



Northern Ireland  
Assembly

Committee for Education

# OFFICIAL REPORT (Hansard)

Common Funding Scheme: DE Briefing

3 July 2013

# NORTHERN IRELAND ASSEMBLY

## Committee for Education

### Common Funding Scheme: DE Briefing

3 July 2013

**Members present for all or part of the proceedings:**

Mr Danny Kinahan (Deputy Chairperson)  
Ms Michaela Boyle  
Mrs Jo-Anne Dobson  
Mr Chris Hazzard  
Miss Michelle McIlveen  
Mr Sean Rogers

**Witnesses:**

Ms Roisin Lilley	Department of Education
Mr John McGrath	Department of Education
Ms Michele Thompson	Department of Education

**The Deputy Chairperson:** I welcome John, Roisin and Michele. It is good to see you. I will give you 10 minutes to make your presentation.

**Mr John McGrath (Department of Education):** We are glad to be here. You know Roisin and I. Michele has recently joined the common funding review team. This is her first time. It might be her last.

**Ms Michele Thompson (Department of Education):** Go easy on me.

**The Deputy Chairperson:** You are very welcome.

**Mr McGrath:** We are glad of the opportunity to brief the Committee on the Minister's consultation on the common funding scheme. The Committee will be familiar with the Minister's statement to the Assembly entitled 'Putting Pupils First: Reforming the Common Funding Scheme' on 11 June 2013. I do not propose to revisit it in detail today. That having been said, I think that it is important to outline again why the Minister considered it necessary to review the way in which schools are funded. You will recall that he was not satisfied that the common funding scheme, as it sits, is fit for purpose. He does not believe that the current scheme adequately supports his key policy objectives, particularly those of raising standards and targeting social need (TSN).

The Minister is determined to address educational underachievement and to break the link between social disadvantage and low educational outcomes. Despite continued yearly improvement, disadvantaged pupils are only half as likely to achieve five good GCSEs or equivalent at grades A to C, including in English and maths, as their most affluent counterparts. The Minister cannot countenance that situation continuing. For those very reasons, he announced his intention to inject a

further £10 million into school budgets next year, specifically to help schools with the greatest concentration of disadvantage to address underachievement among their disadvantaged pupils.

The Minister also announced his intention to apply the same eligibility criteria for free school meals to both primary and post-primary pupils from September 2014. That means that post-primary pupils from the lowest income families will be supported with access to free school meals in the same way as primary-school pupils. It is estimated that that will benefit 15,000 children and will ensure that the post-primary schools that they attend will be supported in a similar way.

The review panel drew the Minister's attention to the significant anomaly that children in care, commonly referred to as looked-after children, are not directly supported in the current funding scheme. Educational outcomes for those children are extremely poor. They often experience multiple barriers to learning. As part of his proposals for change, the Minister has indicated his intention to introduce an additional premium in the common funding formula for looked-after children at the same weighting as that of Traveller or Roma children, which is 0.5 of the basic age-weighted pupil unit (AWPU) cash value for full-time pupils and 0.25 for part-time pupils.

Concerns were expressed after the Salisbury review about the recommendation to remove all small schools support factors from the current funding formula. You will know from his statement that the Minister has accepted that recommendation in principle but has decided not to implement it yet. He believes that more progress is needed to the current work on area planning. Those area plans may determine that there is a need in certain cases for a small school. Where that is the case, the small schools that have been identified as strategically important will receive the resources that they need to provide the best possible education for the children whom they serve. However, at the same time, the Minister signalled to small schools that they should not rely on the continuation of those factors in the longer term.

In his statement, the Minister stated that the Department would consult on his proposed changes to the common funding scheme. He wrote to the Chairperson of the Committee on 26 June to advise that the consultation was launched that same day and will run until 18 October in order to give schools, individuals and organisations adequate time to consider the proposals and feed views back to the Department.

