

Financial Management in Education and Library Boards

Belfast and South Eastern Boards

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A Introduction

A.1 Terms of Reference

A.1.1 The Terms of Reference for this Statutory Inquiry were issued by Mr G McGinn, the Permanent Secretary of the Department of Education for Northern Ireland, on 10th November 2004. A copy is given in Appendix 1. It is a Statutory Inquiry under Article 108 of the Education and Libraries (NI) Order, 1986.

A.1.2 In the light of recent overspends the main emphasis was stated as:-

- the adequacy of financial controls,
- whether the responsibilities and accountabilities of each Board were discharged appropriately and effectively, and
- the extent to which the Chief Executives fulfilled their Accounting Officer responsibilities.

A.1.3 Following discussion with Dr E Rooney it was agreed that the Inquiry would concentrate on recurrent expenditure matters without including the management of capital projects.

A.2 Methodology

A.2.1 The Inquiry was carried out by examining relevant papers and taking evidence from appropriate Board members and officials.

A.2.2 Having been set up as a Statutory Inquiry, all evidence, both oral and in writing, given to me has been taken as factually correct with no material information having been withheld. Interviewees were informed of this position and given an opportunity to check the record of their evidence. A number inserted, at this stage, additional material, not all of which was relevant to determination of the Terms of Reference but which has been allowed to remain. Many witnesses concentrated on action taken after May 2004. Some were only appointed to their present posts after that date. No audit to check propriety or regularity of income or expenditure has been performed.

A.2.3 As the Terms of Reference mentioned specifically the role of Boards and Chief Executives, the Inquiry concentrated on high level operations and decision taking at these two levels. Where necessary information was also sought from senior management.

A.2.4 Given the size of membership of each Board and that they are expected to operate corporately, interviews were confined to the Chairmen, Chairs of their General Purposes and Finance Committees and Chairs of their Audit Committees.

A.2.5 Prior to this Inquiry the South Eastern Board (SEELB) had asked PricewaterhouseCoopers (PWC) to review the current financial management arrangements and to recommend improvements. The consultants' report of

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14th September 2004 was made available to the Inquiry. Deloitte's were asked to perform certain procedures regarding the current financial reporting position of the Belfast Board (BELB) on the 24th June version of the 2003/04 accounts. Their report of 1 October 2004 was also made available.

A.2.6 The above consultants' reports were specified by them as not audits and reliant largely on information and comment from Board staff without further checking. Their findings have been used in this report to assist understanding of the detailed financial systems and controls in operation in the Boards and an analysis of the problems which had been encountered. This Inquiry has not involved itself in a detailed examination of financial management systems and controls and budget monitoring etc. operating below the level of the Chief Executive (CE) and second tier officers of the Boards.

A.2.7 Much of the requirements are similar for each Board and where possible these are dealt with in general sections of the report. Matters specific to a particular Board or its staff are covered in separate sections. Relevant points from the examination of papers and witnesses are summarised in Part 2 for the BELB and Part 3 for the SEELB. The findings and recommendations in subsequent Parts are based on the totality of documents examined and evidence given. The remainder of the report retains separate Parts for each Board. Where similar requirements were imposed or taken by both Boards the Footnote references will normally only refer to one of the relevant documents.

A.3 Acknowledgements

A.3.1 The assistance of all those who gave evidence or provided papers is gratefully acknowledged. The names of those who gave evidence are listed in Annex 2.

A.3.2 Special thanks are due to Ms L Armstrong, secretary to the Inquiry.

B Accountability and Responsibility Standards Boards

B.1 Introduction

B.1.1 The following paragraphs summarise the main accountability and responsibility standards required of Education and Library Boards (ELBs) in the conduct of their public duties.

B.2 Board duties

B.2.1 Board members have corporate responsibility¹ for ensuring the Board's activities are consistent with its legislative functions and that it complies with administrative requirements for the use of public funds. This includes:-

- establishing overall direction within the policy and resources framework agreed,
- ensuring all activities are within the limits of statutory authority and any delegated authority agreed with DENI and other conditions relating to the use of public funds,
- participating in any departmental review of the Board,
- appointing, with DENI approval, the CE who shall be secretary of the Board.

