



ARGYLL & BUTE COUNCIL

COMMUNITY SERVICES: EDUCATION

SCHEME OF DEVOLVED SCHOOL MANAGEMENT (DSM)

OCTOBER 2016

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INTRODUCTION

Education is a fundamental core service that is delivered locally under the strategic democratic leadership and accountability of councils. Nearly half of Scottish Council budgets are currently spent on school education, with a significant proportion of this expenditure funding the salary costs of teaching and support staff. To enhance and improve the management of resources at local (school) level, Devolved School Management (DSM) was introduced in 1993. This required councils to devolve 80-90% of school budgets to Head teachers with the twin aims of improving local decision making and providing greater flexibility to Head teachers in responding to the needs of individual schools.

The 2006 DSM Guidelines issued by the Scottish Executive recommended that local authorities increase the level of devolved budgets to 90%. This advice reflected the principle that everything that could be devolved should be devolved, except for certain areas of expenditure that were not considered suitable for devolution. Since the issue of the DSM Guidelines there have been significant changes in the policy landscape in Scotland that impact on DSM. Moreover, there has been a considerable change in the economic and financial climate for local government and the wider public sector in Scotland.

In 2011 Michael Russell, then Cabinet Secretary for Education and Lifelong Learning from the Scottish Government and Cllr Isabel Hutton, COSLA Spokesperson for Education, Children and Young People agreed that the 2006 DSM Guidelines should be reviewed and amended to take account of a much changed environment, described in the following 'context' paragraphs, albeit with existing local democratic accountability and oversight of education services being maintained.

UPDATED DSM GUIDELINES: KEY CONTEXTS

There are a number of key national drivers for modernising DSM Guidelines. The implementation of the national reform of the school curriculum is well advanced. Curriculum for Excellence affords individual schools and groups of schools working together considerable autonomy in shaping a curriculum which best meets their circumstances. As such, an increase in curricular autonomy will require a greater and more consistent level of resource and management autonomy across Scotland's schools.

Since the establishment of Single Outcome Agreements (SOAs) there has been a growing recognition of the importance of an outcomes-based approach to planning, managing and evaluating public services. Schools have a key role in delivering improved outcomes for Scotland's children and young people. Therefore, planning and budget management at school level need to be increasingly aligned to that end.

The report of the Christie Commission published in June 2011 recommended that public services should be built around people and communities, achieve outcomes, prioritise prevention, improve performance and reduce costs. The report is of clear relevance to DSM and the direction of public

services since the management of schools is crucial to the ambitions of local authorities and their community planning partners for children's services.

There are two clear aims that underpin the updated DSM guidelines:

1. To empower Head teachers to meet local needs and deliver the best possible outcomes for young learners, in line with the objectives of Curriculum for Excellence, GIRFEC and the Early Years Framework.
2. To ensure that existing best practice in relation to the operation of DSM Schemes will become standard practice based on the core values of subsidiarity, openness, transparency and local accountability.

The objective of the scheme of devolved management is to enhance the quality of education by enabling more informed decision-making at local level with the effective use of available resources to support learning and teaching.

Argyll and Bute Council is committed to delegating responsibility for budget management and decision making to the most appropriate level in the organisation and seeks to ensure that the detailed regulations in its scheme of Devolved School Management (DSM) are consistent with the principles of the 2012 DSM Guidelines issued by Scottish Government/COSLA. Argyll and Bute Council will update its scheme of DSM where necessary to reflect the Education Scotland Act 2016.

Consultation is a key element in the process of devolved decision-making. Advice and support from all levels within the service should ensure that decisions are supported by the expertise that resides in the service as a whole. Appropriate review arrangements will be put in place in order to monitor and evaluate the effectiveness of the scheme and to refine and develop it further over the coming years.

It is proposed that the scheme will be reviewed every three years in line with the national recommendations of the scheme and the DSM toolkit will be used as the self-evaluation tool to assist with this process. This will be done in consultation with relevant stakeholders as laid down in the guidelines.

Budgets within the Devolved Management Scheme are only one part of the overall financial management of the service and it is important to recognise that there is a strong relationship between devolved and non-devolved budgets in maintaining a sound and robust financial strategy for Education Resources.

It is important to also note that the Devolved Management Scheme sets out the rules and principles in which schools operate in normal circumstances. The financial climate is such that it may be necessary to review the scheme given changing financial circumstances of Education Resources and/or the Council. As a result it may be necessary to revise the rules of DSM in exceptional circumstances and this will be done at the discretion of the Executive Director of Community Services should the need arise. Schools will be communicated of such intent as early as possible, with the implications of such a decision clearly identified and explained.

SECURITY REGULATIONS AND FINANCIAL RECORDING

As per Argyll and Bute Council's financial and security regulations, Head teachers, like all other Council officers, have a responsibility for taking reasonable action to provide for the security of the assets / resources under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves the statutory duty to secure best value.

The Council must also adhere to the requirements of the Procurement Reform (Scotland) Act 2014, and the EU Procurement Directives. Council officers, including Head teachers, engaged in procurement activity must comply with the Council's contract standing orders and financial and security regulations as well as the approved Council Procurement Strategy and Procurement Manual.

Within the authority's financial reporting system, each Council organisational unit is referred to as a 'cost centre', and is allocated an 11 digit cost centre code. Actual income and expenditure transactions, and related budgets, are held against individual descriptive account codes (of 5 digits) therefore all actual expenditure and income, along with related budgets, will be held against the relevant cost centre and account code combinations indicating the organisational unit responsible and the exact nature of the income or expenditure incurred. It is essential that whenever income or expenditure is being incurred or accrued, the related cost centre account / code combination is identified from the outset.