As you noted when we came in, Deputy Chair, the Committee received additional information yesterday from the Department on the breakdown of the impact of the Minister's proposals for change and the effect that they would have had on individual school budgets, if they had been introduced in the current year. You will be well aware, of course, that that information is for illustrative purposes only at this stage, given that factors such as school enrolments and the quantum of the aggregated schools budget are likely to change for 2014-15. However, the Minister is very keen to hear the Committee's views on the consultation proposals now that members have more information on the potential impact on individual schools' budgets.

Schools were provided with a copy of the Minister's statement on 13 June and were advised that consultation would commence shortly. An e-mail that was issued to all schools on 26 June mentioned the commencement of the consultation. It included information on indicative budgets for illustrative purposes. A copy of the consultation documentation has also been placed in the Assembly Library for Members' consideration.

The consultation document provides information on the independent review, the common funding scheme, key elements for consultation, how schools can access indicative financial information at school level and how the proposals might translate into the budgets that individual schools may receive, and the consultation arrangements themselves. All of those documents can be found on the Department's website.

I hope that that has provided a useful overview of the major parts of the common funding scheme consultation. My colleagues and I are happy to answer any questions.

**The Deputy Chairperson:** Thanks very much, John. Various things have jumped out at me. Given that most of that consultation will be during the summer and that it is quite a challenging document, how will someone who does not fully know the ins and outs of what goes on at school be able to ask questions? Schools and governors will not be there. Will there be an opening to ask questions to the Department, so that people can learn a little bit more before they respond?

**Mr McGrath:** We recognise that it is coming up to the summer period. That is why the consultation will run into October. We have also asked the education and library boards, as funding authorities, to provide information to individual schools and to facilitate a learning process. Indeed, some boards have already set up events for September. So, there will be that. We will look at other ways in which we can get engagement round that because, as you rightly say, Deputy Chair, it is a very complex subject.

**The Deputy Chairperson:** OK. Two funding changes are going through, one of which is VAT. Has it been agreed, will it definitely be agreed or does it need to be agreed with Treasury?

**Mr McGrath:** The Minister indicated that he would explore the issue with HMRC.

**Ms Roisin Lilley (Department of Education):** The Department will explore the issue with Treasury. The proposal that is being consulted on at present, because it was a recommendation, is that VAT is taken outside the formula and that schools that have to pay it, which are the voluntary grammar schools and grant-maintained integrated schools, reclaim that directly from their funding authority. That can happen irrespective of ongoing negotiations with HMRC. The idea is that, hopefully, we can negotiate that those two school sectors will not pay VAT at all. That is the proposal.

**The Deputy Chairperson:** We will not plan as though all of the funding changes will definitely happen, and, then, find that they will not happen?

**Ms Lilley:** I am sorry: can you repeat the question?

**The Deputy Chairperson:** When it comes to VAT and the indicative figures that we have here, one of our queries on the back of the review of the scheme was actually about looking at how it fully worked through the system and the outcomes. If we are working though on VAT, and that does not, then, happen, have we got a second plan?

**Mr McGrath:** It is a two-strand thing. At present, we are taking the VAT out of the formula and treating it as offline. So, the information that you have there is relevant. If it turns out that we do not succeed in actually having the VAT eliminated, we will continue to leave it outside the formula and deal with it.

**The Deputy Chairperson:** Some schools gain and some lose when you add the free-school-meal entitlement to the figures at the same time.

**Ms Lilley:** Currently, for those two school sectors, there is a VAT factor in the current formula. Those schools get that money. We just counted up what that was and took it out, so that it affected only those two school sectors. It will not affect the education and library board schools. If it turns out that we cannot do that, and that there are other right reasons — or that it is too problematical or difficult for schools to take it out, and they indicate that they prefer to keep it within the formula — then it is not a major issue. The schools that get VAT will know how much they have in the current year. It will be a matter of looking at individual breakdowns and saying to themselves, perhaps, "if I have £16,000 for VAT, then I will have to take that into account when I am looking at what I will be getting under the new system."

As John said at the start, they can also contact their funding authority, which can talk them through it and explain things.

