

Schools Forum 12 June 2018

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Date: 6th June 2018

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Dear Head Teachers

INTERNAL AUDIT THEMATIC REVIEW OF SCHOOLS FINANCIAL MANAGEMENT

A thematic approach to school audits was undertaken as part of the 2016/17 and 2017/18 Internal Audit plan, agreed by the Audit Board and approved by the Regulatory and Audit Committee.

Following a risk based methodology, key risk areas were identified and a sample of schools was selected for audit review. Internal Audit's objectives for this audit were to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate financial and non-financial risks

In 2016/17 the thematic review covered Financial Management and School Voluntary Fund. A sample of five primary schools was taken across the county.

In 2017/18 the thematic review covered Procurement and Contract Management. A sample of two primary schools was taken across the county. The original sample for this period included two additional schools, however for one school due to long-term sickness a decision was taken to cancel the review and the other school transitioned to Academy status making our audit immaterial for the school. An additional primary school was subject to a full financial audit following a request from the school.

In addition to the themed audits in 2017/18, Internal Audit visited three other primary schools to follow-up on the implementation of management actions that were identified in prior Limited assurance audits.

These audits have now been completed, audit management actions have been agreed and the final audit reports have been issued to the schools. Progress with implementing the audit management actions is followed-up regularly by the Business Assurance Team and reported to Children's Services senior management.

We have attached a consolidation of the key risks that were identified from the 11 school audits undertaken across the two years. Table 1 below highlights the main findings and the associated best practice controls that would effectively manage the identified risks. The report will also be considered by the Schools Forum which will be an opportunity for school representatives to share experiences/good practice. A summary of the outcomes of the audits undertaken will also be included in the Business Assurance progress report to the County Council's Regulatory and Audit Committee. This report will be issued to schools via the School Bulletin and will then be available on Schools Web.

We would advise that all primary, secondary, special schools and PRUs consider the findings and best practice in Table 1 and to review their own arrangements in light of this report.

Yours sincerely,

Maggie Gibb,
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Table 1.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
Governance & Financial Skills		
5	<p>1. Finance Committee Terms of Reference</p> <p>Governing Body Terms of Reference for committees should be reviewed and approved annually and these decisions should be recorded in the minutes.</p> <p>Example of Finding:</p> <ul style="list-style-type: none"> There was lack of evidence in the Governing Body minutes to support the review and approval of the Finance Committee This was noted in five schools. <p>If there is no evidence that committee Terms of Reference are reviewed and approved there is a risk that governors and officers are not working within the agreed roles, responsibilities and accountabilities.</p>	<ul style="list-style-type: none"> All reviews and approval of committee Terms of Reference should be clearly documented within the minutes of meetings. Governors and Headteachers should ensure that the minutes accurately record the discussion and decisions made. <p>NB. The name Finance Committee has been used as a generic term for the Committee that deals with financial matters.</p>

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
9	<p>2. Governors Financial Skills and Training</p> <p>Members of the governing body should have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money. This is part of the Schools Financial Value Standard (SFVS) annual return. Therefore governors should assess their financial skills that would then inform any training requirements. To assist with this there is a template available on DfE website under SFVS support notes https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Not all governors on the Finance Committee have completed a self-assessment of their financial skills, this occurred in four schools. • The governor training log showed that none of the Finance Committee had completed any financial management training but without a financial skills assessment we were unable to ascertain if training was necessary. • The governor training log did not record all training attended including informal training provided by the Bursar. <p>If the skills and competencies of governors and staff with financial responsibilities are not assessed there is a risk that gaps/weaknesses are not identified and appropriate training cannot be put in place. Also there is a risk that without financial training, governors are unable to be effective in their role as a critical friend on financial matters.</p>	<ul style="list-style-type: none"> • All governors on the Finance Committee should complete a self-assessment of their financial skills. • The self-assessment of financial skills should inform any financial management training required, this can be formal training plus informal training provided by the Bursar. All training should be recorded on the governor training log. <p>NB. The name Finance Committee has been used as a generic term for the Committee that deals with financial matters.</p>