Each cost centre will have a nominated Budget Holder authorised to act on the Executive Director's behalf in respect of payments, income collection and placing orders. In school establishments this will be the Head teacher. The Budget Holder is the person primarily responsible for the management of the budget and for all resulting actual expenditure and income. Whilst the Budget Holder may delegate some day-to-day budget operations to other staff, ultimate responsibility remains with the Budget Holder.

The Council's Administration and Finance Assistants (AFAs) are assigned a cluster of schools and are ordinarily based in the Secondary school within their cluster. One of the primary functions of the AFAs, working under the School Support Services Manager, is to ensure that high quality services and best value are delivered to service users by ensuring that all agreed plans are implemented efficiently and effectively. AFAs must ensure that Head Teachers are complying with the Council's financial regulations including those set out within the Scheme of Delegation and advise Head Teachers on the monitoring and operation of delegated budgets for the establishments allocated to their cluster. Directly reporting to the School Support Services Manager allows for an independent reporting process to ensure financial regularity is complied with.

SCHOOL BUDGET ALLOCATIONS

The Argyll and Bute Council Scheme of Devolved School Management (DSM) sets out the rules and formulas for the calculation of budgets for individual school establishments and sets out any restrictions on how those budgets may be used.

Like all other service areas within the Council, schools are allocated running cost budgets (also referred to as revenue budgets) for the period of a financial year (1 April to 31 March).

The main elements included in the initial school budgets are:

- Teacher Employee Costs (i.e. basic salary costs plus related Employer's National Insurance and Superannuation contributions plus any relevant individual allowances);
- Local Government Employee Costs (i.e. basic salary costs plus related Employer's National Insurance and Superannuation contributions plus any relevant individual allowances);
- An allowance for Teacher absence cover;
- An allocation for discretionary expenditure incurred by the school including educational equipment, materials, staff travel, postage, printing, etc., and
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All budgets above are seen as being within the direct control and responsibility of the Head teacher for the purposes of Devolved School Management. There are however several other budgets that are devolved to each school to assess its full running cost but which are not regarded as being within the direct control or responsibility of the Head teacher. These are essentially premises costs i.e. fuel, utilities, cleaning, grounds maintenance, refuse collection, building insurance, staff insurance items, school meal costs and related income, telecommunications costs and SQA pupil examination fees. Virements to or from these budget lines are prohibited and any year-end balances are not included within school carry forward calculations.

As per the revised DSM guidance the following areas of expenditure are generally not considered suitable for devolution in relation to the budget for schools:

- Capital expenditure, including all PPP/PFI costs;
- Central support services e.g. English as an additional language support, hearing, visually impaired services, educational psychology services;
- School meals;
- Bursaries, clothing and footwear grants;
- Expenditure supported by central government specific grants, where it is explicit that the purpose is to support council wide initiatives;
- Home-to-school transport;
- Premature retirement costs;

- Centrally funded support for children and young people who require significant additional support whether from education (e.g. auxiliary support, specialist aids and appliances) or from other agencies (e.g. health services);
- Education Maintenance Allowances;
- Council contracted work on managing the School Estate where applicable;
- School security running costs.

PRIMARY SCHOOL BUDGET CALCULATIONS

Teachers

The total number of Full Time Equivalent (FTE) Teachers to which a Primary school is entitled is calculated based on the following elements:

Number of classes

This is currently determined by an Education Management professional decision, and takes cognisance of the Scottish Negotiating Committee for Teachers (SNCT) class size maxima, as to the number of classes required to provide for the specific number and age of the pupils in each school.

Each class is given an allocation of **1.0 FTE** and the legislative class sizes are outlined below:

Stage / Composition	Class Size Maxima
P1	25
P2 – P3	30
P4 – P7	33
Composite	25
Multi-composite	25

McCrone Time

This is a related allowance to provide for the non-class contact time in teachers conditions. Currently an addition of 0.1FTE per class is added.

Promoted Post Structure

The relevant Education Management Circular (currently 2.03) sets out the scheme for the determination of promoted posts in Primary schools. In addition to classroom teacher, the following grades of posts are applicable:

- Principal teacher
- Depute head teacher
- Head teacher

The establishment of Principal teacher posts will be determined by a ratio of one Principal teacher post for every six full-time equivalent members of teaching and non-teaching staff. Where a Head Teacher is leading and managing two schools under a shared headship arrangement then a 0.6FTE Principal Teacher is appointed in both schools.

In schools with a roll exceeding 220 pupils a Depute head teacher will be appointed. This post carries the equivalent value of two principal teacher posts. Accordingly the overall entitlement of Principal teacher posts will be reduced by two.

Principal Teacher (PT) Management Time

For those schools which are allocated Principal Teachers, additional management time is allocated on the basis of **0.1FTE** for each PT at scale point 1 and **0.2FTE** for each PT at scale point 2. Thereafter principal teacher management time will be increased by **0.05 FTE** per job sized scale point.

Post	Minimum Management Time
Principal teacher scale point 1	0.1 FTE
Principal teacher scale point 2	0.2 FTE

Deputy Head Teacher (DHT) Management Time

For those schools which are allocated Deputy Head Teachers, additional management time is allocated on the basis of **0.3 FTE** for each DHT.

