020 census once the figures are known.
- 2.4. Members of the Early Years Sub Group expressed concern that the number of universal hours being claimed appears to be falling. The reason for this drop may be a slight drop in birth rate, more choice available and families not fully understanding their entitlement.

3. Consultation planned

- 3.1. It was agreed at Early Years Sub Group to look at the quality supplement of the single funding formula with the aim of changing this for 2020/21.
- 3.2. Provider representatives have previously expressed concerns about the disparity in the quality supplement, and a report was submitted to Early Years Sub group in September with 4 options outlined.
- 3.3. The Provider Representatives voted to include all 4 options in the consultation to all members of the early years sector. This consultation will start in October 2019 and will last for 6 weeks. The results of this consultation will then be brought back to school's forum on the 27th November for a final decision.

The four options are:

1. No quality supplement for any provider
2. Quality supplement for childminders only
3. Equal quality supplement for all eligible providers
4. Reduced quality supplements for all eligible providers.

4. Implications

- 4.1.** The projected spend in 19/20 compared to 18/19 for universal hours is likely to be less. There is likely to be an underspend on this budget therefore. However, as stated above, the DSG funding for 2019/20 will be adjusted retrospectively in July 2020 based on the January census – therefore any underspend may effectively be clawed back.
- 4.2.** The projected spend on extended entitlement for working parents (30 hours) is likely to be more compared to 18/19 as more parents take-up this entitlement and therefore there is likely to be an overspend on this budget. If the increase is reflected in the January census the DSG funding would be adjusted upwards retrospectively.
- 4.3** A varying proportion of early years providers will see an increase or reduction in their single funding formula dependant on the option agreed. The Minimum Funding Guarantee will ensure that any reduction in funding is applied in a phased approach.

5. Background papers

- 5.1.** Minutes of Early Years Sub Group meetings held on 18th September 2019
- 5.2.** Schools Forum paper for 9th October

Note: For sight of individual background papers please contact the report author

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2017-18 ACADEMY BALANCES SUMMARY

This information is taken from academies' published accounts for 2017/18. Accounts vary in the level of detail disclosed so the analysis of balances into the different headings may not be entirely consistent but total balances will be correct. Fixed assets and pension deficits are excluded from these figures. The unrestricted fund balances exclude any fixed assets shown under Unrestricted Funds in the accounts. The accounts for MATs do not disclose a full breakdown of revenue balances by school. The total revenue balances for each school within a MAT can be seen on the Data tab. Several Somerset academies are now within MATs based outside the county - we have therefore only shown the revenue balances for Somerset schools within these MATs, not the total figures for the MAT.

SOMERSET MATs	Specific Revenue Grants					Third Party Balances	Other Restricted Fund Balances	Total Restricted Revenue Balances	Unrestricted Fund Balance	TOTAL REVENUE BALANCE	Unspent Capital Funding
	Pupil Premium Balance	UIFSM Balance	PE & Sports Grant Balance	Other Specific Grants Balance	Total Specific Grants						
Bridgwater College Academy Trust	81,000	26,000	0	160,000	267,000	298,000	1,297,000	1,862,000	2,552,000	4,414,000	1,317,000
The Huish Academy trust	0	0	0	0	0	0	0	0	140,619	140,619	35,227
King Ina Trust	0	0	0	51,681	51,681	0	40,283	91,964	91,434	183,398	0
Preston Primary	0	0	0	126,633	126,633	4,572	18,900	150,105	216,498	366,603	277,966
Redstart Learning Partnership	0	0	78,207	154,203	232,410	13,638	5,708	251,756	596,005	847,761	34,257
The Castle Partnership Trust	26,830	0	0	0	26,830	0	361,779	388,609	638,373	1,026,982	3,710,888
The Levels Trust	0	0	0	123,864	123,864	0	24,202	148,066	214,804	362,870	7,202
The Richard Huish Trust	0	0	0	102,562	102,562	5,166	27,443	135,171	-239,609	-104,438	72,770
The Wessex Learning Trust	0	0	0	302,486	302,486	0	16,093	318,579	2,584,976	2,903,555	0
West Somerset Academies Trust	37,584	0	0	16,431	54,015	0	47,798	101,813	906,588	1,008,401	0
TOTAL SOMERSET MATs	145,414	26,000	78,207	1,037,860	1,287,481	321,376	1,839,206	3,448,063	7,701,688	11,149,751	5,455,310