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
7	<p>3. Staff Financial Skills and Training</p> <p>Related to 2 above, as part of the SFVS annual return it is expected that Head Teachers and staff with financial responsibilities complete a financial skills matrix. School staff have a different financial skills matrix to governors and this is available on DfE website under SFVS support notes https://www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs. Completion of the matrix helps to identify development and training needs within the School.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • In four schools it was found that staff had not completed the skills matrices for staff with financial responsibilities; • In two schools staff members who have some financial responsibilities within their role had not completed the skills matrices <p>If the skills and competencies of staff with financial responsibilities are not captured there is a risk that gaps/weaknesses are not identified and does not provide the school management with the ability to put in place appropriate training or apply effective performance management processes.</p>	<ul style="list-style-type: none"> • Financial skills matrices should be completed by the Headteacher and staff with financial responsibilities even if they have a small financial role. • Following completion of the skills matrices any identified training requirements should be arranged.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
<p>∞</p>	<p>4. Pecuniary Interests</p> <p>Governors and staff with financial responsibilities are required to complete an annual Declaration of Pecuniary Interest. Maintained schools must publish on their website information on each governor’s: business interests, financial interests and governance roles in other schools.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Not all governors had completed annual declarations of Pecuniary Interest, often this was because the governor had not attended the meeting and this was not followed up. This occurred in three schools. • The schools website was not up to date with governor’s business interests, this occurred in two schools. <p>If governors do not review their pecuniary interests annually and this information is not on the school’s website, there is a risk that there is a lack of transparency in decision making.</p>	<ul style="list-style-type: none"> • A log should be maintained at the school that ensures all governors and relevant staff have completed an annual declaration of Pecuniary Interest. • The school’s website should include up to date information on governor’s interests.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
6	<p>5. Financial Procedures Manual</p> <p>The Finance Committee should review and approve the Financial Procedures Manual; this requirement is documented in the Finance Committee Terms of Reference. The Financial Procedures Manual should document should record detail of the financial processes at the school that would enable a new member of staff to be carry out necessary tasks.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Financial Procedures Manual does not record detail of financial processes at the school. This was found in four schools. For example the complete process for orders and invoices. • The financial delegated limits do not reflect those in the approved Finance Committee Terms of Reference and in two cases the delegation to approve contracts was absent. This was found in six schools. • Financial Procedures Manual makes reference to out of date standards. This was found in two schools. • Financial Procedures Manual was not reviewed and approved annually by the Finance Committee. This was found in two schools. <p>If the school’s Financial Procedures Manual does not reflect local procedures and does not include the correct delegated limits then staff maybe unaware of their responsibilities, tasks may not be completed, delegated limits exceeded and effective separation of duties may not be achieved.</p>	<ul style="list-style-type: none"> • The Financial Procedures Manual should be reviewed and approved annually in line with Finance Committee Terms of Reference. • The Financial Procedures Manual should record the same financial limits as in the approved Finance Committee Terms of Reference. • The Financial Procedures Manual should record detail of the financial processes and delegation of roles that would enable a new member of staff to carry out necessary tasks and ensures adequate separation of duties.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
School Voluntary Fund (SVF)		
10	<p>6. SVF Accounts Presented to Governing Body</p> <p>The Local Authority Financial Regulations for schools ‘FR 11 Voluntary Funds’ states that the SVF accounts shall be audited annually by a competent, independent person and shall be submitted with an audit report to the school Governing Body, within six months of the accounting year end.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Six schools had not presented the SVF accounts to the governing Body within six months of year-end. At two of these schools there were two or more years of SVF accounts that were outstanding. • At one school the report to governors did not include a written report from the independent examiner. This report should comment on whether or not proper accounting records have been kept throughout the relevant financial period/year and whether or not the systems of internal control were sufficiently robust. Any material errors should also be commented on. <p>If SVF accounts are not presented to the Governing Body on time, there is a risk that the governors are unaware of the amount and nature of transactions going through the SVF, with anomalies or errors going unidentified. In addition this is a breach of the Local Management Handbook Financial Regulations.</p>	<ul style="list-style-type: none"> • As soon as possible after year-end the School Voluntary Fund data should be passed to the independent examiner to ensure that the accounts are processed promptly after year-end. • The independent examiners audit report should be presented to Governing Body within six months of year-end. • The accounts should include a written report/letter from the independent examiner. This letter should comment on whether or not proper accounting records have been kept throughout the relevant financial period/year and whether or not the systems of internal control were sufficiently robust. Any material errors should also be commented on.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
7.	<p>SVF Accounts Income</p> <p>BCC Finance issued a School Bulletin on 10 March 2017 that clarifies those income strands that should be banked to school budget and SVF. Current guidance is that: ‘In general any income relating to school activity should be paid into school budget this includes School Meals, School Trips/Activities, Lettings, Before and After Schools Clubs, Sales, Exam Fees, Music Lessons. Whilst operated by school staff voluntary funds (SVF) should only be used for receipt of donations and other fund raising activities’.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Schools that were audited before this new guidance was issued were allowed to bank that income to SVF as long as it was transferred promptly. It was found that four schools did not promptly transfer SVF income to school budget and this was generally done at financial year-end. • SVF income was included in two school audits after the guidance was issued. It was found that one of these schools continued to bank school budget income (school trips, music tuition and uniform) to SVF and this had not been transferred promptly. <p>Where income is not accurately banked against the correct fund, there is a risk that shortfalls in the fund are not identified and budget monitoring is not accurate that could lead to deficit financial position.</p>	<ul style="list-style-type: none"> • Schools should ensure that income is allocated to the correct fund and in line with current guidance issued by BCC Finance. • If there is a valid reason to bank to SVF then the monies should be transferred promptly e.g. when the invoice is paid.