Post	Minimum Management Time
Depute head teacher	0.3 FTE

HT Management Time

The relevant Education Management Circular (currently 2.03) sets out the sub-formula for the calculation of Head teacher management time (at Appendix 1 of the circular) within the overall teaching staff entitlement. This table is outlined below:

Core Teaching Staff (FTE)	HT Management Element (FTE)	Time Allocation (based on a 35 hour week i.e. 5 days x 7 hours)
1 – 1.9	0.2	7 hours
2 – 2.9	0.29	10 hours 09 minutes
3 – 3.9	0.38	13 hours 18 minutes
4 – 4.9	0.47	16 hours 27 minutes
5 – 5.9	0.56	19 hours 36 minutes
6 – 6.9	0.65	22 hours 45 minutes
7 – 7.9	0.74	25 hours 54 minutes
8 – 8.9	0.83	29 hours 03 minutes
9 – 9.9	0.92	32 hours 12 minutes
10 – 10.9	1.01	35 hours 21 minutes
11 – 11.9	1.10	38 hours 30 minutes
12 – 12.9	1.19	41 hours 39 minutes
13 – 13.9	1.28	44 hours 48 minutes
14 – 14.9	1.37	47 hours 57 minutes
15 – 15.9	1.46	51 hours 06 minutes
16 – 16.9	1.55	54 hours 15 minutes
17 - 17.9	1.64	57 hours 24 minutes

Where a Head Teacher is leading and managing two schools under a shared headship arrangement then they are allocated 0.5 fte to each school and are designated non-teaching.

Teacher Absence Cover

This allocation is essentially provided in order to allow schools to bring in cover for teaching staff who are absent. It is not intended to be a source of funding for extra staff or materials.

The number of days Teacher absence cover allocated to each school should be the equivalent of:

= 5.22 fixed days plus 4.30 days for each Teacher FTE

As a result of the Service Choices savings agenda for financial year 2016-17, a further saving was applied to Teacher absence cover on a pro-rata basis, which reduced the total budget allocation to schools. As a result of this, the formula above is no longer the current basis of budget allocation. A review is currently underway through the Education Budget Working Group to agree the revised basis of the formula allocation going forward. This document will be amended to reflect the outcome of this.

The budget allocations for cover days are currently based on the cost of a teacher at the top of the basic teacher scale. This approach dates back to an earlier time when most teachers employed for cover would be paid at this rate. Due to changes to terms and conditions introduced in 2011, many cover days are now paid below this rate.

Pre-Five Units

If the school has a pre-five unit attached to it a further allowance will be given for teacher input time depending on the number of places involved. Whilst this provides the school with some additional flexibility, and is managed as part of the overall school staffing within the Head teacher's control, the pre-Five teacher allowance is budgeted and accounted for against the pre-five unit cost centre rather than that of the school. Historic management time allocations are currently operating in ELCC establishments. These management time allocations will be adjusted to reflect current Scottish Government policy.

Newly Qualified Teachers

Special additions may be included in school entitlements for newly qualified teacher placements. For newly qualified teachers being placed into vacancies the allowance is currently 0.28 FTE (0.18 FTE to cover class contact shortfall – i.e. newly qualified teachers are only expected to fulfil 18.5 of 22.5 hours class contact time - and 0.1 to provide mentoring). Where a newly qualified teacher is 'fully-funded' by the Scottish Government, an additional 1.1 FTE cost will be added to the staffing budget.

Teacher Entitlement (FTE) Adjustments

Once the teaching establishment of each school has been determined, including promoted posts, the corresponding financial budget is calculated. This is done by entering details of each post/postholder onto a staffing 'template'. This is routinely a large Excel workbook which holds details of posts at each school, the staff filling these posts (if known), their grades, salary scale points and any allowances such as those for island/remoteness or first aid qualifications. It also includes formulae for calculating Employer's National Insurance and Superannuation contributions. Extracts from this staffing template form an essential part of the budget monitoring process as they explain the detail behind the financial budget figures and also allow variances to be identified by comparing actual staff being paid with those budgeted.

One point to note about this method of budget preparation is that when all details of current teaching staff in a school (according to latest payroll records) have been entered onto the staffing template, there may be differences between the related current total FTE and the total FTE according to the entitlement calculation. In such cases an FTE adjustment will be entered as additional posts (or part thereof) costed at the top of the basic teacher scale. Where these FTE adjustments are positive (i.e. the current FTE is less than entitlement) these are additions available for the school to use. However where the FTE adjustments are negative (i.e. the current FTE is more than entitlement) schools must be aware that action is required on their part to bring actual staffing in to line with entitlement, as soon as possible, otherwise an overspend will arise and continue to grow as the year progresses.

Local Government Employees

Local Government employees provided in the Primary school budget will normally include Clerical Assistants, Classroom Assistants, Pupil Support Assistants and Janitors.

Clerical Assistants

The total number of weekly clerical assistant hours allocated to each school is based on the following formula bandings:

Band	Pupil Roll including FTE Pre-5s	Hours of Clerical Assistant Allocation
1	0-19	16.50
2	20-50	21.50
3	51-75	26.00
4	76-100	28.50
5	101-150	33.25
6	151-200	42.75
7	201-250	52.25

8	251-300	61.75
9	301-350	76.00
10	351-400	90.25
11	401-450	104.50

Classroom Assistants

The total number of weekly Classroom Assistant hours allocated to each school is based on the formula:

= Number of classes x 4.75 hours (rounded up to the nearest 0.25) with a **minimum floor allocation of 5 hours**.

In practice there may be some discretion exercised by Education Management as to when schools will receive a change in allocation arising from a change in the number of classes. Schools however should plan to staff in accordance with the formula entitlement as set out within this DSM scheme.

Pupil Support Assistants

The total number of weekly Pupil Support Assistant hours allocated to each school was historically based on a banding formula which is currently under review through the Education Budget Working Group.

Absence Cover for Local Government Employees

In the budget calculation for school-based local government employees (excluding Janitors) within Primary schools, a 4% budget addition is included for each post in respect of absence cover. Rather than leave such small amounts at the disposal of each school, which would likely be inadequate to cover periods of absence, these additions are pooled together to create cluster totals that can be operated more effectively by the AFAs. Therefore Primary schools should consult with their AFAs in the first instance if they need cover for local government employee absences.

