

ANGUS COUNCIL
EDUCATION COMMITTEE

11 June 2002

DEVOLVED SCHOOL MANAGEMENT SCHEME: FINANCIAL CONTROLS

REPORT BY THE DIRECTOR OF EDUCATION

ABSTRACT

The purpose of this report is to outline the financial controls supporting the Devolved School Management Scheme operating in Angus and to provide an overview of the financial management systems currently in place to ensure that the Education Department discharge their responsibility to monitor and regulate financial performance.

1 RECOMMENDATIONS

- 1.1** It is recommended that the Education Committee notes the contents of this report and notes, in particular, the recent HMI Report on the Education Department of Angus Council which rated the quality of financial management as very good.

2 BACKGROUND

- 2.1** Concerns by the Controller of Audit to the Accounts Commission in respect of a significant overspend in the education service of Scottish Borders Council resulted in a report to the Accounts Commission. The purpose of the report was to provide an independent view on the situation which had arisen at Scottish Borders Council in terms of the financial management of its education services. The findings in the report highlighted a number of failures in the financial management of the Education Department budget of Scottish Borders Council. One of the concerns to which Audit Scotland drew attention was that careful consideration needs to be given to the operation of the devolved school management scheme to ensure that sound costing and monitoring procedures are in place. Of particular concern were arrangements for determining teaching budgets and procedures for carrying forward any budget under/overspends.
- 2.2** This report reviews the financial management systems in place in Angus Council to support Devolved School Management and to ensure that the types of difficulties experienced by Scottish Borders Council are avoided in Angus.
- 2.3** Devolved School Management was introduced by Tayside Regional Council in 1994 and was adopted by Angus Council at reorganisation. Since then the number of schools involved in the scheme has been increased on a phased basis and, as from the commencement of the financial year 1998/1999, all Angus schools have been operating their own devolved budgets.

The Scheme was first reviewed in 1997 with amendments being approved by the Education Committee on 4 March 1997, (Report No 285/97 refers). There were further amendments as a result of subsequent reviews approved on 20 April 1999, (Report No 424/99 refers) and 6 March 2001, (Report No 298/01 refers). The Education Department Working Group, which includes a member of the Education Department Senior Management Team and representatives of both Primary and Secondary Head Teachers, recommended these changes. The Group continues to meet to ensure the changes are effectively implemented and that any further proposed amendments to the scheme can be considered.

In accordance with the Scheme, schools are provided with an interim budget by 1 April each year, with a final budget issued in October when the pupil census details of the current year become available. A significant feature of the Scheme in Angus is that schools have the ability to carry forward up to 10% of their total budget as a planned underspend. Any planned overspends must be approved in writing by the Director of Education. The scheme also clearly outlines procedures for virement of budgets within total provision available to a school.

3 CURRENT SITUATION

3.1 Budget Preparation

The process of calculating the budgets is clearly defined with the budget being allocated either according to the school roll, in accordance with the agreed Angus Staffing Standard or is school specific e.g. property rates, cleaning etc. The roll - based budgets are based on the previous year's census and are adjusted in October to reflect any movement in the school roll. In order to determine the overall school budgets, each element of the budget that is not roll-based e.g. rates, cleaning etc. is considered in detail. In the case of teaching staff, all promoted posts are budgeted at actual salaries while non-promoted posts and supply cover budgets are based on an average salary. The average cost of a teacher is calculated from information available through the payroll system and is reviewed annually to ensure reasonableness. Detailed analysis is undertaken to ensure the average is calculated accurately and there is regular ongoing monitoring during the year and at year-end to ensure there is no material difference between average and actual costs. Those elements of the Property budgets, which are not roll-based, are determined by reference to appropriate documentation e.g. rates by reference to current rateable values, cleaning by reference to current contracts etc.