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	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
Procurement and Contract Management		
12	<p>8. The Finance Committee should review all contracts and leases on an annual basis. Where new or amendments are made to contracts, these should be presented to the FC termly as set out in their Terms of Reference</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Contract Register is not up to date; this was found in four schools. For example the register did not include all photocopier contracts in place. • Finance Committee are not reviewing contracts annually; this was found in four schools. <p>If the Finance Committee do not know all the contractual commitments that the school has they are may not have all the information needed to make financial decisions.</p>	<ul style="list-style-type: none"> • School should maintain an up to date contract register that records all contracts including those with BCC. It should include at a minimum: the contractor name, the start date, the end date, payments and frequency and performance. A template will be available on Schools Web Finance from September. • The contract register should be presented to the Finance Committee at least annually.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
9.	<p>Contracts should be approved in line with agreed delegated limits that are within the Finance Committee Terms of Reference. Quotes should be obtained in line with Financial Regulations. Documentation should be retained in line with retention periods.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • At two schools we found that contracts were approved and started without approval from the Finance Committee as required in their Terms of Reference. • At one school the incorrect number of quotes was obtained and there was no evidence of formal evaluation of the quotes. • At one school quotes for unsuccessful contractors were not retained for the required length of time. <p>There is a risk that inappropriate contracts are awarded that are not fit for purpose, that contracts do not provide value for money and that goods procured without relevant quotes/tenders could result in financial commitment that the school cannot meet. There is also the risk that the school could be non-compliant with EU Procurement Regulations where applicable.</p>	<ul style="list-style-type: none"> • Contracts should be approved in line with Finance Committee Terms of Reference and this should be recorded in the minutes. • Quotes should be obtained, evaluated and retained in line with the LA financial framework particularly the Standing Orders Relating to Contracts for Schools With Delegated Budgets.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
Accounts Payable		
14	<p>10. Purchase orders should be raised before a purchase is made, the receipt of the goods/services should be confirmed before the invoice is paid and approval should be recorded with a signature on paper copies of orders and invoices.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • At four schools purchase orders were placed on the financial system (FMS) <u>after</u> the invoice was received, therefore a retrospective order. • At three schools the invoices were not signed to record receipt of goods/services (a goods receipt note). • At two schools the paper invoice was not signed to indicate approval to pay. • At two schools the Headteacher had authorised expenditure over their delegated limits. <p>If the incorrect process is not followed for the ordering of goods or services and the processing of invoices, there is a risk of unauthorised orders and expenditure, budget reports not fully reflecting actual commitments and instances of over/under spend may not be identified leading to ineffective budget monitoring, invoices paid when goods or services have not been received or invoices paid twice.</p>	<ul style="list-style-type: none"> • Purchase orders should be placed on FMS before the goods or services are ordered. If it is necessary to place a telephone order then this should be put on FMS promptly. • Orders should be signed in line with the schools Financial Procedures Manual. • Evidence of goods receipt should be recorded on the invoice. • Paper invoices should be authorised for payment with a signature from the delegated person as long as it is within their delegated limits. • Best practice observed in some schools is the use of a ‘stamp’ where there is an area for signatures acknowledging: goods receipt, arithmetically correct and authorised for payment.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
Income		
15	<p>11. Within income procedures there should be adequate separation of duties so that more than one person is involved. Invoices should be raised promptly in line with procedures and a control record should be maintained that ensures all income is invoiced and received. Income was examined at four schools.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • At two schools there was no evidence of separation of duties for income. At one school there were no formal checks to ensure income received has appeared on the bank statement. At the second school there was only one person involved in income collection, recording and banking. • At one school there was no record maintained of invoices raised and when income was received. • At one school the cash collected in the classroom was not passed immediately to the school office. • At two schools lettings invoices were raised at half term when the local procedures require invoices to be raised prior to the letting occurring. <p>There is an increased risk that anomalies or instances where money is lost or misappropriated are not identified or detected.</p> <p>If invoices are not raised in a timely manner there are risks that the school may not receive the income or that income is not received promptly, impacting on the school's ability to prepare and manage its budget effectively.</p>	<ul style="list-style-type: none"> • There should be at least two people involved in income collection, recording, banking and reconciliation. If this is not possible then there should be a termly check by a second person. Any checks should be evidenced with a signature and date. • The Financial procedures Manual should specify when invoices are raised and for lettings this should be included on the Lettings Policy.