Janitors

Janitor staff transferred from Customer Services to Education in 2011. Janitor budgets are essentially based on the details of the actual posts transferred at that time. There is a small centrally held budget for Janitor absence cover and any requests for cover should be discussed with the cluster AFA in the first instance and then routed via them to Education Management.

School Discretionary Budget

This allocation formula was based on the general concept that all schools require finance for basic establishment expenditure irrespective of the number of pupils however schools will also have expenditure that is mainly driven by pupil numbers. The values in the formula are only intended to reflect that there is such a split, rather than prescribe how schools should use this allocation.

Following a review in 2012, the allocation for Primary schools is calculated as:

= £4,000 per school plus £32 per pupil x 86% (routinely based on the most recent pupil census figures when the budget is being calculated).

The 86% factor applied to this formula allocation relates to a budget saving reduction applied.

As a result of the Service Choices savings agenda for financial year 2016-17, a further saving was applied to School Discretionary budgets on a pro-rata basis, which reduced the total budget allocation to schools. As a result of this, the formula above is no longer the current basis of budget allocation. A review is currently underway through the Education Budget Working Group to agree the revised basis of the formula allocation going forward. This document will be amended to reflect the outcome of this.

Use of PE Facilities

The delivery of PE in Argyll and Bute must reflect the Scottish Government's commitment that every school pupil in Scotland will benefit from at least two hours per week of physical education in primary school, and two periods in S1 to S4.

The overall funding for the use of PE facilities has been subject to significant saving reductions in recent years. The remaining balance available for distribution is now allocated on the basis of an Education Management assessment. Priority is given to those schools which have limited or no facilities on their premises to deliver basic PE activities and therefore require additional funding for hire of facilities and any related transport costs. This budget may only be used for the use of PE facilities and related transport costs.

Other Budgets Allocated to Schools

There are several other budgets devolved to each school which are not regarded as being within the direct control of the Head teacher and therefore not available for use. These include premises-related items such as Electricity, Heating Oil, Gas, Water, telephone line and rental costs, school meal costs and related income. The reason for allocating these budgets to individual schools is to achieve a more realistic cost of running each establishment. Head teachers, in their capacity as budget holder, are however expected to be aware of the cost behaviour associated with these cost types and should raise appropriate query with the Community Services finance team where variations/deviations from budget exist.

Please note that formulas may be subject to review in line with Corporate Budget decisions.

SECONDARY SCHOOL BUDGET CALCULATIONS

Teachers

The teacher staffing budget within Secondary schools is based on an allocation to cover the basic number of full time equivalent (FTE) teacher posts plus an allocation to cover the additional cost of the promoted element of the staff in the schools promoted post structure.

Basic Teacher Entitlement

The total teacher FTE posts that a Secondary school is entitled to is currently based on the following formula. This formula has two parts. Firstly, there is an element which is directly related to the number of pupils:

$$= \text{Pupil roll} \times 0.06 \times 95\%$$

Secondly, there is a fixed stepped element which is related to the size banding of which the total school roll falls within:

Pupil Roll Banding	FTE Allocation
1-499	9.85 x 95%
500-999	10.00 x 95%
1000-1499	10.25 x 95%

The 95% factor applied to these allocations relates to a historic budget saving reduction applied.

Mid-Year Adjustments

The pupil roll figures used in these calculations will normally be those from the most recent census prior to the commencement of the budget preparation exercise. The pupil rolls for September of one year therefore will be used as the basis of the teacher entitlement to be in place from April the following year through to March in the year after that. In previous years, adjustments to teacher entitlements for the new school year would have been applied based on the updated rolls from the census of the September in that financial year. Following representations from Head teachers, these so-called mid-year adjustments were discontinued on the basis that they were applied too late in the school year to assist with staff planning. However, due mainly to pressures on the budgets caused by exceptional adjustments being made for increases but not decreases, mid-year adjustments have been re-instated.

Promoted Structure

Schools should operate on the basis of reasonable, sustainable promoted structures agreed between Head teachers and Education Management. These structures should be revised every 3 years and in line with School Plans. Promoted posts may be subject to job-sizing at the discretion of the Executive Director of Community Services in line with national guidelines.

Teacher Absence Cover

This allocation is essentially provided in order to allow schools to bring in cover for teaching staff who are absent. It is not intended to be a source of funding for extra staff or materials.

The number of days Teacher cover allocated to each school should be the equivalent of:

= 2.38 fixed days plus 4.27 days for each Teacher FTE

As a result of the Service Choices savings agenda for financial year 2016-17, a further saving was applied to Teacher absence cover on a pro-rata basis, which reduced the total budget allocation to schools. As a result of this, the formula above is no longer the current basis of budget allocation. A review is currently underway through the Education Budget Working Group to agree the revised basis of the formula allocation going forward. This document will be amended to reflect the outcome of this.

The budget allocations for cover days are currently based on the cost of a teacher at the top of the basic teacher scale. This approach dates back to an earlier time when most teachers employed for cover would be paid at this rate. Due to changes to terms and conditions introduced in 2011, many cover days are now paid below this rate.

Additional Teacher Staffing

In addition to the basic Teacher FTE, schools may be allocated further entitlements for specific purposes. Historical additional allocations to schools have included those for alternatives to exclusion and chronic illness cover.

Newly Qualified Teachers

Special additions are also applied for newly qualified teacher placements. For newly qualified teachers being placed into vacancies this allowance is currently 0.28 FTE (0.18 FTE to cover class contact shortfall – i.e. newly qualified teachers are only expected to fulfil 18.5 of 22.5 hours class contact time - and 0.1 FTE to provide mentoring).). Where a newly qualified teacher is ‘fully-funded’ by the Scottish Government, an additional 1.1 FTE cost will be added to the staffing budget.

