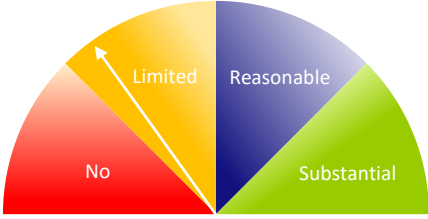






Audit Objective

To establish the extent to which transport budgets are governed and controlled effectively.

Assurance Opinion		Number of Actions		Risk Reviewed	Assessment
	<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority	Number	<p>Governance arrangements and budget controls are inadequate or not in place. This contributes or directly leads to avoidable budget overspends.</p>	<p>Medium</p>
		Priority 1	2		
		Priority 2	4		
		Priority 3	4		
		Total	10		

Key Findings		Audit Scope
	The council has overspent its combined home to school transport budgets for the last five years. It is projecting a £1.9m (13%) overspend for 2021/22. There is no strategy for controlling this expenditure.	<p>The following areas were in scope:</p> <ul style="list-style-type: none"> Clarity of accountability for budget setting, forecasting and decision-making; Invoice receipt, processing, and payment checks; Authorisation protocols, including contract increases and whether appropriate officers are included in SAP delegation tables; System adequacy, interfaces, and reporting; Budget monitoring and forecasting. <p>We have not conducted any review of the process for establishing a child's eligibility for transport.</p>
	Responsibility and accountability for transport sourcing and expenditure is fragmented. While Inclusion determines whether a child is eligible for transport, they have little or no involvement in agreeing the transport subsequently procured. Therefore, they have little direct control over expenditure.	
	There are significant concerns about Capita EMS system data. Management do not have ready access to a report that includes clear financial and contractual information for all routes. There are anomalies in route and forecasting reports which may impact on budget monitoring. Further investigation is needed to identify and address the root causes.	
	The council is replacing the transport management systems, Capita EMS and Trapeze, with a new combined system, MTC. This was expected to be in place by April 2022 but has been delayed until mid-2023. Finance has not been involved in this project to date.	

Other Relevant Information

Finance and Children's Services requested this review after identifying weaknesses in governance and control of transport budgets, specifically SEND transport. Concerns raised included incorrect authorisation of expenditure, lack of clarity over budget holder responsibilities and decision making, and unexplained increases in forecast expenditure.

Transport to school for eligible children is a statutory service. Home to school transport has been an area of pressure for many years. Increasingly adverse market conditions and year-on-year increases in the proportion of pupils with Education, Health and Care Plans, who may require more specialist transport arrangements, are driving growing expenditure.

The council has agreed to implement ten actions by 1st September 2023. We will need to conduct a follow up audit to confirm the actions have been implemented.