3.2 Budget Monitoring

The monitoring of the devolved budgets is ongoing throughout the whole financial year. Support is provided directly to schools by the Education Financial Services section. The section includes four Accountants/Accounting Technicians, assists schools in budget monitoring by providing regular monitoring statements, including projections, from the information recorded in the Angus Council general ledger. A nominated member of the team is responsible for a specific group of schools ie each school has a nominated contact. The nominated contacts will carry out regular visits to their respective schools to assist in interpreting the information provided. They will also highlight any potential areas of concern, ensure that the school has adequate plans in place to utilise the devolved funds and conversely not to be exposed to a potential budget overspend position.

In addition schools not linked to the general ledger have been provided with a computer package that has been developed in-house which allows expenditure to be recorded against their devolved budget. Monthly reports are also provided from the corporate system which allows schools to confirm the details recorded in their own package for accuracy and completeness.

If there are any areas of concern regarding a school budget identified by a member of the Education Financial Services team, these would be reported in the first instance to the Principal Officer (Finance) to determine a suitable course of action. If there were serious concerns regarding the management of a school's devolved budget, these would be reported in the first instance to the appropriate Head of Service and thereafter, if necessary, to the Director of Education.

It should be stressed, however, that Angus Schools are very responsible in their management of budgets and use of available funding, a fact reflected in both HMI reports and on Audit Reports: the recent HMIE inspection of the Education functions of the Council judged Financial Management to be very good.

In addition to the budget monitoring carried out at school level, the Education Financial Services Section also carries out a monthly monitoring procedure on the overall Education Department budget. Monthly ledger reports are provided to the Education Department from the Finance Department in accordance with a predetermined timetable. This ensures that the position in individual schools is reflected at departmental level and any emerging trends can be investigated. On a month by month basis the team will calculate projections, compare the level of expenditure against budget and investigate any material variances in the context of the specific area. This monitoring incorporates the total expenditure against devolved and non-devolved budgets.

The Education Department's Senior Management Team discusses each monthly monitoring statement, as soon as it becomes available. The monthly monitoring statement is included on the Senior Management Team agenda. The statement is discussed and action points identified on areas for further investigation.

A copy of individual sector monitoring statements is passed to the appropriate budget holder. The budget holder is responsible for reviewing the statement and noting variances. Each budget holder has a nominated Accountant/Accounting Technician who will assist with this review and provide advice on the action required in respect of any variances.

This monitoring model ensures that there is a co-ordinating role performed by the Education Financial Services Section to ensure that issues which affect more than one sector are discussed fully by all those involved in the monitoring and that no area of the budget is considered in isolation.

3.3 Identification of Carry Forwards

At the end of each financial year a detailed analysis is undertaken to determine the level of **underspend** in each school which can be carried forward (up to a maximum of 10% of total devolved budget). The figure is agreed with each Head Teacher and the cumulative position agreed and accounted for appropriately. The carry forward resources available to each school are recorded in corporate and departmental systems timeously in the following financial year, to ensure there is no confusion over the overall level of resources available to each school. It should be noted that within Angus, Head Teachers ensure that the level carried forward is well managed. Compared to other authorities, the level carried forward is relatively low, although in recent years Scottish Executive resources available exceptionally late in the financial year have resulted in an increased level of carry forward.

3.4 National Review of DSM

The SEED recently co-ordinated a review of DSM throughout Scotland. This review confirmed that the Angus scheme compares well with the national position and that the Council is well placed to implement the review team's recommendations. Indeed in a number of cases these have already been implemented. The Council has a mechanism in place to review its Scheme on a regular basis, schools are provided with clear guidelines on the operation of the Scheme and on-going advice and guidance to schools emphasises the need to link budgetary policies and development planning.

4 CONCLUSION

While not being complacent, the Council has procedures in place to ensure there is an extremely low risk of the circumstances which arose in Scottish Borders being repeated in Angus.

5 FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

6 HUMAN RIGHTS IMPLICATIONS

There are no Human Rights implications arising directly from this report.

7 CONSULTATION

The Chief Executive, the Director of Law and Administration and the Director of Finance have been consulted in the preparation of this report.

JIM ANDERSON
DIRECTOR OF EDUCATION

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.