**The Deputy Chairperson:** Are the voluntary and grant maintained schools better off or worse off under this system?

**Ms Lilley:** They are no worse off in that the figures they are given do not reflect the quantum they have for VAT. However, we have made it clear to them that it does not include the VAT element. That has been taken and, as John said, paid outside. They will know exactly how much they have received this year. They already have a breakdown; they got it at the start of the financial year. They know how much they got for VAT. They can make a direct comparison.

**The Deputy Chairperson:** Ballymena Academy, for example, which is a voluntary grammar school, appears to have lost £22,700 under the new scheme. When you add the VAT in, there may be a smaller loss or a gain for the school. Is there not also a time factor involved? That money does not come back, necessarily, when you want it to. You have to plan that into your budget.

**Ms Lilley:** That would be the case if you were engaging directly with HMRC to reclaim your VAT. That is not the proposal here. The proposal is that those schools would claim it from their funding authority, in the same way as they would claim money for substitute teachers or classroom assistants. Schools will not be engaging directly with HMRC when reclaiming VAT, they will be engaging with their funding authority. We do not see this operating any differently from the rest of their excepted items.

**The Deputy Chairperson:** Is there any knock-on from this to the rest of the funding for schools?

**Ms Lilley:** No, it affects only those two school sectors. It is a ring-fenced factor for them. Other schools do not have to pay VAT.

**The Deputy Chairperson:** If you take the VAT out of it, and you get to the changes to free school meals that are going through; has anyone worked through the outcomes for each school to see how they would be affected? In my patch, there is one school in which the funding was reduced, purely because of two pupils not being there. That knocked out one teacher, and the whole school had to reorganise.

**Mr McGrath:** The information we gave yesterday — the changes that the Minister is proposing — models them as if they were taking place this year, and therefore shows each individual school what the net effect would be of all the changes, including the extension of free school meals to post-primary pupils. It shows the bottom line for each school as if those had been brought in this year.

**The Deputy Chairperson:** I know that you say that the models are not to be taken in too much detail, but, at the same time, they will be.

**Mr McGrath:** I did not say that they should not be taken in too much detail; I said that when we actually get to next year, pupil numbers might change for some schools. That is what I meant. As a comparison between the current budget this year and changes being made, it is intended to give a fairly definitive sense of what the impact will be for a school. Obviously, a school knows that if its enrolment drops, that will be an outside factor. If its enrolment rises —

**Ms Lilley:** This is the way that we would have always consulted with schools. All we can do is say to them that, had the proposed changes been introduced in the current year and with the number of pupils you have and the profile of pupils you have — the number of free school meals or newcomers you have — this is the budget you would have received in the current year. We cannot tell them what it will be for the next year, because there are too many unknowns. With the figures they have, every school should be able to look at those and determine how much they would have received had all of the proposed changes that are being consulted on been introduced.

**The Deputy Chairperson:** Looking at primary schools, it would appear that many of them, such as Moy Regional Primary School, Ballycarry Primary School, Armoy Primary School, St Peter's Primary School, Plumbridge, and one in Limavady, will lose a few thousand pounds under the common funding scheme. I am concerned that a little bit of the fear factor will come into this as those who look in will see that they are going to lose some funding and will wonder where that will leave them next year. We are flagging up changes in schools that could, in many cases, make them think that they will not be able to survive with the number of teachers they have or given the way they are working.

**Mr McGrath:** Changing the formula, apart from the fact that the Minister put additional money in, is essentially about swings and roundabouts. Putting more money into TSN factors gives a significant skew to schools with high numbers of pupils in receipt of free school meals, and some schools will lose out. However, our analysis indicates that few schools will lose anything more than 3%. There are some but not too many.

**The Deputy Chairperson:** Will there be flexibility in it if a school suddenly finds that it has to change because a few thousand pounds knocks a teacher or pupil numbers when next year's enrolment is taken into account? Will there be a two-year run-in?

**Mr McGrath:** Not for this. At the start of every year, schools have to cope with uncertainty in respect of pupil numbers, the number of free-school-meal kids and so on. So, even if we were not changing the formula, a number of schools would not be entirely sure of their budget to an extent of plus or

minus 2% or 3%; that is normal. Whatever changes the Minister finally goes with will be reflected in 2014-15.