Appendix 1

Findings & Action Plan

Finding 1.1: Decision making and strategy	Action												
<p>The named budget holders for home to school cost centres are Inclusion strategic managers, but in practice they have little direct control over transport expenditure. The authority to award and amend home to school transport contracts is delegated to Transporting Somerset. There is an inherent conflict between this delegation and the need for Inclusion to exercise control over the budget. There is no document setting out responsibilities or accountabilities of Inclusion and Transporting Somerset for home to school transport.</p> <p>Transport do not cite Inclusion services on procurement decisions as they occur, unless there is a significant cost increase, or Transport cannot find an external operator. Most of the time, Transporting Somerset notify Inclusion of contract awards and changes retroactively. This is due to the volume of activity. However, the council should consider how services commissioning transport can become more involved in decision making.</p>	<p>Managers in the Transport, Inclusion and Finance service should work together to establish a joint strategy for controlling home to school transport costs. This should consider whether there is a case for further investment in the internal fleet, additional funding, further potential cost avoidance measures, and how to increase coordination between services.</p> <p>In the interim, the council may wish to consider introducing an Inclusion post in Transport that would facilitate continual challenge and monitoring.</p>												
<p>The council has overspent its combined home to school transport budgets for the last five years. It is projecting a £1.9m (13%) in-year overspend. Overspends have been projected on every budget monitoring report for 2021/22 (see Appendix 4). The council has introduced cost reduction measures, such as Personal Travel Payments, but is heavily reliant on contracted operators. There is no plan or wider strategy to control home to school transport expenditure.</p>	<table border="1"> <tr> <td data-bbox="1131 678 1384 726">Priority</td> <td data-bbox="1384 678 1630 726" style="background-color: red; color: white; text-align: center;">1</td> <td data-bbox="1630 678 1865 726">SWAP Reference</td> <td data-bbox="1865 678 2125 726">46733</td> </tr> <tr> <td data-bbox="1131 726 1630 901">Responsible Officer</td> <td colspan="3" data-bbox="1630 726 2125 901">Strategic Manager – Access & Additional Needs Service Manager – Education, Inclusion and Schools Service Manager – Transporting Somerset</td> </tr> <tr> <td data-bbox="1131 901 1630 946">Timescale</td> <td colspan="3" data-bbox="1630 901 2125 946">1st September 2022</td> </tr> </table>	Priority	1	SWAP Reference	46733	Responsible Officer	Strategic Manager – Access & Additional Needs Service Manager – Education, Inclusion and Schools Service Manager – Transporting Somerset			Timescale	1 st September 2022		
Priority	1	SWAP Reference	46733										
Responsible Officer	Strategic Manager – Access & Additional Needs Service Manager – Education, Inclusion and Schools Service Manager – Transporting Somerset												
Timescale	1 st September 2022												

Finding 1.2: Budget forecasting	Action		
<p>Finance use the Capita Forecast Report, which provides an overview of actual and projected expenditure for transport routes recorded in Capita, and actual expenditure recorded in SAP, to produce outturn expenditure projections. Finance, Transport, and Inclusion officers all reported concerns about the accuracy of the Forecast Report. The report does not include a calculation breakdown, so route forecasts cannot be checked easily.</p> <p>We reviewed a forecast report and found it included 11 routes where costs already recorded were fully offset by negative spend forecasts. We requested Transporting Somerset explain the reasons for these forecasts, and they were unable to do so.</p> <p>During a budget monitoring meeting we observed, attendees identified that the report does not pick up actual expenditure for routes operated by Somerset Accessible Transport (SAT - internal fleet) because this is not paid by invoice. There were also routes that had ceased, or were never used, where full year expenditure was being projected. This means budget monitoring forecasts may include expenditure that has already been incurred, or will not occur, and therefore they may be overstated.</p> <p>Though Finance and Transport have escalated concerns to IT, a cause has not been identified.</p> <p>Transporting Somerset was expecting to replace Capita with a new system, MTC, in April 2022. This has now been delayed to until mid-2023. This means there is now a greater need to ensure the Forecast Report is accurate, and necessary care taken to reduce the likelihood of inflated forecasts.</p>	<p>Inclusion, Transporting Somerset, and Finance should escalate concerns regarding Capita data to IT for investigation, with support from senior management.</p> <p>Transporting Somerset should ensure the new MTC system has a forecasting facility, clarify how the system calculates forecasts, and test for accuracy during implementation phase.</p> <p>The services above should consider the following mitigations until MTC is implemented:</p> <ul style="list-style-type: none"> • Finance and Transport to agree a cut-off date each month for Finance to run to Forecast report. • Finance and Transport to review the forecast report together to identify affected SAT/inactive routes each month and remove before the budget monitoring report is produced. This could be made easier if the Forecast Report can be amended to include the operator details. 		
Priority	1	SWAP Reference	46731
Responsible Officer	Strategic Manager – Business Support (Corporate and Children’s Services) Service Manager – Education, Inclusion and Schools Service Manager – Transporting Somerset		
Timescale	1 st September 2023		