	Audit Finding, risk exposure and potential impact	Actions For Consideration – Best Practice
Data Security		
12.	<p>Only current staff at the school should have access to the school’s accounting system FMS. Passwords to FMS should be changed termly.</p> <p>Example of Findings:</p> <ul style="list-style-type: none"> • Former staff had active FMS access; their access had not been amended to ‘No Access’. This occurred in three schools. • Passwords to FMS have not been changed termly. This was found in three schools. • At one school a user of FMS could authorise orders and invoices. • At one school the Bursar was using a former member of staff’s access to authorise invoices giving the appearance of separation of duties. <p>If passwords are not changed at least termly, former staff have FMS access or there is not adequate separation of duties, there is a risk of exposing the system to unauthorised access which could lead to misuse of information, unauthorised expenditure, data breaches that will have a reputational impact.</p>	<ul style="list-style-type: none"> • When a member of staff leaves their access to the FMS should be amended to ‘No Access’. • All FMS users should change their passwords termly. Passwords should not be shared or written down. • FMS access rights should be checked to ensure adequate separation of duties. Within FMS supervisor access should be utilised to achieve this. There is support available from the BCC FMS Team.

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INCLUSION AND STRANDS: QUARTERLY – FINANCE UPDATE

Report to Schools Forum

Title:	Dedicated Schools Grant – 2017-18 Outturn report and Reserves
Date:	12 th June 2018
Author:	Sarah Callaghan Director for Education-BCC
Contact officer (Finance):	John Hickson – BU Interim FD for Education John Hickson c-jhickson@bucks.gov.uk 01296 382384
Schools affected:	All schools and Early Years providers

1. Purpose of this report

This report follows up a previous report to Schools Forum on 16 January 2018 concerning pressures within the High Needs Block. To partially address these pressures, Schools Forum agreed for 650k to be transferred from the Schools Block.

This report provides the financial updates related to this. Schools Forum to note the financial update and consider these for agreement.

2. Background

The transfer from the Schools Block was agreed on the proviso that the ambitions of the SEND Strategy were realised reducing dependency on high cost out of county provision. At a previous meeting the Director for Education shared a proposal for the development of an 'Inclusion Hub,' a collaboration between the Special Schools with mainstream, Additionally Resourced Provision (ARP) and Pupil Referral Unit (PRU) representation to enable a rigorous review of the 'as is' provision for children with additional needs against demand coming through.

The Inclusion Hub aims to reconfigure capacity against demand so that it is needs led and value for money operating on a principle to place children and young people in Buckinghamshire where possible. The Inclusion Hub also aims to support a culture of inclusive practice through the development of an 'Inclusion Charter.' A service update will be provided by way of a presentation.

3. Finance – High Needs

The high needs block (total budget: £83.1m) continues to have pressures in spend. Before the use of reserves and other adjustments the high needs block is budgeted to overspend by £2.5m.

This £2.5m pressure is made up of:

- £2m of this forecast overspend is necessary increase in special school funding.

Dedicated Schools Grant – 2017-18 Outturn report and Reserves

- £0.33m is changes in joint funding of independent placements to ensure funding is needs led from across Education, Health and Social Care.
- £0.17m sundry net changes (i.e. provider contracts, demand and other changes)

Schools finance and the Service have been reviewing all the spend and activity and have managed to contain pressures and make savings where possible. Schools Forum will be kept updated as the year progresses.

High needs block can be currently summarised as:

High Needs Block Summary	Original Budget 2018/19 (agreed at Schools Forum Jan 2018)		Revised Budget 2018/19 (as at June 2018)
Total High Needs Block (budgeted spend)	81,260,090		83,131,096
DfE Allocation (as at April 2018)	(79,984,465)		(79,984,465)
Schools Forum support (agreed transfer from Schools Block)	(650,000)		(650,000)
Total Funding	(80,634,465)		(80,634,465)

Shortfall	625,625		2,496,631
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Historical DfE funding (transfer to high needs agreed by Schools Forum previously)	(1,708,000)		(1,708,000)
Other adjustments:			
Special schools funding increase retention			(414,096)
ARP - reduced estimate at May 2018			(177,768)
Non-recurrent element of Alternative Places budget			(287,000)
Remaining Reserves released			(62,745)
Additional place requirements (est. panels pending)			130,000

(Contingency/to reserves)/Deficit	(1,082,375)		(22,978)
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Since the last forum the key financial updates are:

- Initial work with Special schools and ARP's on funding was completed by John Huskinson and the results announced at the February Inclusion Hub meeting.:

Special Schools

- Special Schools to be funded overall to £32.5m. This represents an increase from the original £30.5m presented at Schools Forum in January. This is an interim arrangement until August 2019 when the new high needs formula will be implemented.