B.3 Standards of Service

B.3.1 An overall aim of the Boards² is to provide or to secure the provision of high quality nursery, primary and secondary education and youth services for the people in the area which they serve by making the best possible use of the resources made available to them in a way which ensures equality of opportunity. Members are committed to the 9 Nolan Principles of Public Service Delivery.

B.4 Planning, Budgeting and Control

B.4.1 Each Board has to submit triennially to DENI a Corporate Plan³ covering the incoming 3 financial years. It has to agree the issues to be addressed and the resource assumptions and timetable with DENI. This Plan, subject to periodic review, should report on important issues relating to performance and targets and is agreed with DENI. Planning is further subject to preparation of a financial scheme entitled the Resource Allocation Plan (RAP) giving the proposed annual distribution of allocated resources and the Board must not incur expenditure otherwise than in accordance with a RAP approved by DENI. The latter plan is revised during the year.

¹ Management Statement for the SEELB 2000/2001; Responsibilities and Accountabilities

² Management Statement for the SEELB 2000/2001; Aims and Objectives

³ Management Statement for the SEELB 2000/2001; Responsibilities and Accountabilities

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B.4.2 The Board, through its CE, must notify DENI immediately and formally if it becomes apparent at any time that an overspend of its approved budget allocation is likely to occur or of any underspend of grant-in-aid.

B.4.3 The key objectives and performance indicators in the Management Statement⁴ refer largely to standards of education, equality of opportunity, customer focus and managing the school state. Establishment and maintenance of effective internal control was the main financial indicator.

B.5 Financial memorandum

B.5.1 The DENI Financial Memorandum⁵ lays down the detailed arrangements and conditions for the payment by DENI of grant-in-aid and grant to an ELB. The purpose of these arrangements is to ensure that funds are used economically, efficiently and effectively and to delineate the respective responsibilities of DENI and the Board. It describes the arrangements the Board should have in place for planning, budgeting and control of resources, and for monitoring and assessing the results obtained.

B.6 Planning and resources

B.6.1 When the Department advises the Board of financial allocations in December/January for the following financial year It endeavours to give the Board indicative figures for two years. The Board then has to submit an initial Resource Allocation Plan⁶ taking account of the Department's allocation, the Board's current financial position and any other estimated income for approval by 31 March. This business plan (RAP) details the Board's planned net expenditure on all their services and states its objectives with key performance targets which are to be reviewed at mid and end year.

B.6.2 A revised RAP is required by 30 September and a final one in late March.

B.7 Regulation of Board expenditure

B.7.1 The Board should have in place⁷ effective financial management systems to enable it to allocate and plan its use of resources to deliver the agreed objectives. In general it has authority to incur expenditure as approved in the RAP without further reference to the Department. At 31 March any undrawn balance of grant-in-aid may, unless it is higher than 2% of the Board's total for the year, be carried forward into the next financial year. Any cash balance of grant not drawn cannot be carried forward.

B.8 Accounts

⁴ Management Statement for the SEELB 2000/2001; Responsibilities and Accountabilities, Annex B

⁵ DENI Financial Memorandum for BELB 2000/2001, Introduction

⁶ DENI Financial Memorandum for BELB 2000/2001, Planning and Resources

⁷ DENI Financial Memorandum for BELB 2000/2001, Regulation of the Board's expenditure

B.8.1 The Board's accounts must be prepared⁸ in accordance with such Accounts Directions as the Department, with approval of DFP, may issue from time to time. The Board is responsible for appointing an Audit Committee which should report annually on the state of the Board's finances and the adequacy and effectiveness of the Board's systems.

B.9 Financial controls

B.9.1 The Board must maintain an appropriate system⁹ of financial management.

B.10 Actions of the Board

B.10.1 The Board should act¹⁰ in accordance with the requirements of propriety or regularity, including the provisions of the Board's Financial Memorandum or other documents setting out the financial duties of the Board, or of any Government Accounting Northern Ireland (GANI) or other rules governing the conduct of the Board.