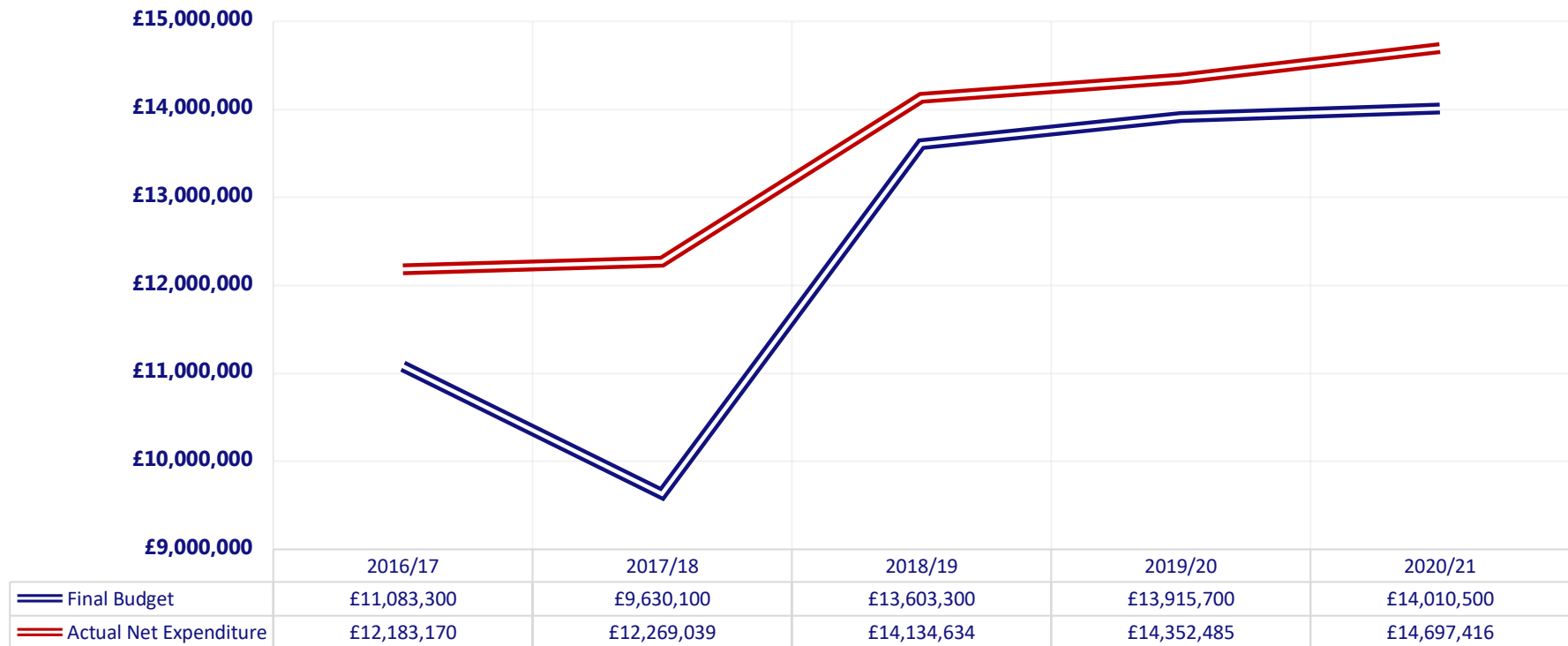
Finding 1.3: Management information	Action			
<p>Transport management do not have access to a Capita report that displays all routes, their daily contract cost, the total days of operation and projected cost per financial year. This limits their oversight.</p> <p>Transport provided a report containing most of this information for all contracts active during 2021/22 to date. We analysed it and identified:</p> <ul style="list-style-type: none"> • There were 34 active routes that appeared to have more than one recorded contract. Transporting Somerset could not explain this. • There were 20 contracts that had no recorded contract end date, and one with no recorded daily cost. Transporting Somerset advised they updated these entries after we identified them. 	<p>Transporting Somerset should investigate the duplicated routes and establish the cause. If necessary, a data cleanse should be completed before system data is transferred to MTC.</p> <p>Management should ensure that MTC is capable of producing reports that combine route, financial and contractual information, and allow in-year projections to be sense checked.</p>			
	Priority	2	SWAP Reference	46729
	Responsible Officer		Service Manager – Transporting Somerset	
	Timescale		1 st September 2022	
Finding 1.4: Transport system replacement project	Action			
<p>Transporting Somerset and the IT service are currently running a System Replacement Project. This will see two systems used by Transport (Capita EMS and Trapeze) be replaced by a combined system, MTC.</p> <p>Finance is a stakeholder, but to date has not been involved in detailed discussions about system functionality.</p>	<p>Transporting Somerset should ensure Finance is involved in the MTC system project so their requirements can be incorporated into system development.</p>			
	Priority	2	SWAP Reference	46735
	Responsible Officer		Service Manager – Transporting Somerset	
	Timescale		1 st September 2023	

