

DEVELOPING INTERNAL ACCOUNTING SYSTEMS FOR COMMUNAL RESOURCE ALLOCATION: A CASE STUDY OF PENNINE CAMPHILL COMMUNITY

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ABSTRACT

The purpose of this case study is to look at the role that accounting and accountability play in the Pennine Camphill Community, a not-for-profit educational community for young adults with special needs. This paper will examine the Pennine Community's budgeting systems, looking at how a social enterprise organizes its internal accounting systems to reflect care quality and the fair allocation of communal resources, as opposed to profit-maximization or cost-control as primary motivations. Following an analysis of Pennine's current budgeting system, a discussion of how Pennine's budgeting is successful or unsuccessful at meeting these expectations and how integrated accounting methods are in community decisions. Suggestions for further research will be made.

INTRODUCTION

The Pennine Camphill Community, located in Wakefield, West Yorkshire, in the United Kingdom, is a specialist college offering alternative care and education for young adults with moderate to severe learning disabilities. Founded in 1977, Pennine is part of the larger Camphill movement. The movement began in Aberdeen, Scotland in 1939 under the direction of Dr. Karl König, an Austrian physician, to provide care for children with developmental disabilities. Dr. König used the epistemological foundation laid down by Rudolf Steiner, an Austrian philosopher and social commentator, and Christian values as the underlying philosophy of the care provided by the first Camphill. Steiner's philosophy of the human spirit and knowledge became the foundation for the spread of the movement, with establishment of more than a hundred communities in twenty-two countries around the world. These independent communities all operate under the same guiding principle but provide distinct services.

The Pennine Camphill's focus is on the university-aged student, usually from age seventeen to twenty-one, in both a residential and day student capacity. The community operates as a not-for-profit volunteer organization, with volunteer co-workers classified as short-term (traditionally one-year volunteers) or long-term (workers who settle in the community for extended periods of time). Volunteer co-workers work without a traditional income or employment contract, instead having their room, board, health, and discretionary spending supported through communal resources allocated through the houses they reside in. The community also employs a number of workers in educational and administrative roles from the outside community, who receive a more standard remuneration for their services. Co-workers and students work in craft production and agriculture, with the products of both consumed within the society. Excess production is sold to the outside community, primarily through two open fairs on the community grounds with crafts available for sale.

As Pennine is both an educational facility and a care facility, it is regulated by three government social service agencies: the Care Quality Commission (CQC), the Young People's Learning Agency (YPLA), and the Office for Standards in Education, Children's Services and Skills (Ofsted). It is also a member of a number of associations: the National Association of Specialist Colleges (NATSPEC), the Association for Real Change (ARC), the National Council for Voluntary Organisations (NCVO), and the Association of Camphill Communities. As a result of the regulatory framework and Pennine's commitment to the goals and aims of its associations, its underlying structure reflects the standards of

these agencies and organizations. The Pennine's external reporting is guided by the generally accepted accounting standards for not-for-profits in the United Kingdom.

LITERATURE REVIEW AND METHODOLOGY

The literature available on community accounting practices, particular among Camphill communities is limited, but several authors have worked in describing the unique nature of community accounting. The two main areas of literature considered were information on accounting within similar communities and non-profit organizations and information on potential organizational structures that would create accounting systems, such as Community Supported Agriculture systems (CSAs).

In "Accounting and accountability in the Iona Community," Kerry Jacobs and Stephen Walker consider the accounting practice of the religious Iona community in Scotland. Their paper focuses on the religious and social role of accounting in the community, where the basic rule of accounting for ones money and time form the ecumenical foundation for the community [4]. Their discussion primarily focuses on the role of accounting in a religious organization, which relates to the spiritual intentions of Camphill communities. "Accounting for God: accounting and accountability in the practices of the Society of Jesus (Italy, XVI-XVII centuries)" by Paulo Quattrone also considers the use of accounting in a religious context. In his paper, Dr. Quattrone looks at both financial and spiritual uses of accounting in early Jesuit society, concluding that the role of accounting in the Jesuit community went beyond mere economic rationales [8]. Michael and Jane Luxford's "A sense for community: The Camphill movement" is a research paper dealing with current concerns within the Camphill community, in particular dealing with the integration of economic life into the extended culture of community living [5]. Also considered were the "Social accounting documents" created by the Pennine Camphill Community's finance group and trustees to govern internal accounting and allocation of communal resources for community members.