**The Deputy Chairperson:** How do you see the £20 million that is earmarked for transition being used?

**Mr McGrath:** The £20 million was originally set aside for transition depending on whether there were significant changes as a result of the Minister's proposals. For example, if he had removed the small schools support factor, a number of schools would suddenly have faced significant changes. It might have meant significant running-down and, in some cases, closure, but that would not have happened overnight. The £20 million was set aside at that stage in case we had to make transitional arrangements. As a result of the Minister not taking out the small schools support factor yet, the £20 million has been redeployed and put into the formula on a recurring basis.

**The Deputy Chairperson:** St Anne's, which is a large primary school in Belfast, appears to lose £40,000. That is quite a dent in a school's budget.

**Mr McGrath:** Yes.

**The Deputy Chairperson:** So, the £20 million would not go into —

**Mr McGrath:** The £20 million is accounted for. The original thinking was that, if we had taken out the small schools support factor, there might have been a need to provide funding, outside the formula, for schools that suddenly lost a significant amount of money. They may well not have a future, but it would take two or three years for that to happen. So, they would need some sort of taper or prop-up. The Minister's package does huge violence to hardly any schools. We are still working through a number of the implications of it. He has used the £10 million that he set aside in the first year. However, from 2015-16, the £20 million is accounted for as being in the aggregated schools budget (ASB).

**The Deputy Chairperson:** We plan to hold a stakeholders' event here after we get the consultation responses back, probably in October.

**Mr Hazzard:** Thanks, guys. My question is around the proposed changes and the increased delegated financial responsibility for schools. Will schools become obsessed with profit margins, surpluses and deficits? What safeguards will be put in place to stop schools profiteering? Families find it difficult at the minute with, for example, variations in the price of school uniforms. I fear that some schools will become obsessed with budgets, if some are not already obsessed with budgets. What safeguards will be put in place to ensure that the increased delegation of financial responsibility will not have a negative impact on families?

**Mr McGrath:** Which increased delegation are you referring to, Chris?

**Mr Hazzard:** Recommendations 2, 3 and 4.

**Mr McGrath:** Recommendation 2 is about greater challenge, support and intervention in respect of schools in general. Recommendation 3 is about looking at allowing some schools to go to the model of financial management for voluntary grammars and grant-maintained integrated schools (GMIs). Recommendation 4 is about planning financial information.

As regards recommendation 2, we rigorously challenge already. The Minister has made it clear that, in particular, he is increasingly intolerant of the notion that schools run up significant surpluses. He is also intolerant of schools that underperform while running up surpluses. Whatever they are keeping their surplus for rather than paying for more teachers, they should not be doing it. We have been very bullish about that in our accountability meetings with boards. We have said that they must adopt a much more proactive approach to surpluses and deficits. We were doing that before the review, and we will continue to do it. The Minister's view is that money that the Assembly voted to go to education should, within reason, be spent on the front line. We will chase that end.

The Minister has, for the time being, left the recommendation about moving to the financial model that voluntary grammars and GMIs have. Under that model, if you have a deficit, it is an overdraft in your bank. In a sense, that would expose some schools to more challenging circumstances. It may mean,

as you say, that they might have to think about how to raise more income. However, for many schools that do not have that model at the minute, that would be difficult. I do not think that, in the current economic climate, asking parents with middle or low incomes to suddenly start making significant contributions would get too far. It is evident from a lot of the figures that a number of schools, including in the voluntary grammar sector, are finding it tight in general.

We are preaching good, prudent financial management. We are preaching to the funding authorities that their role is not simply to give money out but to oversee schools and bear down heavily on that. At accountability meetings, we raise not only the overall surplus issue but, increasingly, why there are schools performing badly with money in the bank. Even some schools with high numbers of free-school-meal pupils, for which they get funding, are performing badly and have money in the bank. That is why the Minister has said that we will ask schools to explain what they are doing with the increased funding that they get for TSN.