<p>Finding 1.5: Delegations tables</p> <p>We found that 35 transport cost centres in SAP did not have delegation tables. This means system authorisers for these budgets have not been set up. For Inclusion budgets, there are inconsistencies between the budget holders identified by Finance and the officers able to approve via SAP delegation tables.</p> <p>SAP is not used to process most transport expenditure. This is done via an interface. In practice, Business Support staff authorise individual invoices, which are later approved by a retroactive, termly Non-Key Decision. We found that only one officer currently set up to use the Capita EMS interface is also a SAP approver for transport cost centres. This means the staff processing and authorising invoices do not have recorded authority to do so.</p> <p>We also identified several cost centres where Finance officers are able to approve elevated levels of expenditure considering their staff grade.</p>	<p>Action</p> <p>Finance should review all existing transport cost centres to ensure appropriate authorisers have been set up for all cost centres, and authorisation thresholds mirror any stated limits. If deemed appropriate, Finance should obtain a recorded exemption from any rules setting out staff authorisation limits.</p> <table border="1" data-bbox="1131 438 2105 614"> <tr> <td>Priority</td> <td style="background-color: #FFD700;">2</td> <td>SWAP Reference</td> <td>46732</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager – Management Accounting</td> </tr> <tr> <td>Timescale</td> <td colspan="3">1st September 2022</td> </tr> </table>	Priority	2	SWAP Reference	46732	Responsible Officer	Service Manager – Management Accounting			Timescale	1 st September 2022		
Priority	2	SWAP Reference	46732										
Responsible Officer	Service Manager – Management Accounting												
Timescale	1 st September 2022												
<p>Finding 1.6: Budget setting</p> <p>For the 2022/23 special school transport calculation, the population forecasts provided by Inclusion state that '80-85% of CYP in special schools have school transport.' Finance calculated the budget using 78% but could not explain why.</p> <p>Using the minimum 80% figure, we calculated that the overall pressure on the SEND transport budget is understated by £125k. Considering historic overspends and volatility in this service, it would have been more prudent to utilise the 85% figure for pressure calculations.</p>	<p>Action</p> <p>Finance should ensure that future budget setting calculations fully reflect information and guidance provided by the relevant service. Where this information is not used there should be a documented rationale. Finance should revise the current demand predictions for 2022/23.</p> <table border="1" data-bbox="1131 861 2105 1045"> <tr> <td>Priority</td> <td style="background-color: #FFD700;">2</td> <td>SWAP Reference</td> <td>46852</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager – Education, Inclusion and Schools</td> </tr> <tr> <td>Timescale</td> <td colspan="3">1st September 2022</td> </tr> </table>	Priority	2	SWAP Reference	46852	Responsible Officer	Service Manager – Education, Inclusion and Schools			Timescale	1 st September 2022		
Priority	2	SWAP Reference	46852										
Responsible Officer	Service Manager – Education, Inclusion and Schools												
Timescale	1 st September 2022												
<p>Finding 1.7: Non-Key Decision reports</p> <p>Cabinet has delegated authority to the ECI Operations Director to approve all procurements made via the Dynamic Purchasing System. Due to the volume of activity, there is a further delegation to allow Transporting Somerset to award and vary contracts up to a value of £499k per contract. Each term, Transport compiles a report of all activity as a Non-Key Decision (NKD).</p> <p>The report includes the daily contract rate for each route, but it does not include an anticipated cost over the lifetime of the contract. This limits management oversight. There is also a potential, albeit unlikely, risk that Transporting Somerset exceed the delegated financial threshold.</p>	<p>Action</p> <p>Transporting Somerset should amend current the current reporting format to include an estimated lifetime cost for all contracts.</p> <table border="1" data-bbox="1131 1292 2105 1445"> <tr> <td>Priority</td> <td style="background-color: #000080; color: white;">3</td> <td>SWAP Reference</td> <td>46734</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager – Transporting Somerset</td> </tr> <tr> <td>Timescale</td> <td colspan="3">1st September 2022</td> </tr> </table>	Priority	3	SWAP Reference	46734	Responsible Officer	Service Manager – Transporting Somerset			Timescale	1 st September 2022		
Priority	3	SWAP Reference	46734										
Responsible Officer	Service Manager – Transporting Somerset												
Timescale	1 st September 2022												