SOMERSET STAND ALONE ACADEMIES	Specific Revenue Grants					Third Party Balances	Other Restricted Fund Balances	Total Restricted Revenue Balances	Unrestricted Fund Balance	TOTAL REVENUE BALANCE	Unspent Capital Funding
	Pupil Premium Balance	UIFSM Balance	PE & Sports Grant Balance	Other Specific Grants Balance	Total Specific Grants						
Avishayes	0	0	0	3,123	3,123	0	11,843	14,966	93,045	108,011	10,384
Enmore	0	0	0	0	0	4,266	68,047	72,313	42,818	115,131	0
Horrington	0	0	0	4,143	4,143	2,194	11,955	18,292	58,398	76,690	14,460
Brookside	6,673	0	191	361,762	368,626	0	101,020	469,646	293,977	763,623	5,645
Tatworth	0	0	0	0	0	0	8,568	8,568	124,840	133,408	0
North Town	0	0	0	0	0	0	0	0	41,000	41,000	0
St Cuthberts	0	0	0	5,617	5,617	0	23,509	29,126	71,771	100,897	2,362
St Michaels Academy (Grass Royal)	0	0	0	0	0	0	0	0	-129,296	-129,296	0
Pen Mill	0	0	0	0	0	0	4,274	4,274	180,379	184,653	0
Maiden Beech	0	0	0	0	0	0	34,748	34,748	4,126	38,874	238,893
Oakfield	0	0	0	0	0	0	12,494	12,494	256,550	269,044	246,695
Selwood	18,643	0	6,238	12,904	37,785	0	1,231	39,016	167,433	206,449	83,401
Haygrove	0	0	0	27,578	27,578	0	101,219	128,797	819,484	948,281	0
Huish Episcopi	0	0	0	180,691	180,691	0	15,536	196,227	625,099	821,326	-47,174
Whitstone	0	0	0	0	0	5,000	680	5,680	379,915	385,595	-130,309
Stanchester	0	0	0	0	0	0	5,000	5,000	827,922	832,922	346,877
Crispin	30,200	0	0	2,912	33,112	382,116	3,271	418,499	108,240	526,739	4,385
The Blue School	0	0	0	401,551	401,551	17,956	0	419,507	377,585	797,092	-210,000
Kingsmead	0	0	0	0	0	0	0	0	123,467	123,467	0
Bucklers Mead	62,047	0	0	0	62,047	0	327,573	389,620	996,140	1,385,760	-44,828
Preston	0	0	0	0	0	0	0	0	533,025	533,025	0
Westfield	0	0	0	0	0	0	374,716	374,716	142,602	517,318	10,852
Ansford	0	0	0	0	0	0	47,224	47,224	141,131	188,355	1,225
Bishop Fox's	8,000	0	0	0	8,000	0	12,000	20,000	489,000	509,000	674,000
Bruton Sexeys	0	0	0	-687,852	-687,852	0	1,586,013	898,161	0	898,161	0
Steiner Academy, Frome	0	0	0	0	0	0	-34,858	-34,858	0	-34,858	7,194
TOTAL STAND ALONE ACADEMIES	125,563	0	6,429	312,429	444,421	411,532	2,716,063	3,572,016	6,768,651	10,340,667	1,214,062

SOMERSET SCHOOLS IN EXTERNAL MATS	TOTAL REVENUE BALANCE
Clevedon Learning Trust	330,210
Diocese of Bath and Wells	1,157,000
Midsomer Norton Schools Partnership	-6,269
The Collaborative Academies Trust	57,000
The Bath & Mendip Partnership Trust	705,007
Vector Learning Trust	520,610
TOTAL EXTERNAL MATS	2,763,558

TOTAL BALANCES	270,977	26,000	84,636	1,350,289	1,731,902	732,908	4,555,269	7,020,079	14,470,339	24,253,976	6,669,372
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Schools Forum Decisions and Consultations

- 9 October 2019

Theme Based Audit on School Expenditure 2019-20

Lead Officer/Author: Lizzie Watkin, Strategic Finance Manager – Chief Accountant, Finance

