

**FALKIRK COUNCIL**

**Subject: USE OF DEVOLVED SCHOOL MANAGEMENT (DSM) RESERVE**  
**Meeting: SCRUTINY COMMITTEE**  
**Date: 31 MARCH 2016**  
**Author: DIRECTOR OF CHILDREN'S SERVICES**

**1. PURPOSE OF REPORT**

1.1 Following a request by Members at the Scrutiny Committee meeting on 3 December 2015 this report seeks to provide Members with:

- background information on the DSM Scheme; and
- information as to the purpose of the DSM Reserve and how it operates.

**2. BACKGROUND INFORMATION ON DSM SCHEME**

2.1 Devolved School Management (DSM) was introduced by the then Scottish Executive in 1993. It required local authorities to devolve appropriate budgets to Headteachers to manage locally with the aim of providing more flexibility in making local decisions that best suit the school/local community.

2.2 It also sought to eliminate in year budget reductions for schools and to allow recognition that the school academic year which runs from August-June, transcends the financial year end of 31 March.

2.3 Further DSM Guidelines were issued in 2006 and the 'Standard in Scotland's Schools (2000) etc Act' provide a statutory underpinning of the DSM Guidelines.

2.4 COSLA Review - (2012)

(i) Following the publication of the 'Cameron Report' in 2011 the Scottish Government agreed that COSLA should lead a review of DSM Guidelines taking into account several national drivers:

- National reform of the school curriculum via 'Curriculum for Excellence';
- Establishment of the Single Outcome Agreements;
- New Children's Services Strategies/Frameworks (GIRFEC, Early Years, etc);
- Community Planning Review; and
- Christie Commission (June 2011)

The review also had to consider the current and future financial climate and the need to maximise best value by having flexibility over how resources can be used.

(ii) COSLA Review - Key Findings

The Review found that 4 key principles should underpin any DSM Framework:

- Subsidiary and Empowerment;
- Partnership Working;
- Accountability and Responsibility; and
- Local Flexibility

In addition it found that flexibility is the key to ensure that resources can be targeted/used appropriately and should support local school/community priorities.

It also found that the percentage (%) devolved to a school to be less relevant in a modern context than Headteachers being able to have specific functions, controls and power that ensure more autonomy.

Clear reference was also made to Councils having local carry forward schemes which recognise that the school academic year is out of alignment with the financial year.

Suggestion was also made to providing 3 year Indicative Budgets for Schools to enable Headteachers to more effectively/efficiently manage staffing over that same period.

The Review also confirmed those areas of expenditure that were not suited to devolvement, ie school meals, home to school transport, etc.

### **3. HOW THE DSM RESERVE OPERATES**

#### **3.1 (i) Governance**

The Council's Reserve Strategy covers the use and operation of Education Services DSM Reserve. The Strategy was reviewed and approved by the Executive in 2016.

The Falkirk Council Scheme follows the national guidelines and Guidance received from COSLA which recommends that it covers the specific functions, powers and control devolved to Headteachers. In addition the revised Guidance also reinforces the need to ensure DSM schemes provide flexibility for Education Services with regard to effective planning and use of resources and it meets the requirements of 3 year budgeting (should it be introduced).

Falkirk Council implements the national guidelines and has its own DSM scheme administered by the Director of Children's Services which allows schools to carry forward balances within an agreed tolerance. Any carry forward outwith this tolerance requires justification from the Headteacher and agreement from the Director of Children's Services.

#### **(ii) Aim of DSM Reserve**

The DSM Reserve principle aim is to allow Children's Services/Schools more control over their budgets and recognise that their expenditure commitments operate on an academic year and not on a financial year basis. The operation of this Reserve allow Children's Services/School to carry forward any over/underspends at the end of the year into the next financial year in recognition that it is within the same academic year.

(iii) What is included within the DSM Reserve

The DSM Reserve allows for the carry forward of the following funds/monies at the end of the financial year to allow alignment with the academic year. This includes:

- Schools over/underspent budgets.
- External Fund balances (ie those associated with the former National Priorities Action Fund).
- Contractual funds held due to timing differences.
- Funds earmarked for capital improvement projects (CFCR) - where the work has not yet started or has not yet been completed.
- A level of contingency funds that allow the Service to reduce or negate the risk of sudden unplanned expenditure.

(iv) Details of DSM Reserve at 31 March 2015 (2014/15 Year End)

At 31 March 2015 the DSM Reserve was £4.898m. This can be analysed:

	<b>£M</b>
(i) Schools - Individual Carry-forwards	£0.839
(ii) Schools - Earmarked Devolved Funds	£0.611
(iii) Schools - External Funds Carry-Forwards	£0.668
(iv) Contractual Payment (Timing Differences)	£0.823
(v) Contingency Funds/Earmarked Budget Savings	£1.957
<b>TOTAL</b>	<b>£4.898m</b>

**4. RECOMMENDATION**

**4.1 Committee is asked to note the content of the report.**

.....  
**Director of Children's Services**

**Date: 18 March 2016**

Contact Officer: Gary Greenhorn, ext 6683

**LIST OF BACKGROUND PAPERS**

NIL