Teacher Entitlement (FTE) Adjustments

Once the teacher establishment of each school has been determined, including promoted posts, the corresponding financial budget is calculated. This is done by entering details of each post/postholder onto a staffing ‘template’. This is routinely a large Excel workbook which holds details of posts at each school, the staff filling these posts (if known), their grades, salary scale points

and any allowances such as those for island/remoteness or first aid qualifications. It also includes formulae for calculating Employer's National Insurance and Superannuation contributions. Extracts from this staffing template form an essential part of the budget monitoring process as they explain the detail behind the financial budget figures and also allow variances to be identified by comparing actual staff being paid with those in the budget.

One point to note about this method of budget preparation is that when all the details of the current teacher staff in a school (according to latest payroll records) have been entered onto the staffing template, there may be differences between the current total FTE and the total FTE according to the entitlement calculation. In such cases an FTE adjustment will be entered as additional posts (or part thereof) costed at the top of the basic teacher scale. Where these FTE adjustments are positive (i.e. the current FTE is less than entitlement) these are additions available for the school to use. However, where the FTE adjustments are negative (i.e. the current FTE is more than entitlement) schools must be aware that action is required on their part to bring actual staffing into line with entitlement as soon as possible otherwise an overspend will arise and continue to grow as the year progresses.

Local Government Employees

Local Government employees in the Secondary school budget will normally include Clerical Assistants, Classroom Assistant and Janitors.

Clerical Assistants

The total number of weekly clerical assistant hours allocated to each school is based on the following formula bandings:

Band	Pupil Roll	Hours of Clerical Assistant Allocation
1	0-19	16.50
2	20-50	21.50
3	51-75	26.00
4	76-100	28.50
5	101-150	33.25
6	151-200	42.75
7	201-251	52.25
8	251-300	61.75
9	301-350	76.00
10	351-400	90.25
11	401-450	104.50

12	451-500	118.75
13	501-750	147.25
14	751-1000	175.75
15	1001-1250	204.25
16	1250+	232.75

Senior Clerical Assistants are not included in the above formula but are allocated at the discretion of Education Management in relation to specific workloads and other senior administration staffing at the schools i.e. AFAs.

Classroom Assistants

The total number of weekly Classroom Assistant hours allocated to each school is based on the formula:

= 27.5 hours plus (Pupil Roll x 0.17) hours (rounded up to the nearest 0.25).

In practice there may be some discretion exercised by Education Management as to when schools will receive a change in allocation arising from a change in the number of classes. Schools however should plan to staff in accordance with the formula entitlement.

Absence Cover for Local Government Employees

In the budget calculation for school-based local government employees (excluding Janitors) at Secondary schools, a 4% budget addition is included for each post in respect of absence cover. These additions form an integral part of the local government employee budget total at each Secondary school.

Janitors

Janitor staff transferred from Customer Services to Education in 2011. The Janitor budgets are essentially based on the details of the actual posts that transferred. There is a small centrally held budget for Janitor absence cover and any requests for cover should be discussed with the cluster AFA in the first instance and then routed via them to Education Management.

School Discretionary Budget

This allocation formula was based on the general concept that all schools require finance for basic establishment expenditure irrespective of the number of pupils however schools will also have expenditure that is mainly driven by pupil numbers. The values in the formula are only intended to reflect that there is such a split, rather than prescribe how schools should use this allocation.

Following a review in 2012 the allocation for Secondary schools was calculated as:

= **£25,000 per school plus £73 per pupil x 86%** (routinely based on the most recent pupil census figures when the budget is being calculated).

The 86% factor applied to these allocations relates to a budget saving reduction applied.

As a result of the Service Choices savings agenda for financial year 2016-17, a further saving was applied to School Discretionary budgets on a pro-rata basis, which reduced the total budget allocation to schools. As a result of this, the formula above is no longer the current basis of budget allocation. A review is currently underway through the Education Budget Working Group to agree the revised basis of the formula allocation going forward. This document will be amended to reflect the outcome of this.

Use of PE Facilities

The overall funding for the use of PE facilities has been subject to significant saving reductions in recent years. The remaining balance available for distribution is now allocated on the basis of an Education Management assessment. Priority is given to those schools which have limited or no facilities on their premises to deliver basic PE activities and therefore require additional funding for hire of facilities and any related transport costs. This budget may only be used for the use of PE facilities and related transport costs.

Examination Fees

The cost of fees for pupils sitting SQA examinations will be charged directly to their respective school. Specific budget will be allocated for this expenditure and schools will not normally be required to find funds from their main allocation nor will they be able to use any underspend from the exam fees budget. Schools will however be responsible for the costs of dual presentations, late entry changes, clerical checks, marking reviews and priority marking reviews from their discretionary allocations. Further guidance can be accessed from the SQA using the following hyperlink.

<http://www.sqa.org.uk/sqa/65427.html>

Other Budgets Allocated to Schools

There are several other budgets devolved to each school which are not regarded as being within the direct control of the Head teacher and therefore not available for use. These include premises-related items such as Electricity, Heating Oil, Gas, Water, telephone line and rental costs, school meal costs and related income. The reason for allocating these budgets to individual schools is to achieve a more realistic cost of running each establishment. Head teachers, in their capacity as budget holder, are however expected to be aware of the cost behaviour associated with these cost types and should raise appropriate queries where variations / deviations from budget exist.

Please note that formulas may be subject to review in line with Corporate Budget decisions.

SPECIAL SCHOOLS AND LEARNING CENTRES

The budgets for special schools and learning centres are subject to the Scheme of Devolved Management however rather than being calculated by formulas, their resource allocations are essentially by professional assessment of need based on expected service demand.