Dedicated Schools Grant – 2017-18 Outturn report and Reserves

- b. After the Inclusion Hub meeting mentioned above, £414k of the funding increase that was originally proposed to go to specials schools was retained due to concerns about pressures in the overall high needs block.

Additionally Resources Provision (ARPs)

- c. It was announced at the Inclusion Hub meeting that ARP's funding needed further work. It is now recommended that ARP funding continues based on the old locator system going forward until work on the new formula is completed (The locator system is the way in which funding for different SEND are determined in ARPs and is being replaced by the new formula)
- (ii) We are continuing to develop a formula based approach replacing the locator system. Several meetings have been held and approach is being tested with 2 special schools and will be widened to all schools soon. Work with ARP's is planned later in the summer and they will be contacted shortly on this.
 - (iii) Schools Forum were advised in January that independent school placement budget could decline to £13.4m at a rate of 12 children per annum on average. However, the increase in Education, Health and Care Plans has suggested a more cautious approach this year, for purely budgetary purposes. The budget is currently set at £14.3m, which is the same as last year's outturn figure.
 - (iv) The use of historical DfE funding agreed previously for High Needs is now fully required. This amounts to £1.7m and was agreed by Schools Forum in January.
 - (v) There is very little contingency left and what is left is needed to create spaces, as PRU's and Special Schools are generally full.

4. Decision and recommendation

- 4.1. That Schools Forum notes and agrees the report including the necessary adjustments to funding and the detail in the supporting presentation.



Schools Forum
Inclusion Hub present

- 4.2. A task and finish group is created to develop a standardised reporting system for detailed updates at future Schools Forum meetings.

The Inclusion Hub
Managing resources, meeting demand,
putting children first.
Schools Forum - June 2018

Sarah Callaghan
Service Director for Education



Purpose of this presentation

- To update Schools Forum:
 - on the Inclusion Hub so that reassurance is given that activity is underway to address forecast pressures within the High Needs Block
 - on progress against the actions set out in the January 2018 report and the financial implications thereof.



Buckinghamshire County Council

Proposed Action	Timescales
Review all boarding places within county, with an options appraisal to reduce costs. This will link with a wider review of short breaks/ respite provision being led by the Commissioning Team in Buckinghamshire County Council	By July 2018
Undertake consultation with special schools and ARPs to thoroughly review existing designations to accurately reflect growing needs, particularly for ASD/SLCN and SEMH. As part of this consultation, we would be recommending the phasing out of the MLD designation.	By September 2018
Implement targets to reduce out of county placements - maximum of 12 young people each year. Meeting the young person's primary SEND need is paramount and all efforts will be made to only agree an out of county placement if the needs are too complex to be met locally. In such cases, joint funding will be agreed by a complex needs panel.	By July 2020
Review current out of county placements and target 3 young people to be brought back to Buckinghamshire schools/colleges. SEN officers will ensure that at each annual review, the option to offer a Bucks placement is discussed.	By September 2018



Objectives of The Inclusion Hub

The Inclusion Hub brings together Special Schools with representative mainstream schools, schools with additional resourced provision and Pupil Referral Units to:

1. Deliver the ambitions of the SEND Strategy by adopting a needs led approach to placing children with additional needs.
2. Ensure the default position is to place children in Buckinghamshire where appropriate.
3. Reconfigure current provision to ensure the places available reflect need, better meet demand and offer value for money.



The Strands within the Inclusion Hub

- Work strand 1: Review the funding system for specialist provision
- Work strand 2: Development of the Penn Site
- Work strand 3: Review specialist provision to reconfigure the Bucks offer
- Work strand 4: Develop and launch a Buckinghamshire Inclusion Charter
- Work strand 5: Support schools with inclusion