B.11 Schools' Delegated Budgets

B.11.1 Under the arrangements for management of delegated budgets of controlled and maintained schools¹¹ Governors have responsibilities for the management of the delegated budget of their school; decide the teaching complement, the allocation of resources to pay for non-teaching staff, and the amounts to be spent on various non-pay budgets. Board responsibility is restricted to:-

- determining the budget and operating the formula for an approved Local Management of Schools (LMS) scheme;
- dealing fairly with the allocation of non-delegated schools expenditure which may be allocated from time to time; and
- making sample checks to ensure the schools operate effective systems of financial planning, management and control.

B.11.2 Provided a school is containing expenditure effectively within its budget total, the CE cannot interfere but he/she has to ensure a school facing difficulties against their allocated budget has appropriate early warning and corrective action systems. The Board, which employs teaching staff in controlled schools and all non-teaching staff, in controlled and maintained schools has to facilitate changes in staffing which a school wishes to make.

⁸ DENI Financial Memorandum for BELB 2000/2001, Reports and Accounts

⁹ DENI Financial Memorandum for BELB 2000/2001, Financial controls

¹⁰ DAO(DFP) 2/95; Responsibilities of a NDPB Accounting Officer.

¹¹ DENI Financial Memorandum for BELB 2000/2001; Appendix 5, Schools Delegated Budgets:

C Accountability and Responsibility Standards Chief Executives

C.1.1 General Government accounting requirements demanded by the Department of Finance (DFP) apply throughout the public sector. These are distributed through a series of Dear Accounting Officer (DAO) (DFP) Letters. Those from 2000 were examined to determine certain aspects of particular relevance to the management of Boards and the type of problem which has been found recently in ELBs.

C.1.2 DAO (DFP) 04/00 gave the procedure for reporting PFI contracts to Parliament. The treatment of fixed assets in accordance with FRS11 and FRS15 in bodies running accruals accounting was covered in DAO (DFP) 05/00. A list of extant DAO (DFP) letters issued as DAO (DFP) 27/02. Among these were various fees and charges guides, Manuals such as Government Accounting and Government Information Systems Audit Manual, NDPB Accounting Officer Memorandum and Standards of Financial Planning, Control and Accountability in N.I. in 1995 and a number dealing with Resource Accounting and Accruals from 1998. Handling fraud was dealt with frequently in DAO letters.

C.1.3 DAO (DFP) 02/01 dealt with the change from the system of Suspense Accounts under cash accounting to the Northern Ireland Resource Accounting Manual (NIRAM) where this type of accounting had to be treated as income or expenditure, or as debtor or creditor balances under Resource Accounting. Incorporation of Statements of Internal Control etc in Annual Accounts and Reports were in DAO (DFP) 05/01 and 10/01 and 25/03.

C.1.4 Reporting of Indemnities for Personal Civil Liability of Board members was covered in DAO (DFP) 16/02. DAO (DFP) 17/02 indicated Contingent Liabilities were to be accounted for in resource accounts in accordance with the relevant accounting standard and DAO (DFP) 19/03 set out further requirements. Late Payment of Commercial Debt Regulations were covered in DAO (DFP) 19/02; Severance terms for Staff in DAO (DFP) 23/02; and Internal Audit arrangements in DAO(DFP) 25/02 and 26/02.

C.1.5 NIRAM was published with the NDPB Guidance, see DAO (DFP) 10/03. DFP Guidance on Appraisal, Evaluation, Approval and Management of Policies, Programmes and Projects replacing the 1997 "Green Book" issued as DAO (DFP) 32/03.

C.1.6 Specific requirements entitled "Executive Non-Departmental Public Bodies; Annual reports and Accounts Guidance", issued in 2003/04 as DAO (DFP) 01/04, were also examined. An updated NIRAM issued as DAO (DFP) 02/04.

C.1.7 Guidance on a lesser level of requirements and warning of possible changes are given in a series of Dear Principal Finance Letters from the Accountability and Accountancy services Division of DFP. For example, PFOs were asked in 15/04 to give views on treating grant-in-aid as financing rather than income to NDPBs.

C.2 Specific Chief Executive requirements

C.2.1 On appointment the CE was provided by DE with a Dear Accounting Officer letter of appointment which included, DAO(DFP) 2/95, "The Responsibilities of a NDPB Accounting Officer". Attention was drawn to the DFP Manual "Government Accounting Northern Ireland".