Contact Details: ewatkin@somerset.gov.uk or (01823) 359573

<p>Summary:</p>	<p>This report summarises the outcomes of the Theme Based Audit on School Expenditure 2019/20, carried out during the Summer Term 2019, in a sample group of schools as part of the 2019/20 audit plan .</p> <p>Internal Audit gave an overall opinion of Reasonable Assurance in relation to the areas reviewed and, in general, adequate controls are found to be in place for the purchasing processes within schools to guard against fraudulent or improper use of public money and to ensure that they comply with legal and regulatory requirements.</p> <p>Within the sample of eight schools:</p> <ul style="list-style-type: none"> • Six schools achieved Reasonable Assurance • Two schools achieved Partial Assurance
<p>Significant Findings and Risks:</p>	<p>The Schools Forum is recommended to discuss the Significant Finding detailed below classed as “Priority 2” (“Important findings that need to be resolved by management”), and to consider the proposed actions shown in sections 2.4 and 2.5:</p> <p><i>Significant Finding</i></p> <ul style="list-style-type: none"> • Purchase orders are not routinely raised for all relevant goods and services requested from contractors and suppliers. At six schools it was found that low levels of purchase orders are raised for planned expenditure. <p><i>Risks</i></p> <ul style="list-style-type: none"> • There is a reduced assurance of authorisation to spend. Illegitimate purchases may be made or budget overspends may occur due to lack of financial commitment via a purchase order until invoices are received. • Whilst there are some legitimate exemptions, if schools do not raise an order the following controls will be missing: <ul style="list-style-type: none"> ○ Authorisation by the budget holder ○ Evidence of an approved record to check the invoices back to ○ A commitment on the finance system ○ The binding to SCC’s terms and conditions.
<p>Reasons for Recommendations:</p>	<p>The Schools Forum has decision making and consultative responsibilities for various areas of school funding.</p>

Links to Children and Young Peoples Plan:	The Schools Budget supports the "Priorities: Building Skills for Life" aim within the Children and Young People's Plan 2019 - 2022.
Financial Implications:	This report relates to the whole Schools Budget.

1 Background

1.1 Schools manage substantial sums of public money and consequently require a robust control framework to ensure funds are safeguarded and also to ensure that best value is obtained. They are required to have adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers and this is one of the questions that make up the Schools Financial Value Standard (SFVS).

1.2 The audit sought to verify the degree to which schools comply with local and regulatory requirements, there is a clear understanding of the requirements and whether arrangements are effective.

It was also decided to include two specific outcomes from the 2018/19 audit of Combatting Tax Evasion, in which it was found that :

- the majority of Construction Industry Scheme related invoices received by SCC are in respect of maintained schools, which therefore require school staff to have a reasonable understanding of the Scheme in order to ensure the correct treatment;
- a high proportion of the invoices for wage payments to workers or contractors who should be subject to tax and National Insurance deductions as per IR35 legislation are in respect of services engaged by maintained schools.

It was therefore agreed to test a sample of payments to suppliers and providers that fall under these two areas of legislation.

2 Detail of the Schools Expenditure 2019-20 audit

2.1 Individual school visits were carried out in eight schools - seven primary and one junior.

Visits were carried out during June and July 2019.

Each school received an individual report and the results of these were consolidated into a report for the Local Authority and Schools Forum providing an opinion of "Reasonable Assurance".

2.2 The evaluation was based on evidence collected during visits, together with the key

documents and records requested prior to the audit visit.

The areas assessed were:

- Finance Policy and documented procedures covering all major purchasing requirements
- Purchase orders, invoices, authorisation, quotations and tenders, separation of duties
- Contracts
- Procurement Cards/Imprest Accounts (where held)
- Compliance with the Construction Industry Tax Scheme, payments made to individuals and IR35, and VAT requirements.

2.3 As a result of the Schools Expenditure audit some good practice was identified:

- Procurement Cards and Imprest Funds were all found to be securely held;
- Authorisation of invoice payment batch headers was complete and timely and amounts to be paid were agreed;
- VAT was found to be accurately accounted for across all purchases tested.

2.4 In addition to the one Priority 2 finding, there were five Priority 3 findings (“Finding that requires attention”) assessed as low corporate risk.

Details of these can be found in the copy of the final Audit report issued by SWAP to the Local Authority – appendix B

2.5 It is recommended that the Local Authority takes the following actions:

- A report is presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken.
- A themed audit summary is uploaded to iPost after half term following the Schools Forum meeting, for all schools to access.
- The themed audit summary is brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meetings.
- SSE – Governance Services Manager will share the themed audit summary with:
 - Governance boards at the next chairs’ meetings and on the service website.
 - Clerks, for minuting purposes, and half termly bulletin.
- The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern:

- Governors to request purchase reports to check that transactions have been approved at the correct level and/or that 3 quotes have been obtained when appropriate.
- Governors' approval of purchases – appropriate levels of approval to be set for the size of the school, excluding invoices which are already part of a signed contract or have already been specifically included within the schools' approved budget plan.
- Telephone orders – though still discouraged, if these are used an order should be placed retrospectively if over £100.
- Governors to check contracts register annually to ensure it is complete.
- Clerks to ensure that the Business Interest register has been completed by all staff having a financial responsibility.
- Links to be provided to the Gov.uk website regarding Construction Industry Scheme (CIS).
- Provision of a summary of the CIS that schools can more easily understand and which can be included in the Model Finance Policy.