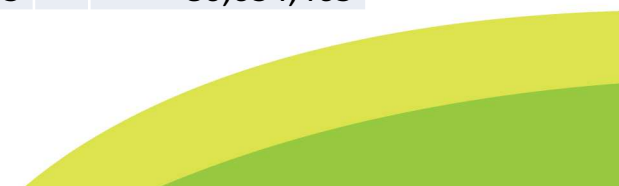


Managing Resources

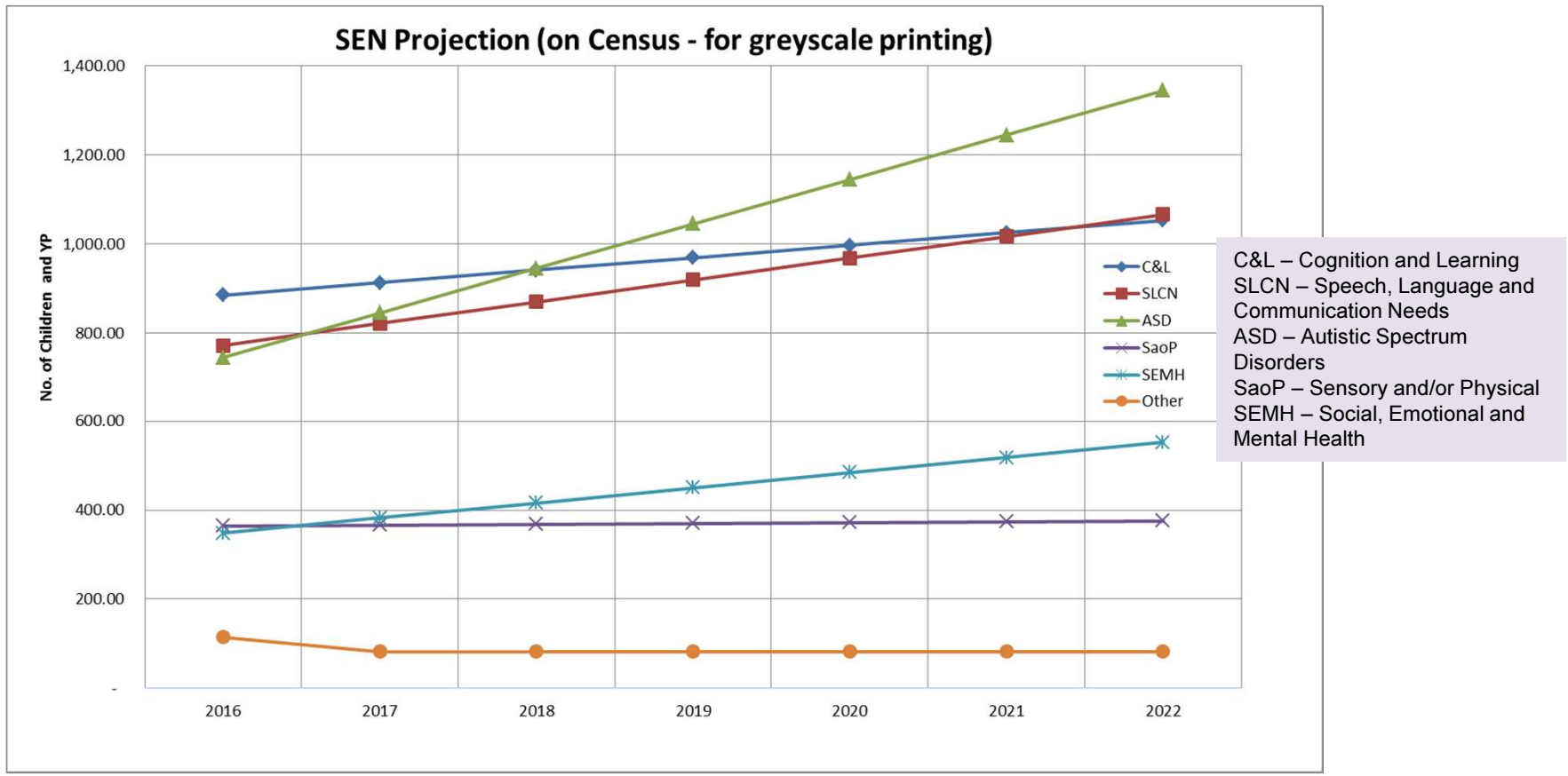
Why do we need to manage demand?

- Key spend within High Needs Block (£83.1m) funding:

Activity	Original Budget 2018/9 (agreed at schools forum Jan 2018)	Revised Budget 2018/19 (at June 2018)
	£	£
Special schools funding	30,500,000	32,500,975
Independent schools	13,442,090	14,348,964
Pupil Referral Unit funding	4,600,000	4,245,000
Other High Needs Block	32,718,000	32,036,157
Total Budget Spend 2018/9	81,260,090	83,131,096
DfE funding (final figure for relevant year shown)	-79,984,465	-79,984,465
Schools Forum Support	-650,000	-650,000
	-80,634,465	-80,634,465



Meeting Increasing Demand



Projected Costs to Meet Increasing Demand

- Demand is expected to increase on average by approx. 5%
- If this happens an additional £2.5m per annum will be required (assuming cross border placements with other authorities balance out i.e. the same number of children are placed in Bucks from other Local Authorities as we place outside of Bucks)
- Therefore the success of the Inclusion Hub is critical to managing costs.