<p>Finding 1.8: Business Support invoicing processing procedures</p> <p>Though there are some informal documents setting out how Business Support process invoices, they do not constitute a complete, formal procedure. The current document is not in a clear format, some of the instructions could be clarified further, and there is no evidence of review or version control. Officers from Transporting Somerset and Business Support confirmed they have not updated procedures since the service adopted Capita EMS version 4 in February 2019.</p> <p>The current procedure does not set out the process used to pay for routes operated by Somerset Accessible Transport (internal fleet), which differs from the standard process.</p>	<p>Action</p> <p>Transporting Somerset and Business Support should produce a formal payment processing procedure or process map.</p> <table border="1" data-bbox="1131 391 2125 542"> <tr> <td>Priority</td> <td>3</td> <td>SWAP Reference</td> <td>46730</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager – Transporting Somerset</td> </tr> <tr> <td>Timescale</td> <td colspan="3">1st September 2022</td> </tr> </table>	Priority	3	SWAP Reference	46730	Responsible Officer	Service Manager – Transporting Somerset			Timescale	1 st September 2022		
Priority	3	SWAP Reference	46730										
Responsible Officer	Service Manager – Transporting Somerset												
Timescale	1 st September 2022												
<p>Finding 1.9: Capita EMS reconciliation</p> <p>While Finance conducts regular reconciliations between Capita EMS and SAP transactions, Finance do not have access to the Capita EMS interface. This means they cannot confirm that all transactions processed through the interface have been correctly posted to SAP.</p>	<p>Action</p> <p>Finance should work with ICT to establish a method for reconciling Capita and SAP transactions.</p> <table border="1" data-bbox="1131 790 2125 957"> <tr> <td>Priority</td> <td>3</td> <td>SWAP Reference</td> <td>46795</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager – Education, Inclusion and Schools</td> </tr> <tr> <td>Timescale</td> <td colspan="3">1st September 2022</td> </tr> </table>	Priority	3	SWAP Reference	46795	Responsible Officer	Service Manager – Education, Inclusion and Schools			Timescale	1 st September 2022		
Priority	3	SWAP Reference	46795										
Responsible Officer	Service Manager – Education, Inclusion and Schools												
Timescale	1 st September 2022												
<p>Finding 1.10: Charging spreadsheets</p> <p>Transporting Somerset use charging spreadsheets prepared by Finance when preparing bids for work. A new Finance Manager has recently taken over responsibility for supporting Transporting Somerset. The Finance Manager was not made aware they are responsible for maintaining and updating the charging spreadsheets.</p> <p>The charging spreadsheets have not been updated for the current year. There is a risk Transporting Somerset are using rates that will not recover operating costs.</p>	<p>Action</p> <p>The Service Manager – Management Accounting will review the spreadsheets and establish that they are up to date and fit for purpose. The Service Manager will ensure the charging spreadsheets are updated annually.</p> <table border="1" data-bbox="1131 1204 2125 1380"> <tr> <td>Priority</td> <td>3</td> <td>SWAP Reference</td> <td>46736</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Service Manager – Management Accounting</td> </tr> <tr> <td>Timescale</td> <td colspan="3">1st September 2022</td> </tr> </table>	Priority	3	SWAP Reference	46736	Responsible Officer	Service Manager – Management Accounting			Timescale	1 st September 2022		
Priority	3	SWAP Reference	46736										
Responsible Officer	Service Manager – Management Accounting												
Timescale	1 st September 2022												