2.6 The audit opinion of **Reasonable Assurance** on the adequacy of the internal control framework and its effectiveness of operation will be reported to the Audit Committee and will also form part of the information used to compile the Council's 'Corporate Governance Statement' published with the annual accounts.

3 Implications – Financial and Other

3.1 If there are inadequate purchasing controls in place there is a risk of:

- Loss of public money as a result of fraud or misappropriation, or failure to secure value for money.
- Penalties may be incurred due to non-compliance with regulatory and statutory requirements.

4 Background Papers

4.1 Financial Management Scheme 2018 and 2019

4.2 Model Finance Policy 2018 and 2019

4.3 Combating Tax Evasion audit 2018-19

4.4 SCC Contract Standing Orders - B

Note: For sight of individual background papers please contact the report author.

5 Audit Framework Definitions

5.1 See Appendix A

Audit Framework and Definitions			
Assurance Definitions			
None		The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.	
Partial		In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.	
Reasonable		Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.	
Substantial		The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.	
Definition of Corporate Risks		Categorisation of Recommendations	
Risk	Reporting Implications	In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.	Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Medium	Issues which should be addressed by management in their areas of responsibility.	Priority 2	Important findings that need to be resolved by management.
Low	Issues of a minor nature or best practice where some improvement can be made.	Priority 3	Finding that requires attention.

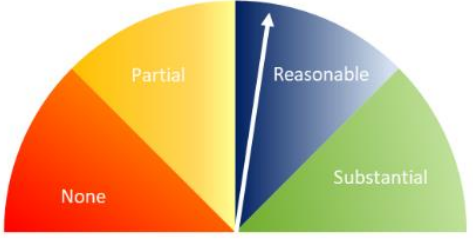
School Expenditure 2019/20

Final Theme Report

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Issue Date: 23rd September 2019

Executive Summary

Audit Opinion		Recommendation Summary	
	<p>We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>	Priority	Number
		Priority 1	0
		Priority 2	1
		Priority 3	5
		Total	6

Audit Conclusion

Eight schools were visited in total for this themed review, with two being given an audit opinion of Partial assurance and the remainder received a Reasonable opinion. As can be seen from the individual opinions given, standards were fairly consistent across the schools visited. We were pleased with the positive attitude to recommendations made as a result of the audit process and whilst there were some issues of greater concern at two schools, we are satisfied that they were exceptions and overall, most areas reviewed were found to be adequately controlled.

All schools visited as part of this theme have been issued with an individual report and, where issues have been identified, an action plan has been set out with agreed changes to enhance the control framework in place to support transparent and effective purchasing procedures.

Some areas of good practice were also identified:

- Procurement Cards and Imprest Funds were all found to be securely held;
- Authorisation of invoice payment batch headers was complete and timely and amounts to be paid were agreed;
- VAT was found to be accurately accounted for across all purchases tested.

We have made six recommendations in this report, where we have identified that the Local Authority should issue reminders to schools regarding expected procedures. One priority two recommendation has been raised where an issue of greater concern exists, for schools to ensure that wherever possible, they raise a purchase order on the Financial Management System to ensure there is a budgeted and approved commitment for all planned expenditure. There were low levels of purchase orders raised at six schools, as reported under paragraph 1.3. In addition to the risks highlighted there, this practice also compromises the extent to which a clear separation of duties can be achieved.

By implementing the recommended actions of this report, the Local Authority will have greater assurance that all schools have received a timely reminder of expected standards and that practices are in line with requirements.

Background

As part of the 2019/20 Internal Audit Plan, a themed review of the purchasing process in schools was carried out. Themed school reviews focus on a particular subject across a sample of schools, with results being consolidated into a report for the Local Authority and Schools Forum. Where good practice or common weaknesses are identified, the Local Authority will disseminate the information to other schools to ensure weaknesses can be rectified and best practice shared.

The purpose of the audit is to provide assurance to the local authority that schools comply with legal and regulatory requirements and have effective procedures to safeguard against fraudulent or improper use of public money.

Having adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers is one of the questions that make up the Schools Financial Value Standard (SFVS). Schools manage substantial sums of public money and consequently require a robust control framework to ensure funds are safeguarded and also to ensure that best value is obtained.

The audit sought to verify the degree to which schools comply with local and regulatory requirements, there is a clear understanding of the requirements and whether arrangements are effective. Please see the Scope section of this report for the specific areas reviewed.

It was also decided to include two specific outcomes from our 2018/19 audit of Combatting Tax Evasion, in which we found that

- the majority of Construction Industry Scheme related invoices received by SCC are in respect of maintained schools, which therefore require school staff to have a reasonable understanding of the Scheme in order to ensure the correct treatment;
- a high proportion of the invoices for wage payments to workers or contractors who should be subject to tax and National Insurance deductions as per IR35 legislation are in respect of services engaged by maintained schools.