Progress to date

To reduce demand for EHCPs and independent provision, the following actions have been undertaken:

- Review of the panel making decisions for placements to support tighter 'gate keeping'
- Review of the top 26 most costly placements
- Introduction of the Complex Needs Panel
- Introduction and implementation of a tripartite funding agreement across Education, Health and Social Care.
- Weekly budget boards established to apply greater rigour to placements chaired by Section 151 Officer.
- Introduction of a more preventative approach through the SENDIAN pilot.
- Commitment to develop a Sufficiency Strategy by Sept 2018 to ensure a long term needs led approach, beginning with a workshop with key people in June. Short term initiatives to manage demand are being discussed with existing providers currently.



So What?

- The ambition of The Inclusion Hub is large and is dependent on the full engagement of all schools to support an inclusive culture that reduces dependency on EHCPs.
- Although some activity is underway, owing to the complexity of historical financial arrangements, analysis of spend has been more complex than it should be.
- To facilitate this cultural shift, the Council needs to streamline processes so that the right support is offered to the right child at the right time.



Next Steps

- The new leadership within the Council has enabled a more joined up approach across Education, Social Care and Early Help.
- Tighter scrutiny of financial management is in place with increased management oversight on the decision making processes for placements across the whole directorate.
- New processes have been adopted to increase the rigour for financial planning.
- To move things forward, there is a need for schools to collaborate with the new approach to adopt an inclusive culture.



Report for Schools Forum – Charges for Permanently Excluded Pupils

Report to Schools Forum

Title:	Charges for Permanently Excluded Pupils
Date:	12 th June 2018
Author:	Janaki Try – Senior Accountant – Education
Contact officer:	Janaki Try jtry@buckscc.gov.uk 01296 383063
Schools affected:	All mainstream schools

1 Purpose of Report

1.1 This report was first considered at Schools Forum Funding Group on 2nd March 2018.

1.2 At its meeting on 16th January 2018, Schools Forum agreed to delegate to the Schools Forum Funding Sub Group, a review of the current local agreement for Charges for Permanently Excluded Pupils and to consider the options.

1.3 An additional appendix has been added by Schools Finance for relevant financial information and including some further points that arose at SFFG in regard funding levels for Excluded and Managed Exclusions as part of the discussion. (NB Schools Finance will present the appendix information as needed at School's Forum itself.)

2 Background

2.1 The Local Authority has received a number of queries from schools regarding Buckinghamshire County Council's deduction methodology for excluded pupils following the publication of the 'Schools Revenue Funding 2018 to 2019 Operational Guide (December 2017)', see Appendix 1. In particular, the following part of the local agreement that was agreed by Schools Forum on 27th September 2016:

- Calculate the charge/allocation for the full funding period, i.e. for the remainder of the current financial year **and the whole of the next financial year if the exclusion is after the October census** and the pupil is not in year 11.

2.2 Buckinghamshire County Council's rationale for this methodology was because it was deemed fairer:

- Schools will be aware that the funding formula is calculated according to lagged pupil numbers and data (from the preceding October school census). Therefore, if a pupil is excluded before the October census date, the school will receive no further formula funding for the pupil beyond the end of the current financial year. However, for a pupil excluded after the census date the school will receive funding for the whole of the following financial year. The exclusion charges,

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therefore, include funding for the relevant period of both years (the funding period).

2.3 The current local agreement and methodology was set after advice from the ESFA:

- The Regulations also permit you to deduct funding for the remainder of the funding period, but not for the following funding period. I am aware, however, of some local authorities which have made a local agreement with their schools to deduct the following year's funding as well. This is not in the Regulations, so you would need to gain the agreement of all of your schools if you wanted to do this.'

2.4 Further advice was sought and received from the EFA prior to the Schools Forum meeting on 16th January 2018, which was as follow:

- 'Whether the pupil was or was not included in the census is not relevant as you are claiming for a similar pupil, not that pupil so the cost you are reclaiming is to enable you to re-determine another schools budget to cover the costs of that pupil in your financial year.'