BUDGET MONITORING ARRANGEMENTS

Schools will incur expenditure across the financial year either actively (e.g. by placing purchase orders for goods and services) or passively (e.g. by the payroll costs of their in-post staff being processed automatically through the payroll system). **The key principle of financial control is that schools should only incur expenditure for which they have corresponding uncommitted budget.**

Schools are issued with monthly budget monitoring reports showing spend to date, budget allocated to date and annual budget. They are also supplied with detailed monthly payroll reports showing cost details of all staff being charged to their budgets. In addition, all cluster AFA's have access to the Council's financial reporting system (Oracle Discoverer), which will allow them to run monitoring reports at any time and to identify the transactions which underlie any accounting total.

Head teachers should be assisted by their cluster AFA (Administration and Finance Assistant) and nominated Finance Contact (Strategic Finance) throughout the financial year for regular budget monitoring and to help them identify, explain and resolve any significant differences between actual and budgeted expenditure.

In the Council's financial reporting system, all expenditure is allocated to its appropriate accounting month. Therefore in order to monitor the progress of actual expenditure against corresponding budget and identify variances, it is important to have budget also allocated to separate accounting months (i.e. profiled) across the year.

Schools will generally only need to profile budget for the expenditure which they actively incur. The budget for all other expenditure including permanent staff and premises costs will normally be profiled centrally by Finance staff, based on the expected pattern of actual expenditure.

The comparison of year-to-date actual expenditure against year-to-date budget can be a useful indicator of whether progress is on target or whether any intervention is required. This is particularly the case where the profile of expenditure can be accurately assessed from the outset (as in the case of permanent staff). Year-to-date information on its own however can be of limited value, or even misleading, unless one also takes account of what is likely to arise in the remainder of the financial year. It is for this reason that budget monitoring in Argyll and Bute Council now focuses primarily on each Budget Holder's assessment of the year-end outturn position.

Where routine budget monitoring alludes to a year-end overspend, which cannot be rectified or offset by transferring uncommitted budget from elsewhere, the Head teacher has a responsibility to report it in writing to the Head of Education, copied to the Community Services Finance Team, immediately. **Unplanned** overspends must be investigated as soon as they are identified and written confirmation should be sent to the Community Services Finance Team outlining the underlying reason for overspend and a detailed plan of how this will be addressed. Any **planned**

overspends must be approved in writing by the Head of Education, prior to expenditure being committed.

Head teachers, with assistance from their Cluster AFA's, should prepare forecast outturns for their respective school budgets based on the position as at the end of month 9 (December) and submit these to the Community Services Finance Team, copied to the School Services Support Manager, by the end of month 10 (January).

VIREMENTS

Where schools wish to use budget for a different purpose from the one to which it was originally allocated, they may arrange to transfer the budget (i.e. 'vire') to a different account line.

The principal reason for processing virements within a school is to ensure there is a reasonable match between budget and actual expenditure. We therefore want to avoid a situation where there are numerous, potentially offsetting over and under-spends, and the overall variance position is unclear.

The virements limits are as follows:

Budget Type	Virement Limit (total)
Employee Costs (including Teacher Cover)	Unlimited. Virements will not be permitted until month 10 (January) when it is clear that uncommitted budget is available for use.
School Discretionary Budget	Unlimited. Virements to Employee lines will be monitored and excessive transfers will be highlighted to the Head of Service where explanations may be required.
Use of PE Facilities	Virements prohibited except to cover related transport costs.
School Carry-Forwards	Virements prohibited.
Other school budgets	Virements prohibited.

When requesting virements, schools should ensure that there are no outstanding commitments against the budget which they propose to transfer. For proposed staffing virements, including teacher cover, Head teachers in conjunction with their Cluster AFA, should submit a case to the Community Services Finance Team explaining how the underspend has been calculated. They must

also be sure that unspent staffing budget to date will not be offset by future overspends, perhaps arising from an unplanned level of absence cover. This means that staffing virements should not be submitted until month 10 (January), when forecast underspends will be more certain.

It is imperative that no budget should be transferred out to an area where there is an ongoing commitment into future years, e.g. diverted funds cannot be used to permanently increase staffing levels as the source of funding cannot be guaranteed in future years. This principle also applies to temporary grant funding. If schools do this, they will be deemed to have accepted full financial risk.

YEAR-END CALCULATIONS

In accordance with the principles of devolved school management Argyll and Bute Council adheres to the principle of local flexibility which states that, as the financial year does not run concurrently with the academic year, it is considered good practice to allow establishment Head teachers the ability to carry forward funds. This in effect means that Argyll and Bute schools will be able to transfer unspent budget from one financial year to the following financial year subject to various conditions as follows:

The carry-forward facility relates only to budgets that are deemed to be under the direct control of the Head teacher. This therefore essentially includes all staff costs (i.e. all account codes starting with 0 except those relating to insurance which are applied centrally) plus the school discretionary budget, taking account of the fact that this may have been distributed (vired) to various other non-staff account lines.

As the use of PE facilities budget is based on an education management audit assessment, no underspend may be carried forward, any overspend however will be taken into account and deducted from total carry-forward. The Head teacher, in conjunction with their cluster AFA, should immediately advise the Community Services Finance Team of any projected underspend within their PE allocation, as this will be withdrawn for redistribution.

The calculation must also take account of any overspends on controllable budgets to ensure the carry-forward does not leave the whole controllable budget in a net overspend position. This is not acceptable.

The carry-forward calculation looks individually at the categories of payroll costs and discretionary non-payroll costs:

- Where both categories are underspent at the year-end, the respective balances are carried forward into the corresponding carry-forward budget codes in the following year.
- Where one category is underspent and the other overspent however the net position is still an underspend, the net balance is carried forward and allocated to the carry-forward budget code of the category which had been underspent.
- Where one category is underspent and the other overspent and the net position is an overspend, no carry forward is made.