We therefore agreed to test a sample of payments to suppliers and providers that fall under these two areas of legislation, to establish whether they were treated correctly and that there is an adequate understanding of requirements within schools.

This report is primarily intended to assist the Local Authority with their responsibilities in relation to school expenditure in Somerset. It therefore draws attention to any areas where risks may not be appropriately controlled and improvements in the internal control system would be beneficial.

The conclusion section above records our overall opinion on the adequacy of the internal control framework and its effectiveness of operation.

Corporate Risk Assessment			
Objective			
To assess the extent to which there are adequate purchasing controls to safeguard against fraudulent or improper use of public money and ensure compliance with legal and regulatory requirements.			
Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Loss of public money as a result of fraud or misappropriation, or failure to secure value for money.	Medium	Medium	Low
2. Penalties incurred due to non-compliance with regulatory and statutory requirements.	Medium	Medium	Low

Scope
<p>Individual school visits were carried out in eight schools, seven of which were primary and one junior school. The sample of schools was a random selection by Internal Audit, based on a combination of suggestions by Children's Financial Services and also our own records of schools who have not been included in an audit theme in recent years.</p> <p>Visits were carried out during June and July 2019. Our evaluation was based on evidence collected during our visits, together with the key documents and records requested prior to the audit visit.</p> <p>The areas assessed were:</p> <ul style="list-style-type: none"> • Finance Policy and documented procedures covering all major purchasing requirements • Purchase orders, invoices, authorisation, quotations and tenders, separation of duties • Contracts • Procurement Cards/Imprest Accounts (where held) • Compliance with the Construction Industry Tax Scheme, payments made to individuals and IR35, and VAT requirements. <p>At each school we selected a sample of purchases made over the past twelve months and sought evidence that all required procedures had been complied with.</p> <p>As each school's Governing Body has a responsibility to ensure that adequate procedures and controls are in place, each school received their own audit report, to which they were required to respond and detail how they intended to address any weaknesses identified.</p>

Findings and Outcomes

Summary of Control Framework

The expected controls are:

- The school has a Finance Policy and documented procedures that cover all major purchasing requirements;
- Official purchase orders are raised for all applicable goods and services and are approved by an authorised signatory;
- Expenditure above a pre-determined amount is subject to additional authorisation and quotations/tenders;
- There is a separation of duties between placing orders, processing and approving payments;
- All invoices are certified, paid correctly and are authorised by an approved signatory;
- Contracts are in place where appropriate and checks are undertaken to ensure that payments are made in accordance with approved contracts;
- Purchase card and imprest transactions are approved and there is authorised back-up documentation for all purchases made
- Regular reconciliations are completed;
- Purchase card restrictions are appropriately set and cards are held securely;
- Purchases falling within the Construction Industry Tax Scheme are identified and receive the correct treatment;
- Payments to individuals are made through the Payroll system and are compliant with IR35 regulations for the correct deduction of tax and National Insurance;
- VAT is reclaimed on the production of a valid HMRC compliant invoice.

1.	Loss of public money as a result of fraud or misappropriation, or failure to secure value for money.	Low
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1.1 Finding and Action		
Issue	Risk	
There is a lack of evidence that supplier selection had been subject to a competitive process in line with the Finance Policy.	There is a risk that value for money is not achieved and there is reduced transparency over the selection of suppliers.	
Findings		
<p>The Finance Policy requires that schools obtain three written quotations for all purchases above a specified threshold and also that for contracts from £75,000 up to the European Union Threshold, two tenders should be obtained. A record should be kept of how and from whom the tenders are sought, what tenders are received, who the successful tender is and any reason for not accepting the lowest tender.</p> <p>At each school we selected a sample of purchases and requested evidence of the supplier selection process for those which exceeded the quotations and tender thresholds.</p> <p>Four schools were unable to demonstrate that for recent high-level purchases, they had consistently followed the requirement to obtain three written quotes and comply with the tender process for expenditure above the relevant thresholds. Records were examined and no evidence of the written quotations or tenders were held on file.</p>		
Recommendation		
We recommend that Service Manager – Management Accounting ensures that a reminder is issued to all schools via the School Forum, of the requirement to comply with and retain evidence for written quotations and tenders for all purchases above the specified threshold.	Priority Score	3
Agreed Action		
<ul style="list-style-type: none"> A report will be presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken. A themed audit summary will be uploaded to iPost after half term following the Schools Forum meeting for all schools to access. The themed audit summary will be brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meeting. The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern i.e. Governors to call for purchase reports to check that transactions have been approved at the correct level and/or that 3 quotes have been obtained when appropriate. 	Timescale	Oct 19 – Apr 20
	Responsible Officer	Schools' Finance Manager / Finance Officer

- The themed audit summary will be shared with governance boards at the next chairs' meetings and on the service website.