C.2.2 The DAO(DFP) 2/95 notes that under the Board the Accounting Officer has responsibility, which only he or she is in a position to discharge, for the overall organisation, management and staffing of the Board and for its procedures in financial and other matters. The Accounting oOfficer must ensure:-

- there is a high standard of financial management in the Board as a whole;
- that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity throughout the Board; and
- that financial considerations are fully taken into account in decisions on Board policy proposals.

C.2.3 Specific personal responsibilities to enable the Accounting Officer to demonstrate that he/she is complying with the general responsibilities are spelled out in the DAO. The CE, as Accounting Officer to the Board, has particular responsibility¹² to see that appropriate advice is tendered to the Board on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration, efficiency and effectiveness.

C.2.4 The responsibility¹³ of the CE, as Accounting Officer, is to ensure expenditure is contained within the limits approved by the Department and that the requirements of propriety, regularity and value for money are observed. The CE may delegate day to day aspects of his financial duties to a Chief Finance Officer or other appropriate senior official of the Board. The responsibilities of this official should be clearly defined and confirmed in writing.

C.3 Board Requirements

C.3.1 The above financial responsibilities have been cast in a slightly different, although essentially similar, format and included in Section 3.7, Responsibilities and Accountabilities of the Chief Executive, of the SEELB Management Statement. In addition the latter indicates¹⁴ the CE should collaborate closely with other Board CEs to ensure the most efficient use of resources on a Northern Ireland wide basis and to allow inter Board comparisons to be made.

C.3.2 The CE is mandated, on behalf of the Board, to prepare Corporate and Resource Allocation Plans¹⁵ for DENI and to report on progress against objectives and on expenditure as required by DENI.

¹² DAO(DFP) 2/95 Responsibilities of a NDPB Accounting Officer; Advice to the Board

¹³ Financial Memorandum for the BELB 2000/2001

¹⁴ Management Statement for the SEELB 2000/2001; Section 3 Responsibilities and Accountabilities.

¹⁵ Management Statement for the SEELB 2000/2001; Responsibilities and Accountabilities

D Accountability and Responsibility Standards Second Tier Officers

D.1 Requirements Chief Finance Officers

D.1.1 Where a Chief Executive of a Board delegates¹⁶ day to day aspects of his financial duties to a Chief Finance Officer, or other appropriate senior official of the Board, these responsibilities must be clearly defined and confirmed in writing.

D.1.2

D.2 Other Chief Officers

D.2.1 D 2.3 The CE is responsible under the terms of the Management Statement¹⁷ for prudent and economical administration, the avoidance of waste and for the efficient and effective use of all resources in his/her charge. It follows that these responsibilities should be included in the job descriptions for all senior staff in relation to the resources and areas under their direct command.

¹⁶ Financial memorandum for the BELB 2000/2001 Section 4.

¹⁷ Management Statement for the SEELB 2000/2001 Section 3.7

E Associations

E.1 Association of Chief Executives

E.1.1 Chief Executives of Education and Library Boards have an Association which meets monthly to discuss matters of relevance to Board business. The minutes from January 2002 to June 2004 were examined for matters relevant to this Inquiry.

E.1.2 On 11 March and 8 April 2002 the Chief Executives (CEs) discussed with the Permanent Secretary of DE the question of Principals' and Vice-Principals' salaries and threshold payments. Concerns were highlighted at the 14 April 2003 meeting regarding a letter from the Permanent Secretary on Performance Related Pay for Chief Executives and second tier officers. These concerns related to the balance between strategic and operational objectives; the ascribing to them of responsibility for targets for which in operational terms they could not have sole responsibility; the accuracy of base data underpinning some of the targets; and the mechanism for setting targets for services for which they were responsible to the Department of Culture, Arts and Leisure (DCAL) and the Department of Employment and Learning (DEL).

E.1.3 Members agreed on 13 May 2002 that the membership of the Accruals Accounting Project Board would be the five Chief Finance Officers (CFOs) plus the chairpersons of each of the accruals user groups. Copies of the Gateway review of the Accruals project were to be circulated following the January 2003 meeting. The CFO of the SEELB reported to the 10 March 2003 meeting that a start had been made in renewing and upgrading the financial information system. The CE of SEELB reported to the 10 November 2003 meeting that the performance of the Accruals Accounting system did not meet expectation.