Christine Cooper's "The non and nom of accounting for (M)other nature" considers the implication of current accounting standards for externalities and posits a changing viewpoint on accounting systems while recognizing the inherent difficulties in accounting for non-events and qualitative measures [2]. "Community Supported Agriculture, economy preference theory and subjective well-being," by Jaimie Galayda, was also considered for an insight into the history and benefits of Community Supported Agriculture models [3].

Along with the read materials, interviews were conducted with members of the community. These individuals included the Principal of the college, head of the finance committee, workshop leaders, house guardians, and other long-term members. In total, this case study is essentially a participant-observer case study. The bulk of material pulled from the author's experiences assisting in running the farm workshop, including being responsible for budgeting and reporting. The relevant literature was considered both from the perspective of communities in general and also in comparison to personal experience from working within a community. This methodology has its biases to account for, and as such this case study should be seen as an introduction to the process as opposed to the final word. Developing a working internal accounting system that makes its basis communal purpose over profit-generation will require significantly more objective research and comparison of systems in place.

DISCUSSION

The Pennine community's current budgeting system is primarily a cost-collection exercise of individual areas within the community, with an accountability structure in place that is meant to guide budgeting towards the goals of the community trustees and management [7]. Along with reporting requirements set by the UK regulatory agencies, Pennine's management must take into consideration the essential needs

of the community, the social services requirements of student care, as well as the expectations of trustees, donors, parents, and community-members. As a not-for-profit organization, the community's success in the eyes of these stakeholders can be difficult to measure using traditional accounting methods; profit-maximization is non-existent as Pennine operates as a not-for-profit, and cost-control is often an afterthought of community members, parents, and at times trustees and donors. The budgeting system currently in place is largely guided by the requirements of Pennine's external reporting, especially tax-issues that require tax-exempt and taxable receipts to be separated and recorded regularly. As a result of the community's attempt to maintain a flattened hierarchy, budgeting has retained a level of flexibility in how each work area decides their budget figures.

Currently, the community has five primary areas of budgeting: house expenses, student activity expenses, co-worker expenses, administrative expenses, and overhead and repayments [7]. Each of these primary budget areas is accountable to an organized community financial management group, composed of five community members, plus the President of the college and the bursar. The finance group then reports on its activities, and the result of area budgeting, to the community trustees. Each of the five members of the finance group oversees one of the primary areas of budgeting, which are further broken into budgetary subdivisions overseen by community members responsible for those budget areas. For example, the student activity budget is comprised of the education budget, the therapy budget, the craft budget, and the land budget. The respective workshop or group leaders put those budgets together, so that the farm budget is created by the farmer, the garden budget by the head gardener, and the estate budget by the estate workshop leader.

The overall community budget is set in a consultative basis at the beginning of each autumn term and is officially approved by the trustees at their final meeting of the fiscal year [7]. This budget is used to create baselines in each primary budgeting area, as well as set average costs for some budgets as a starting point. For example, the budget for each residential student house is set first with a lump sum, and then increased incrementally based on average cost of student living in each house. Other areas are given a rough budget framework, and then built up from their needs. For example, the land budget, a sub-budget of the student activities budget, is made up of the farm, garden, estate, and the Riding for the Disabled Association (RDA). These budgets are often built from the bottom up prior to the establishment of the budget framework being presented in autumn term. In this way, the land group, and in particular the farm and the garden, can assess the expected costs needed to run and manage an organic and bio-dynamic agricultural system in the next year and establish a budget based on those expected costs.