SSE-Governance
Service Manager

1.2 Finding and Action		
Issue	Risk	
Prior approval for purchases, including those above the governor approval threshold could not be evidenced in all cases.	There is reduced assurance of value for money, appropriate oversight and increased reputational risk of collusion or corruption in supplier selection.	
Findings		
To ensure that schools obtain best value for money and that expenditure is appropriately authorised, the Finance Policy requires that schools identify a number of Authorised Signatories, who must review and approve purchases prior to orders being placed and to also set a threshold for purchases to receive additional prior approval from governors.		
From the testing samples selected at schools, purchase orders were reviewed along the governors' meetings minutes to verify that prior approval for the purchases had been given.		
Confirmation of approval by an Authorised Signatory was not found for a number of purchases at one school. Governor approval was not found in the meeting minutes reviewed at five schools.		
One further school received a recommendation to review the threshold set for governor approval, because it did not reflect typical levels of expenditure and had meant that governors had had oversight of only a few purchases in the past twelve months.		
Recommendation		
We recommend that Service Manager – Management Accounting ensures that a reminder is issued to all schools via the School Forum, of the requirement to for prior approval to be obtained from Authorised Signatories and governors for all purchases above the thresholds within the school's Finance Policy, and that approval is clearly documented.	Priority Score	3
Agreed Action	Timescale	Oct 19 – Apr 20
<ul style="list-style-type: none"> A report will be presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken. A themed audit summary will be uploaded to iPost after half term following the Schools Forum meeting for all schools to access. The themed audit summary will be brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meeting. The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern i.e. Governors approval of purchases – appropriate levels of approval to be set for the size of the school, exclude invoices which are already part of a signed contract or have already been specifically included within the schools' approved budget plan. 	Responsible Officer	Schools' Finance Manager / Finance Officer

- Outcomes from the audit will be shared with clerks, for minuting purposes, and chairs of governance boards via the service half termly bulletin and the autumn term chairs' meetings.

SSE Governance
Service Manager

1.3 Finding and Action		
Issue	Risk	
Purchase orders are not routinely raised for all relevant goods and services requested from contractors and suppliers.	There is reduced assurance of authorisation to spend. Illegitimate purchases may be made or budget overspends may occur due to lack of financial commitment via purchase orders until invoices are received.	
Findings		
The school's Finance Policy requires that requisition forms (purchase orders) must be completed to ensure all expenditure is included in the budget plan and that there is formal approval that adequate funds are available to make the purchase. Permitted exemptions are for supplies of public utility services, items purchased through petty cash of not more than £100 in value, rental payments and staff reimbursements.		
The school's Supplier Account Status Reports for 2018-19 and 2019-20 were reviewed to verify whether purchase orders were raised for all applicable goods and services supplied to the school.		
At six schools we found a low levels of purchase orders being raised for planned expenditure. Whilst there were some exemptions and reasonable explanations, we reminded schools that if an order is not raised the following controls will be missing:		
<ul style="list-style-type: none"> • Authorisation by the budget holder; • Evidence of an approved record to check the invoice back to; • A commitment on the finance system; and • The binding to SCC's terms and conditions. 		
Recommendation		
We recommend that Service Manager – Management Accounting ensures that a reminder is issued to all schools via the School Forum, of the requirement for purchase orders to be raised for all relevant goods and services requested from contractors and suppliers, to enable effective financial management of the school's budget.	Priority Score	2
Agreed Action	Timescale	Oct 19 – Apr 20
<ul style="list-style-type: none"> • A report will be presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken. • A themed audit summary will be uploaded to iPost after half term following the Schools Forum meeting for all schools to access. • The themed audit summary will be brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meeting. 	Responsible Officer	Schools' Finance Manager / Finance Officer

- The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern i.e. telephone orders – though still discouraged, if these are used an order should be placed retrospectively if over £100.
- The themed audit summary will be shared with governance boards at the next chairs' meetings and on the service website.