E.1.4 The job evaluation for 5000 catering staff was reported to be complete at the January 2003 meeting with the evaluations signed off within two weeks. Job evaluations for drivers to be completed within a few days and the rolling programme for caretakers and cleaners was continuing. This topic was referred to again at the 14 April 2003 meeting when the approach to evaluation of HQ posts was also mentioned. The size of some back payments was raised on 8 December 2003. The potential cost of Educational Psychologists was discussed at the 5 April 2004 meeting. Pay Flexibilities for Principals and Vice-principals was also on the agenda in April 2004.

E.1.5 The Association indicated there was a need to take forward recommendations contained in the Best Value Maintenance and Transport Reviews at the January 2003 meeting. Members were informed on 10 February 2003 of a review of catering starting in September and one for the Youth service to follow together with a need to consider the implications of the Special Education Review. This meeting also discussed the practical implications for Boards and schools of the response to the Northern Ireland Audit Office (NIAO) report on the statementing process. Further discussion

regarding special education took place at the 14 April, 12 May, 13 October and 10 November 2003 meetings. At the latter it was agreed that SEELB would employ consultants to look at and benchmark procedures on special education. Transport featured again at the May 2003 discussions.

E.1.6 The 10 March 2003 meeting had a report from the Senior Education officers Literacy group that the Permanent Secretary (DE) was to be asked for funding to employ a management information person to assist Chief Executives in carrying out their public accountability duties.

E.2 Association of Chief Finance Officers

E.2.1 Chief Finance Officers have an Association which meets almost monthly to consider matters of common concern. Minutes of their meetings from January 2002 to date were examined for relevance to this Inquiry. There is a similar organisation for Assistant Finance Officers.

E.2.2 In the early part of this period discussions frequently covered issues over the introduction of accruals accounting such as valuation of assets, end year carry over etc. Many of these were being taken forward by the Assistant Finance officers. For a period, prompt payment issues were frequently debated as were transport, school meal charges, Assessment of Relative Needs Exercise (ARNE) and job evaluations.

E.2.3 It was reported in January 2002 that one Board had prepared a proforma to estimate potential % increases from job evaluation of manual staff. In March 2003 a Board was using the McDonnell Douglas computer system to establish a database and back pay model for catering evaluations. On 9 October 2003 one member went through his costing template and assumptions relative to evaluations of drivers, caretakers etc.

E.2.4 Having noted difficulties at their 20 March 2002 meeting on the establishment of accurate costings at school level, members agreed on 17 December 2002 that teacher threshold payments should be included in the calculations for the 2003/04 Salary Protection factor in LMS schemes.

E.2.5 The benefits from the introduction of Purchase Order Processing through the Accruals Accounting Project (AAP) had not materialised according to the 20 March 2002 meeting.

E.2.6 On 13 February 2003 it was noted that budgets from all three sponsoring departments (DE, DCAL and DEL) were expressed in accruals with the focus to be on outputs rather than inputs. DENI also recognised a likelihood of greater carry over as a result of more discrete earmarked initiatives.

E.2.7 There were various mentions of the payroll project and the association were conscious at their 21 March 2003 meeting of the complexities of operating a separate non-Oracle system. On 22 October 2004 the Project team had expressed concerns regarding the resourcing of implementation as this project moved towards the next two Boards.

E.2.8 By June 2003 members acknowledged there had been, and continued to be, difficulties relating to the extracting/capturing of appropriate

and supporting information across Boards on Special Education Needs. The Best Value report had not identified ways in which financial constraint could be effectively exercised.

E.2.9 The attitude of the CFOs was indicated by the comment on 13 November 2003 that “as the NIAO management issues raised by DCAL were matters for the Accounting Officer, it would not be appropriate for the CFOs to respond as suggested – rather such matters should be raised through the existing mechanisms i.e. Accountability review meetings”. A surprising point from the October 2004 meeting was that in most instances the Heads of Internal Audit should co-ordinate responses from Boards to NIAO reports.

E.2.10 An enquiry was raised on 13 May 2004 regarding additional costs identified during the progress of the Manhattan Project (a system to help control maintenance), as well as the implications for the internal arrangements within some Boards, as these had not been considered in the BELB review of the Project.