- Where both categories are overspent, no carry forward is made.

Budgets carried forward into the subsequent year must be utilised as soon as possible and must be entirely utilised within that year. Any surplus budget remaining within the carry-forward line at the year-end will not be permitted carry-forward again.

It should however be noted that as all carry-forwards are subject to Council approval, the allocation of carry-forward balances to schools will be dependent on the overall year-end position of the Education Service and the Council as a whole as well as the demands of any future year saving targets.

At present, if a school overspends in one year this does not have any impact on its budget for the following year – despite the fact that national DSM guidelines indicate that deficits should be carried forward. This is justified on the basis that any such overspend is most likely to have been beyond the control of the Head teacher. However, such assumptions are subject to investigation and verification. Therefore, in line with national DSM guidelines, deficits will be carried forward – subject to justification and approval by Education Services.

CAPITAL ITEMS REPLACEMENT FUND (Repairs and Renewals)

The capital items replacement fund (CIRF) is a tool available to schools that provides Head Teachers with the opportunity to place annual revenue funding into Council reserves in order to allow planning for larger areas of investment in the future to meet the needs of the school.

The CIRF enables Head Teachers to essentially ‘save up’ for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining and renewing any buildings, works, equipment or articles belonging to the school. This allows resources to be more efficiently managed and offer greater flexibility and control of budget at a local level within the principles of the scheme.

For contributions to the fund, a CIRF contribution form (attached as Appendix 1) should be completed by the Headteacher, with assistance from the cluster AFA, and be submitted to the Community Services Finance Team in month 12 (March). Head Teachers are required to submit and hold relevant spending plans to enable the contribution to reserves to be made at the end of the financial year and these plans will be subject to Education Management approval.

For withdrawals from the fund, a CIRF withdrawal form (attached as Appendix 2) should be completed by the Headteacher, outlining the nature of spend in line with relevant spending plans, and be submitted to the Community Services Finance Team, routed via their cluster AFA.

CIRF balances will be reviewed regularly by Education Management to ensure that valid supporting spending plans are held and expenditure is being incurred in line with them.

PROCUREMENT

'Procurement' is the process we follow when purchasing works, goods and services. This term applies to all aspects of the purchasing process, from the identification of a need to purchase, to the end of the contract or useful life of the item.

All purchasing must take place in accordance with the Council's statutory duty to secure best value under the Local Government in (Scotland) Act 2003. Best Value means choosing a supplier that offers the best balance between the whole life cost (from acquisition to disposal) of goods and services against predefined requirements (which include quality) and this takes into account savings from collaborating with other public bodies and from streamlining the procurement process.

The Council must also adhere to the requirements of the Procurement Reform (Scotland) Act 2014, and the EU Procurement Directives. Council staff members engaged in procurement activity must comply with the Council's Contract Standing Orders, the Financial and Security Regulations, and the approved Council Procurement Strategy and Procurement Manual.

It is recognised that Devolved Management of Resources (DMR) applies to schools. However the above requirements still apply to all education staff. Head Teachers are empowered to determine the purchasing requirements for their schools within the budgets devolved to them. Where pre-existing contracts are in place, which cover such requirements, these must be utilised on every occasion in order to ensure best value is being obtained. Head Teachers (and their authorised delegates) will be enabled to place orders under such contracts through the PECOS system. Where there are no pre-existing contracts which meet their requirements, Head Teachers are required to place requisitions for their requirements with the Education Purchasing Team who will source best value goods and services on their behalf.

The Education Purchasing Team (EPT) has a duty to respond promptly to the requirements of head teachers and ensure that suitable goods and services are sourced at best value to meet those requirements. The EPT will co-ordinate and consolidate similar requirements across schools wherever possible in order to achieve best value.

Certain small value purchases can also be made by schools through authorised purchasing card payments. This is subject to agreed limits and categories which are agreed for each card with the cardholder. Such purchases must be made in accordance with the agreed terms and conditions attached to the card use.

Any queries relating to any aspect of Procurement for Education should be addressed to Emma Graham/Christine Todd, Category Management Officer or Anne MacColl-Smith, Procurement and Commissioning Manager.

DONATIONS

Where a school receives money from a third-party, e.g. Parent Council or school fund, to allow the school to make corresponding additional expenditure, this is treated as a donation. The income received should be credited to the Donations account line. Budget increases can then be processed

to the Donations account and the expenditure account against which the additional funding will be spent.

PURCHASES ON BEHALF OF PUPILS

Under Appendix 3 of Standard Circular 1.10 (General Purpose Fund Procedure Manual), schools may purchase equipment on behalf of pupils, provided this meets all the relevant conditions specified in the circular. This allows pupils to obtain the financial advantage of the Council's special VAT reclaim status. Under this arrangement, the Council expenditure and the corresponding income from the pupil should be offset against the same account line. This is just about the only situation where such netting-off is permitted. It is important that both sides of the transaction take place as close together in time as possible to avoid any imbalances appearing.

GRANTS

The Education service can be offered, or can bid for, additional external funding over and above their mainstream Council budget allocation. These are ordinarily referred to as 'Grants'. Grants are offered by various organisations, such as the Scottish Government, The Big Lottery and Scottish Arts Council, etc.

The Education Management team approve acceptance of these grants and appoint a budget holder. The budget holder may devolve part of the grant funding to schools or ask schools to bid for funding.

Grant funding must be spent within the terms and conditions of each individual awarding body and within the timescales set by them. No carry forwards are permitted unless written approval is obtained from the awarding body.