SSE Governance Service
Manager

1.4 Finding and Action		
Issue	Risk	
Not all primary services supplied to schools are supported by contracts that have been signed and dated by both parties.	A lack of contractual agreement may result in unidentified overcharging and reduced clarity of the exact provision of services expected from providers.	
Findings		
<p>Schools commonly agree contracted provision for the following services:</p> <ul style="list-style-type: none"> • Catering • Cleaning • Grounds maintenance • Photocopiers • IT support <p>We asked each school to provide evidence of the contractual agreements they have in place, to verify whether a written contract exists that explains the work performed and all outputs expected, the time period covered and rate of pay.</p> <p>Three schools were unable to evidence all of their arrangements with providers had been formally agreed and there were issues where contracts were not in place, a copy was not held, or copies had not been signed.</p> <p>Not having a signed contract in place also means that there is no clear process to confirm that invoices received by the school agree to expected delivery, fees and timescales.</p>		
Recommendation		
We recommend that Service Manager – Management Accounting ensures that a reminder is issued to all schools via the School Forum that formal contracts should be agreed for all primary services, so that they are documented with the full terms and conditions of the agreed service, including the period covered, and duly signed and dated by both parties.	Priority Score	3
Agreed Action	Timescale	Oct 19 – Apr 20
<ul style="list-style-type: none"> • A report will be presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken. • A themed audit summary will be uploaded to iPost after half term following the Schools Forum meeting for all schools to access. • The themed audit summary will be brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meeting. • The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern i.e. Governors to check contracts register annually to ensure it is complete. 	Responsible Officer	Schools' Finance Manager / Finance Officer

- The themed audit summary will be shared with governance boards at the next chairs' meetings and on the service website.

SSE Governance Service
Manager

1.5 Finding and Action		
Issue	Risk	
Schools do not require staff to complete annual declarations for the Register of Business Interests.	There is a risk that personal or private interests may have influenced purchasing decisions, and this may lead to challenge over the process for supplier selection and awarding contracts.	
Findings		
Schools should ensure that all authorised signatories and staff with financial responsibility are required to declare all business interests, including those of family and close friends, which may present a potential conflict. The declaration of business interests form should be completed on an annual basis and entered into the official Register, which must be available for public inspection at the school. We requested evidence of annual declarations made by staff and governors at all schools, in order to verify that all suppliers have been selected with robust controls in place.		
Whilst all governors had completed annual declarations and evidence was held at seven schools, we found that two schools were not aware that staff with financial responsibilities should also complete a declaration and at one other school, the Register was being held at the home of the Clerk to Governors and therefore not available for the audit.		
Recommendation		
We recommend that Service Manager – Management Accounting ensures that a reminder is issued to all schools via the School Forum to ensure that annual declarations of business interests are obtained from all staff and that they are retained in the school's Register of Business Interests.	Priority Score	3
Agreed Action		
	Timescale	Oct 19 – Apr 20
<ul style="list-style-type: none"> A report will be presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken. A themed audit summary will be uploaded to iPost after half term following the Schools Forum meeting for all schools to access. The themed audit summary will be brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meeting. The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern i.e. Clerks to ensure that the Business Interest register has been completed by all staff having a financial responsibility. The themed audit summary will be shared with governance boards at the next chairs' meetings and on the service website and a reminder via the half termly bulletin that staff with financial responsibility must complete register of business interests. 	Responsible Officer	Schools' Finance Manager / Finance Officer SSE Governance Service Manager

2.	Penalties incurred due to non-compliance with regulatory and statutory requirements.		Low
2.1 Finding and Action			
Issue		Risk	
There is a limited understanding of the requirements of the Construction Industry Scheme.		Invoices may not be identified that fall within the scope of the Construction Industry Scheme, leading to potential non-compliance with the process for assessing the taxable status of construction suppliers.	
Findings			
Under the Construction Industry Scheme (CIS), all payments made from a contractor to a subcontractor must take account of the subcontractor's tax status as determined by HMRC.			
In order to comply with the Scheme, schools are expected to identify the type of work that may fall within the Scheme and discuss each supplier's taxable status prior to engaging them for service, so that the school will treat the supplier's invoice appropriately and in line with the correct tax status assessment.			
As such, school finance staff require a clear understanding of their responsibilities and the scope of the Scheme.			
To verify whether the school has sufficient knowledge of and complies with the Local Authority process for assessing the taxable status of Construction Industry Scheme suppliers, the matter was discussed with relevant staff in each school. We also tested a sample of transactions with suppliers falling under the scheme and did not identify any errors, but this was largely due to reliance on the Accounts Payable team in Finance at County Hall.			
Whilst all schools had some knowledge of the Scheme, some were unaware of the requirement to discuss the taxable status with potential suppliers and providers. There was a generally low level of understanding of the different taxable statuses and the implications of each. Schools generally advised that any queries they had would be directed to Accounts Payable, but there was a low level of awareness of where further guidance could be obtained.			
Six schools received recommendations to ensure they familiarise themselves with guidance and direction to relevant links on the Gov.uk website was provided.			
Recommendation			
We recommend that Service Manager – Management Accounting ensures that a reminder is issued to all schools via the School Forum to ensure that schools improves their knowledge of the Construction Industry Scheme using the government guidance available.		Priority Score	3
Agreed Action		Timescale	Oct 19 – Apr 20