E.2.11 Pressures were identified in May 2004 for collaboration in a five Board submission to DENI. These were:-

- NILGOS – employers contribution,
- Energy costs,
- transport
- Special education
- Water
- HQ job evaluations,
- School amalgamations.

E.2.12 It was suggested in May 2004 that CFOs and Chief Librarians should seek a meeting with the Department to gain a clear understanding of the actions which would be necessary in containing 2005/06 expenditure to within that expected to be available.

E.2.13 There does not appear to be any minuted discussion by the Association of CFOs of the reasons for the 2003/04 deficit problems or the action necessary to contain 2004/05 expenditure within allocations.

E.3 Central Management Support Unit

E.3.1 There is a central management support unit servicing all five Boards. This unit has produced a number of Best Value studies. The programme is determined by a Project Board representative of all Boards. The methodology generally follows PRINCE, Projects in a Controlled Environment, with the team being permitted a degree of flexibility in the overall terms of reference and scope. Points covered in these reviews and relevant to this Inquiry are noted below.

E.3.2 A Best Value review of School Transport in 1999 highlighted the spiralling costs of transport for children with special educational needs.

E.3.3 A major review completed in March 2003 dealt with Special Education. The terms of reference were not exhaustive but included the delivery of services in pursuit of the Boards’ statutory duties, focusing in the

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first instance on Stages 4 and 5 of the Code of practice on the Identification and Assessment of Special Education Needs; defining the scope and standards of the service; questioning the existing arrangements for making provision for children with special education needs; and producing meaningful comparisons and benchmarks, both internally and with other providers.

E.3.4 The comment was made that ELBs were largely unable to supply data/statistics in the absence of a management information system so information was sought from some Local Education Authorities in England. The review noted that NIAO had addressed¹⁸ the systems in place for monitoring and evaluating the effectiveness of resource utilisation in 1998 and the appropriateness of the means by which resources are allocated to meet special education needs.

E.3.5 The review noted that following a comment by the Northern Ireland Affairs Committee, a sub-group of the Regional Strategy Group had been set up to develop common criteria for processing children with special needs. Their report¹⁹ had indicated that implementation would have increased budgetary implications in most Boards. Issues over transport for children with special education needs were noted, accompanied by a recommendation from OFSTED and the Audit Commission that the Special Education Needs manager should also act as the budget holder for transport of such children.

E.3.6 Section 7, Resources, of the March 2003 review was largely a historical picture with a component managed by mainstream schools under Local Management of School (LMS), and another managed centrally by boards. Particular reference was made to costs increasing significantly because the numbers of pupils identified as needing special treatment had increased, there was a greater complexity of need and new provision was required. The greatest increases were for teachers and non-teaching staff costs.

E.3.7 In 1998, NIAO had found significant variations in the costs of special education provision, inconsistencies in the calculation of unit costs and disparities between similar types of unit in different Boards. They had recommended the development of a management information system with regular comparisons of actual costs per statemented child. The Best Value finance team said they attempted to examine expenditure for 2000/01 in terms of "type of special educational need", rather than unit costs because of the variety of needs being addressed, the complexity of each child's needs, the way provision is made and the differing ways Boards accounted for expenditure. However the ability to derive accurate detailed costings in 2002 had not changed since the NIAO report.

E.3.8 The Best Value review re-iterated the findings of a 2000 feasibility study on Information Systems support for Special Education services. In 2002, a NIAO study on Indicators of Educational Performance and Provision stressed the need to ensure performance measurement systems are used to assess progress in terms of strategic goals and improving performance. The review concurred with this and went on to suggest a number of indicators.

¹⁸ Special Education CMSU Review March 2003 pages 5, 17-19

¹⁹ Special Education CMSU Review March 2003 pages 37,38

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These included total budget and total spend on special educational needs and the total cost for statemented children in mainstream schools/resourced mainstream school/unit, and special school.

E.3.9 The review recommended that Boards should:-

- acquire management information system,
- develop high level performance measures,
- research and evaluate alternative methods of funding special educational needs,
- establish a sound basis for recording and reporting on costs.

E.3.10 A Best Value review of December 2003 reported on the School Catering Service. Many of its 50 odd recommendations involved improving economy and efficiency, and linked these to performance.