3. Issues

3.1 In order to fully understanding the issues it might be useful to consider the following from the Operational Guide 2018-19:

- **Redetermination of budget shares**

75. It's not permissible to make an in-year redetermination of schools' budget shares other than in the explicit circumstances allowed for within the school finance regulations, which relate to:

- Sixth form funding
- Early years funding
- Reallocation of funding for excluded pupils
- Rates

3.2 In considering the options, it is worth noting, prior to the December 2017 publication there was very little reference made in any Operational Guide other than making reference to the School and Early Years Finance (England) Regulations. The Operational Guide 2015-16 stated:

- These funding arrangements should work alongside the finance regulations (regulation 23 of the School and Early Years Finance (England) Regulations 2014 that provide for adjustments to maintained school budget shares to take account of pupils permanently excluded, or otherwise leaving the school, where the local authority makes and funds the required AP.

3.3 Lack of clarity over the definition of the funding period was given as the reason for adopting the local agreement, although the Regulations at the time of the report to Schools Forum in September 2016 did specify the funding period: "funding period" means the financial year beginning on 1st April 2016.' i.e. the local authority's financial year. The Local Authority's report to Schools Forum in September 2016 stated:

- The School and Early Years Finance (England) Regulations 2015 states that where a child is permanently excluded the Local Authority must re-determine an excluding school's budget share. All references within the Regulations regarding the amount to reduce by refer to the 'funding period' and not the financial year. The regulations do not provide specific dates for the funding period and schools and the local Authority need to agree this period.

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3.4 There is no dispute regarding Buckinghamshire County Council's factors in calculating the amount to be deducted. These are AWPU, Prior Attainment, Deprivation, FSM and Pupil Premium (these are based on averages for the school and not an individual child).

3.5. The relevant parts of Schools Revenue Funding 2018 to 2019 Operational Guide (December 2017)' for consideration are as follows:

- We have included an explanation of adjustments to school budgets relating to excluded pupils in this guidance, because we receive enquiries about this.
- The provisions also act independently of whether a particular pupil has been on the census in the first place, and whether the school has received funding for them.
- The adjustment for a particular exclusion relates only to the current financial year, and **cannot be applied to subsequent years**.
- The only exception to using the number of weeks remaining in the financial year is where the exclusion takes place after 1 April, in a school year where the pupil would normally have left at the end of that school year.
- As the wording relates to the finance regulations, the adjustments should also relate to the local authority financial year; local authorities can change this to the academy financial year, by local agreement.

4. Reasons for Recommended Change

4.1. By changing the methodology to deduct budget for the remaining of the financial year to 31st March for maintained schools and to 31st August for Academies and not for a subsequent year, the local agreement would comply with the Financial Regulations and with the 'Schools Revenue Funding 2018 to 2019 Operational Guide (December 2017)', coming into effect 1st April 2018.

5. Options to be considered:

5.1. Change the procedure to follow the operational guidance from 1st April 2018. This would require recalculations of deductions and additions of funding for schools respectively.

5.2. Confirm the local agreement and write to the schools concerned about the process.

Reference:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/691111/Operational_guide.pdf

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Appendix 1 Financial Information on Exclusions and Managed Moves.

The following financials currently apply;

Excluded Pupils receiving school gets;

- i) £1500
- ii) £Awpu remaining

Managed Exclusions receiving school;

- i) £500
- ii) £1000 on success

The discussion at SFFG also touched on issues around the financial values the receiving school was getting against the work entailed both for Permanent Exclusions and Managed Moves. If the Exclusions money per pupil went up in value (e.g. to total £3000) then managed moves would also need to rise, to avoid perverse disincentives and recognise similar work.

The current numbers are provided further below in a table (see next page). The figures in the table are academic year figures further work will be needed to convert to financial years the actual payments.

However at outturn 2017/8 the budget (all grant funded – DSG including payments and related costs of the work) was fully spent in this area and therefore any increase in costs will need to be carefully planned in the light of current numbers and trends. There may be a need, in any increase in monies provided to receiving schools, for further funding to bridge the gap. As touched on at SFFG, the work of receiving schools, particularly that early on in taking a pupil, may be extensive and valuing this work and the wider inclusion agenda, has a number of potential benefits that were recognised at SFFG.

Forum may wish to consider these issues further.

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Exclusions and Managed moves by academic years						
	Numbers by academic year		Standard Costings by academic year			Notes
	2016/7	Current	2016/7		Max/Tp Date costs	
			Unit cost	Total Cost		
Exclusions (was 106 at June 2017)	112	58	1500	168,000	87,000	
Managed (28 in 2015/6)	49	58	1500	73,500	87,000	Max Cost if 100% successful
Of which						
Failed		19	500		9,500	
Successful		20	1500		30,000	
Ongoing		19	500		9,500	
Sub Total		58			49,000	
Totals				241,500	136,000	