These conflicts in the way that different budgets are developed raise questions in the relevance and comparability of different budget areas. Even within the land group, for example, there are differences in the way that budgets are developed. While the farm budget may be constructed primarily by looking at the expected needs of maintaining a biodynamic farm, the estate budget is likely to be driven rather by number of students. As the estate group is heavily involved in off-site work placements, transportation and equipment costs for individual students is often the primary concern of creating a workable budget. However, both of these budgets are combined to create the land budget, and then combined with other, often quite disparate, budget areas to make up the student activities budget.

The primary issue that develops out of the community's current method of budgeting is how relevant budget reports are to community management and to individual workshop leaders as they create long-term plans. As it stands, budgets are reviewed on a yearly basis primarily looking at overall average costs across the community. However, there is not much in place of understanding how each additional pound spent in a budget affects the quality of care or contributes to the internal economy. While it is necessary that costs be kept low to accommodate uncertain fundraising levels and allow the development of long-term projects, there is little information available to managers and workshop leaders as to what cost levels should be to meet minimum standards of care and service. Without a

budgeting system in place that allows the community to compare and contrast budgeting levels with output, cost-control measures are often either ineffective or ignored by workshop leaders. Since the general approach to budgeting is first decide what you would like to be able to spend, and then create a budget, individual budget areas are subject to a wide variety of methods and intentions.

As a potential solution, the Pennine community should make use of its social services requirements for educational reporting. Each workshop, as well as house areas and educational groups, are required to maintain evidence-based reporting on student progress. Workshop leaders and co-workers use an internal database tool to report on successful student completion of targets set in advance by the education group. Each piece of evidence is tagged by the area where it was achieved as well as towards a specific target. The compilation of evidence could be used as a form of productivity report with which to compare budget levels. For example, if the woodwork has a £1000 budget and the Weavery has a £800 budget, but the Weavery has 20 records of evidence while the woodwork only has 13, this would allow management to start uncovering the differences in budget levels that relate to student activity and education from the base levels needed to maintain the workshop.

The use of educational evidence in comparison to budget levels would also allow the community to compare changes in budget levels from year to year with changes in educational output year to year. Over time, these comparisons can be used to develop a more targeted average cost model with the cost per educational evidence creating a benchmark for educational budgets. Since evidence is recorded not just in educational groups, but also in the household, household budgets could also be analyzed using this method. In essence, educational evidence is used as a form of productivity, replacing workshop output or profit figures.

One problem that arises with this system is that each piece of recorded evidence recorded is not necessarily equal in cost and value. A student may achieve a small bit towards an established goal or they may achieve a great step towards it, but either one will be reported as one single piece of evidence. It is not guaranteed, either, that the size of the budget had any significant effect on whether a student makes a small step or a large step towards achieving a goal. Even further than that, it may be difficult for those entering evidence the significance of the student's achievement. Finally, evidence is highly capable of manipulation, with the potential for some workshop leaders encouraging their workers to enter incidental or trivial evidence in an effort to justify their budget. All of these problems make educational evidence an uncertain prospect for measuring workshop productivity. Hard craft workshops like the woodwork and weavery may be able to use production levels to help balance out the difference between costs of production and costs of education, but others require a more nuanced approach. And while evidence is open to manipulation, systems of accountability already exist in managing student education through management oversight groups, restricted access to databases, and approval procedures for added evidence. Educational evidence may not be tenable as a productivity measure in the long term, but it can serve as a relevant starting point for comparing the achievements of one budgeted area to another in a way relevant to the primary budget areas.

Some areas will still have difficulty comparing their budget levels with education evidence in a relevant manner. The farm or garden, for example, sets their budget primarily based on the upcoming seasonal needs of the land as opposed to the educational needs of the students. Each additional student on the land adds little, if anything, to these budgets budget and educational evidence is achieved often independent of primary cost drivers on the land. However, the farm and garden are both food producers that supply the community with an internal supply of fruit, vegetable, and meat. This should mean that as the land budgets increase to accommodate increased production, there should be a corresponding decrease in the food budgets required for the houses in the community. As it currently stands, the farm and garden budgets are not tied to the house food budgets. If they were, and analyzed as such, discrepancies in added costs on the land without a corresponding decrease in food costs for the community should point to questions of what these costs are ultimately adding to the community.