E.3.11 A draft Best Value review of October 2004 on the Youth Services also came up with numerous recommendations. Among these, reference was made to developing effective processes to accommodate business planning linked to objectives and local needs, bench marking and maintenance of performance indicators. There was no specific reference to budget management.

F Miscellaneous

F.1 Departmental Allocations

F.1.1 The Departments (Education, Culture and Employment) (DE, DCAL & DEL) provide resource and capital to the Boards. Once Departmental budgets for the forthcoming year have been determined by Ministers allocation letters issue to each Board. Ideally this should be some 3 months before the start of the financial year to enable the Boards to plan their programmes for the year but this is dependent on when Departmental budgets are finalised. Once a Department's estimates have been approved, the Boards are informed of any changes and Board's plans must then be amended. As additional resources become available to a Department for Boards in year further allocations are made and these usually specify where the extra funds must be spent.

F.1.2 Departmental allocation letters (which are basically drafted in very similar terms for each Board except for the actual figures of allocations) give comprehensive instructions to Boards indicating how the public funds are to be spent or relevant comment. Thus the DE 2001/02 letter²⁰ highlighted 6 notable features of the overall outcome. Reference was made to the Minister's expectation that priority would be given to the needs of the classroom. Recipients were reminded that the 2001/02 budgets were being allocated on a resource (accruals) basis for the first time and therefore set the maximum levels of resource consumption expressed on an accruals basis. The key financial target of containing such expenditure within the limits approved by the Department was underlined. Boards were reminded that it was for them to set the quantum of individual budgets.

F.1.3 The DE 15 February 2002 letter stressed that the resources currently being allocated for 2002/2003 did not take account of the cost of new arrangements for teacher's salaries. DENI retained funds to assist schools on pay but the distribution would be dependent on individual circumstances and the completion of threshold assessments.

F.1.4 Earmarked allocations were listed separately in an Appendix. There were some 20 of these but a few were further subdivided. Reference was made in 2002 to some previously earmarked elements which from then on were to be treated as within the Board's Resource allocation. An important one referred to Special Educational Needs.

F.1.5 Boards were reminded that they should provide prudently for known or anticipated cost increases and should have contingency plans in place if offsetting savings were found to be needed. Most allocation letters specifically mentioned the need to allow for increased transport costs.

F.1.6 The superannuation component of teachers' premature retirement would be met by DE. Boards were told that redundancy severance pay had to be contained within the allocations of the 2001/02 letter.

²⁰ BELB Allocation letter from DENI dated 15/2/2001

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F.1.7 The 18 January 2002 allocation letter²¹ was basically similar to the previous year's. However the allocations were essentially interim pending a Spending Review which the NI Executive was undertaking to set budgets for 2002/03 and the following two years. The list of earmarked funds had increased to 36.

F.1.8 The DE 2003/04 allocations²² were similar to the instructions of the previous year. This letter pointed out that, in addition to providing for the maintenance of existing service levels, ongoing support for job evaluation costs, key educational initiatives such as Classroom 2000, additional resources for school core budgets and a major programme of investment to improve the Education estate, had been provided.

F.1.9 For 2004/05 DE required Boards to take account of commitments made by the Education Service in the Public Service Agreements and Service Delivery Agreements and ensure there was a read across between the Board's financial plans, targets etc and those set out in the Corporate and Business plans. Specific reference was made to job evaluation and escalating pressure of the costs in respect of classroom assistants, particularly for statemented pupils, as well as improving the estate. As in recent years, Boards were reminded that the proposed introduction of Common Funding Formulae might mean changes to non-delegated school budgets and challenging provision had to be made for demand-led services. Boards were to ensure the Contingency Fund was sized appropriately. Each Board was expected to set an Aggregate Schools Budget (ASB) at not less than a specified minimum figure.

F.1.10 Allocations from DENI were specified as being expressed in resource (accruals) terms²³. The budgets set the maximum levels of resource consumption for the financial year excluding all notional costs. The BELB was given a key financial target to ensure expenditure is contained within the limits notified and approved by the Department. Budgets for schools were to be recurrent accrued expenditure.

²¹ BELB Allocation letter from DENI dated 18/1/2002

²² BELB Allocation letter from DENI dated 31/1/2003

²³ DENI letter of 20 February 2004 to BELB