- A report will be presented to Schools Forum highlighting the issues, findings and recommendations for actions to be taken.
- A themed audit summary will be uploaded to iPost after half term following the Schools Forum meeting for all schools to access.
- The themed audit summary will be brought to the attention of Business Managers and Finance Officers at the subsequent ADL Meeting.
- The Model Finance Policy will be reviewed and enhanced in April 2020 highlighting the areas of concern and provide links to the Gov.uk website regarding Construction Industry Scheme. Consideration will be given to producing a summary of the CIS that schools can more easily understand and which can be included in the Model Finance Policy.

Responsible Officer	Schools' Finance Manager / Finance Officer
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Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

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Paper for Information Only

SOMERSET SCHOOLS FORUM

Date of meeting – 9 October 2019

Schools Financial Value Standard (SFVS)

Author: Jackie Cottey – Finance Manager - Schools Finance

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1. Summary

- 1.1.** All Local Authority (LA) maintained schools and Pupil Referral Units (PRUs) are required to submit a completed SFVS, signed by the Chair of Governors, to the LA annually by 31 March. This was the seventh year for completion of SFVS returns.

This paper provides an update on the SFVS following receipt of the 31 March 2019 returns.

2. Recommendations

- 2.1.** This paper is for information only.

3. Background

- 3.1.** The SFVS was launched by the Department for Education (DfE) in July 2011. The questions have been designed to assist schools in managing their finances and are divided into four sections:

- A. The Governing Body and School Staff
- B. Setting the Budget
- C. Value for Money
- D. Protecting Public Money

- 3.2.** Formal responsibility within schools lies with governing bodies, and the SFVS is in the first place aimed at Governors. It is expected that school governing bodies will discuss the questions throughout the year with their Headteacher and other senior staff, prior to undertaking the self-assessment against the standard towards the end of the financial year.

4. Action by the Local Authority

- 4.1** **165** schools in Somerset, including 4 PRUs, were eligible for completion of the SFVS by 31 March 2019 and returns were received from 165 schools. The Chief Finance Officer (CFO) was required to sign an SFVS CFO Assurance Statement, stating how many SFVS reports had been received from schools for self-assessments carried out by 31 March 2019. This statement was

returned to the DfE before their 31 May deadline confirming **100% return**. The CFO also certified that there is a system of audit in place which gives adequate assurance over schools' standards of financial management and the regularity and propriety of their spending.

- 4.2** Each of the 25 questions in the 2018/19 SFVS required an answer of 'Yes', 'In Part', or 'No' depending on the extent to which the Governing Body felt that it complied with the criteria.

In previous years the LA has carried out a moderation programme which assessed the school's responses and considered if the evidence provided was appropriate and comprehensive. Due to a change in the format of the SFVS for 2019-20, as detailed below, it was decided to not conduct an audit of the 2018-19 returns but to instead request an audit of Schools Expenditure.

4.3 The DfE has implemented a new electronic SFVS return for the year 2019-20.

The Standard for 2019-20 now consists of a checklist of **29 questions** and a dashboard of financial data.

The checklist asks questions of governing bodies covering **6** areas of resource management:

- A. Governance
- B. School Strategy
- C. Setting the Annual Budget
- D. Staffing
- E. Value for Money
- F. Protecting Public Money

The dashboard shows how a school's data compares to thresholds on a range of statistics identified by the DfE as indicators of good resource management and outcomes.

Guidance on completion of the above is available on the [Gov.uk](https://www.gov.uk) website.

- 4.4** The action plan is an important part of the SFVS. This summarises the intended remedial actions required by the school when they have answered 'No' or 'In Part' to a question. The actions identified in the 2018-19 SFVS returns will be compared with the actions listed in the new 2019-20 return.

The DfE's expectation for the 2019/20 SFVS return is that all action points from 2018-19 will have been cleared before March 2020.

4.5 Governors are expected to lead on the completion of the SFVS for 2019-20. **It is to be considered a working document which is to be updated and reviewed throughout the year, with discussions and comprehensive responses being recorded and evidence held to support these and any actions required/implemented.**

4.6 Schools were advised of the new electronic SFVS in May 2019 to enable them to start updating information required on their dashboards and Governors to consider the findings. **In September 2019 the DfE announced that the return has been enhanced and an updated version is available for use. Schools were advised and should ensure they are using the correct version when completing and submitting their return for 2019-20.**

5. Background papers

DfE Schools Financial Value Standard Information on the SFVS can be accessed via:

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

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