Another possible alternative to simply comparing and contrasting the land budgets with house food budgets would be the establishment of a Community Supported Agriculture (CSA) model for the farm and garden. Community Supported Agriculture grew out of the cooperative system, which can be traced back as far as the 18th century [3]. A CSA acts as a cooperative with outside “members” buying rights to share in production output of the farm, but not in profits [3]. In this model, the farm and garden would act as independent entities creating marketable food baskets for each house, which would serve as the only effective members of this limited CSA. The budget of the CSA would be supported by food budgets in the houses. In a CSA, then, the farm and garden would receive their money not from the general budget but from the house budgets. This would create a system that would allow houses to have a better understanding of their internal costs and a land budget that was directly related to community food use. The primary goal of the CSA model is to enable a farm that would have difficulty supporting itself financially gain access to communal resources, while leaving the farm free to manage its own resources as it sees fit. The CSA model is growing in popularity as individuals and disparate communities seek access to environmentally sound forms of allocating food. While it traditionally allows an independent farm to serve steady customers without the fear of up-and-down markets, it has also been used within Camphill settings. From a budgeting perspective, it allows the farm to maintain its budgets based on the agricultural needs as opposed to the needs of the community stakeholders, while creating away for the cost of the food provided to the community to be accounted for in the greater communities food budgets.

CONCLUSION

The Pennine Camphill community is guided in its external accounting by the commitments and responsibilities of generally accepted standards of accounting for not-for-profits. However, internally its accounting procedures have been developed with the primary goals of organization and maintaining the community’s relatively flat hierarchy. The notion of crafting an internal accounting system on non-economic assumptions is not unusual. As Quattrone notes, the use of accounting by religious orders as both an economic and spiritual measuring device is longstanding [8]. Perhaps more relevant, the Iona Community in Scotland made accounting a major determination in both the economic and social sphere, while maintaining a flexible accounting structure to meet changing community needs [4]. In the Pennine community, decision making for budgets begins with the trustees, but the establishment of working budgets for individual work areas is relatively flexible. This flexibility is useful in maintaining the hierarchy of a communal structure, yet it also means that individual area budgets can lack comparability and relevance to their main budget areas as set forth by the trustees and management.

By establishing parameters where individual area budgets could be compared to productivity within that area, this lack of comparability can be teased out and average-costing models can more accurately reflect achievement of community goals. Since the primary function of the Pennine Camphill Community is education, the use of pre-established education evidence systems could allow for greater understanding of how each additional pound spent in the budget relates to additional instances of educational evidence. Educational evidence would not necessarily be a perfect measure of productivity, and it is liable to manipulation, but it would allow for greater comparability in budget figures using a recording system that is already in place. Areas that may not benefit from using educational evidence as a productivity measure and which operate with potentially different goals as the community at large, such as the land groups, could use house food budgets or a community supported agriculture model to keep their budgets both separate yet related to the general budget.

While the Pennine community has created a budget system that attempts to maintain cost control and provide a financial structure to the community, it struggles to maintain relevance and comparability across workshop areas and towards the overall community missions and goals. Each budget area is

simply meant to fit into a pre-existing framework; as long as it does, the budget is considered successful. However, this system does not make each workshop budget particularly relevant or useful for the community at large. Developing more responsive and reflective methods of budget analysis could, in turn, lead to better average costing and budgeting in the future.

The development of these systems will require a greater analysis of not-for-profit internal accounting systems in general. Further research into not only other Camphills' approaches to budgeting and internal accounting but also more conventional not-for-profits is necessary. Further, the development of how this would look in specific scenarios is necessary. This may involve a case study that took the internal accounting documents of a not-for-profit and attempted to craft new ones along the lines laid out in this discussion. A comparison of the differences of allocation and cost-control and how different sets of documents communicate different information to relevant stakeholders would be necessary.

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