EDCC INCLUSION TRANSPORT ANNUAL BUDGET AND NET EXPENDITURE 2016/17 TO 2020/21

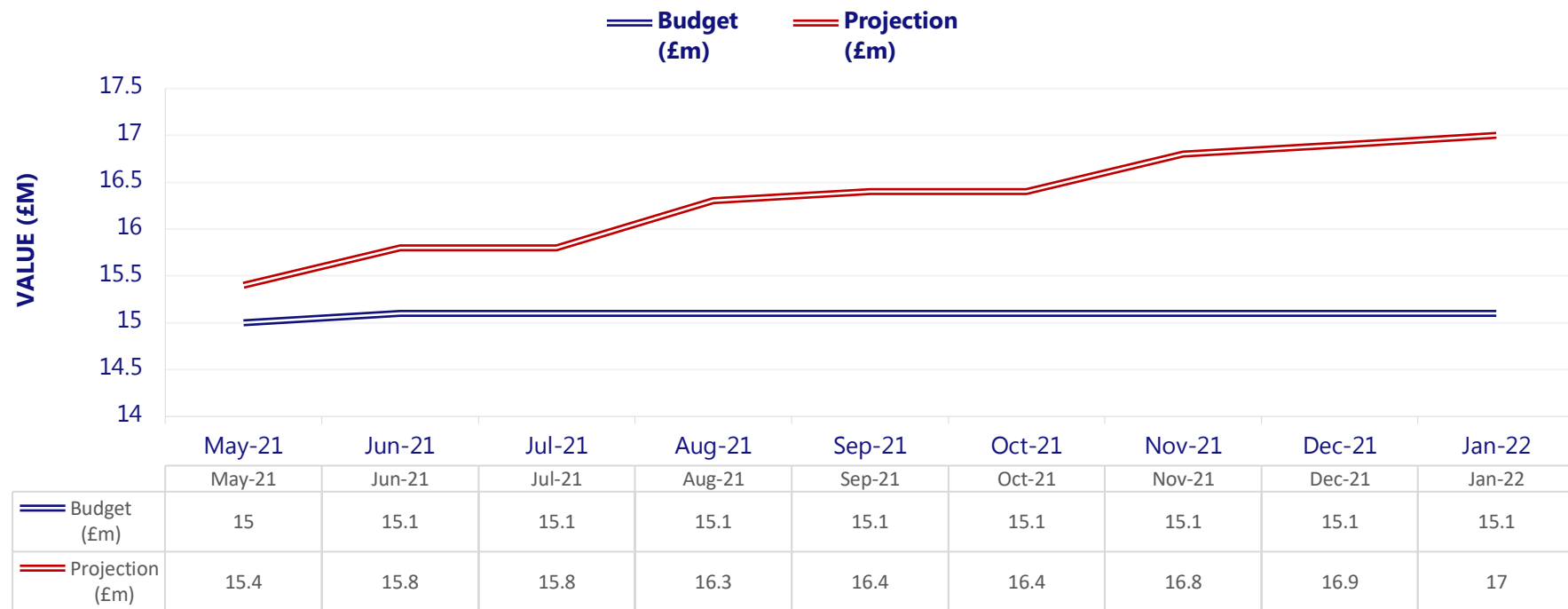
— Final Budget — Actual Net Expenditure



Appendix 4

2021/22 net expenditure projection

EDCC INCLUSION TRANSPORT BUDGET AND FORECAST NET EXPENDITURE 2021/22



BUDGET REPORTING PERIOD