If a Head teacher wishes to bid for additional funding from external bodies a copy of the bid must be sent to the Education Manager and respective Finance Contact. You should advise your Education Manager and respective Finance Contact if the bid has been successful or not. Projections for the year-end position pertaining to grants must be provided to your Finance Contact in advance of the year-end.

VAT

VAT-related issues / queries will arise frequently both internally and from schools. VAT can be problematic because it is complex and occasionally subject to change. Unless completely sure of the answer to a VAT issue, the recommended action is to refer it to the Council's VAT officer who will normally refer it to the Council's VAT advisors.

Donations:

The most common issue to arise from the schools is how non-Council parties can take advantage of the Council's 'section 33 status' which allows it to reclaim VAT incurred in carrying out activities which are non-business and outside the scope of VAT. There have been many different approaches to this issue depending on the exact circumstances of each case however essentially these have evolved into a single procedure which appears to be acceptable to all parties including auditors. This

involves the third party (i.e. school fund, parent Council or external donor etc.) paying money to the school which it then treats as a donation. This involves the actual income being coded to Donations account 62290. This in turn allows the school to increase the budget in account 62290 and also an appropriate expenditure account by the corresponding amount. The school can then make actual expenditure, at some point, against this increased expenditure budget. This will be regarded as school expenditure, like any other, and will mean that any VAT can be reclaimed by the Council. As far as the accounting system is concerned, there is no necessary relationship between the donation and the resulting expenditure, albeit there may have been such an underlying intention. The only things to watch out for in such an arrangement is that there are no factors involved which appear to contradict what appears in the accounting system. For example, there should be nothing in any donation documentation to suggest that this is anything but a gift for the school to spend for the benefit of the school and pupils (i.e. the donor should not get any part of whatever is purchased). Any resulting orders must be placed by the school and not the donor. Resulting goods or services must be supplied direct to the school and not the donor. The school should retain clear ownership of any items purchased. The whole point about this process is that it ensures that the transactions are actually in accordance with the VAT regulations rather than just being made to appear so. Standard Circular 1.10 on school funds sets out conditions whereby goods purchased by the Council may still be owned by the school fund however this is not an issue which has arisen as far as we are aware and the preferred approach is still for the school to own any items purchased.

Education Non-Core Purchases:

Standard Circular 1.10 on school funds (appendix 3 par 9) sets out the conditions on the resale of goods purchased by schools (for which VAT will have been reclaimed). This is important as some schools or individuals will seek to use the Council's VAT status to obtain goods for personal use at a price excluding VAT. These guidelines are fairly clear and are generally understood by AFAs and schools. Few issues arise unless they are raised by someone new to the process. The actual accounting procedure is to charge both the cost of the items and the related income to account code 29906 (Education non-core purchases). This is just about the only account which permits the netting of expenditure and income (i.e. there is no need for budgets presumably on the basis that the money is just passing through the Council's accounts rather than being proper Council income and expenditure). This is a long established practice which is generally acceptable to auditors. The main accounting problem is where there is a timing difference between the expenditure and income. Ideally AFAs should ensure that there are no balances on account 29906 as the postings should be made as close together as possible (i.e. expenditure should only be charged to this account when offsetting income will be received soon thereafter).

School Photographs:

VAT on school photographs is an issue which comes up very occasionally. Current guidance is available from various sources including the HMRC website. Usually the problem centres around trying to clarify exactly what role the Council plays in the process. Normally, but not always, the school photographer will effectively give the school some level of commission payment (either directly or as the net result of money collected and that actually taken by the photographer). Any such commission payment is seen as a business activity and is therefore deemed to contain an

element of VAT. The schools and AFAs are normally aware of this and know that when they are coding the income they need to code the appropriate element to the VAT code.

EDUCATION SERVICE - ARGYLL & BUTE COUNCIL

2016 - 2017

CONTRIBUTION TO CAPITAL ITEMS REPLACEMENT FUND



SCHOOL ESTABLISHMENT	
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	Cost Centre	Account	Amount
LEDGER CODE (ORACLE)			

	Current Balance	Contribution	New Balance
Totals	£0.00	£0.00	£0.00

CONTRIBUTION SPENDING PLAN

CONTRIBUTION SPENDING PLAN

The Capital Items Replacement Fund can ONLY be used to replace or renew equipment of a capital nature, such as computers, PE equipment, lathes, furniture and mini-buses. The fund CANNOT be used to finance the appointment of staff posts or purchase consumable items.

SCHOOL ESTABLISHMENT:

	NAME	DESIGNATION	SIGNATURE	DATE
Completed:				
Authorised:				

FINANCE DEPARTMENT ONLY:

	NAME	DESIGNATION	SIGNATURE	DATE
Checked:				
Authorised:				

EDUCATION SERVICE - ARGYLL & BUTE COUNCIL



2016 - 2017

WITHDRAWAL FROM CAPITAL ITEMS REPLACEMENT FUND

SCHOOL ESTABLISHMENT

	CURRENT BALANCE	WITHDRAWAL	NEW BALANCE
AMOUNT			

WITHDRAWAL SPENDING PLAN															

The Capital Items Replacement Fund can ONLY be used to replace or renew equipment of a capital nature, such as computers, PE equipment, lathes, furniture and mini-buses. The fund CANNOT be used to finance the appointment of staff posts or purchase consumable items.

BUDGET ALLOCATION:			BUDGET PROFILE												
COST CENTRE	ACCOUNT	AMOUNT	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	CHECK
															0
															0
															0
															0

SCHOOL ESTABLISHMENT:

	NAME	DESIGNATION	SIGNATURE	DATE
Completed				
Authorised				

FINANCE DEPARTMENT ONLY:

	NAME	DESIGNATION	SIGNATURE	DATE
Checked				
Authorised				