One of the difficulties that we have is that this is a funding scheme. We send out the money, but the scheme does not have an element in respect what schools do with that money. Most public services now work on the basis of, when you commission something, you say what you want and check whether you get it. So, in future, there will be a greater linkage between a school getting money and that school explaining what it has done with it and what the outcomes are. The Minister will be keen to explore that.

**Mr Hazzard:** That is a very important point.

**Mr Rogers:** Thanks; you are very welcome. Thanks, in particular, for this document. Although it certainly does not alleviate the fears of primary schools, it crystallises the situation. I speak also as the chair of a board of governors of a school that has just under 105 pupils. I know the cuts that we have to make for our three-year projection, and I really worry about that. Nursery schools seem to be OK, but nearly all the primary schools are in red. You might say that 1% does not make a big difference, but, if 1% is £8,000 or £9,000, over three years that will mean the loss of a teacher. It will mean increasingly large classes. It will mean more composite classes and whatever else.

John, the per capita spending on primary schools versus post-primary schools needs to be looked at. England has a ratio of about 1:1, the Organisation for Economic Co-operation and Development (OECD) recommends a ratio of about 1:2, and we have a ratio of 1:4. If we are really to address our children's underachievement in literacy and numeracy, we need a firm foundation. It is welcome to see this document, but it crystallises my fears about addressing the inherent problems in our schools. We do not need larger primary-school classes with 35 or 36 pupils; we need more teachers in our primary schools. Are there any plans to look at that ratio without there being a detrimental effect on our post-primary schools?

**Mr McGrath:** The Minister's decision to have separate formulae is quite significant. In the system that we have at the moment we put money into the existing formula and run it through, which tells us how much we are spending on post-primary provision as opposed to nursery and primary provision. That is an odd way to do your budgeting.

In future, separating the formulae will enable the Minister to decide, first, to be very clear about what is in primary and post-primary provision and, then, to make decisions, whatever they may be, to enhance one or the other. The significance and the transparency of that are very important. In strategic terms, that is one of the most significant things that the Minister has decided to do.

It is difficult to say what he will want to do about the balance. Primary provision is important, and we are doing well in the primary sector, judging by the Trends in International Mathematics and Science Study (TIMSS) and the Progress in International Reading Literacy Study (PIRLS). There are significant surpluses in the primary sector, so not all the money is going in. The surpluses in the primary sector, in the round, are proportionately much more significant than those in the post-primary sector.

The argument about where the money should go needs a more sophisticated debate, and that is what we will be doing. We appear to be doing well in the primary sector at the moment, but we are clearly not doing as well in the post-primary sector for different reasons, including demographics and scale, in many cases.

I have certainly found that, in a number of cases, it is not about the money but the number of children. There are some remarkably small primary schools. In the post-primary sector, there are schools that are not huge, but there are grammar and non-grammar schools with intakes of around 400 or 500 that are clearly going to face difficulties in viability and in delivering the entitlement framework. It is interesting when you look at the numbers; that will be the challenge.

**The Deputy Chairperson:** It is the working-through of it that really bothers me. There will be an impact in rural areas. Most of the primary schools in Belfast are doing better, but what about schools outside Belfast? How does this all fit in?

**Mr McGrath:** You have to remember that schools with a greater proportion of pupils who receive free school meals will benefit from this. Where concentrations of deprivation exist, particularly but not exclusively in Belfast, you will see schools gaining. Some will gain significantly, which is the Minister's intent; let us be clear about that.

If you work your way through — and no doubt you will — you will see some schools with a differential even within your own constituencies. A lot will be explained by the socio-economic profile of the area.

**The Deputy Chairperson:** The free-school-meals entitlement does not really take into account, as I understand it, the rural side of things. A farmer, because he owns a farm, is seen in a different light when, in fact, his overdraft is high or the state of play of his business is hard. It does tend to favour urban rather than rural. Is anyone looking at that?

**Mr McGrath:** I am not sure that it favours urban over rural. There is an eligibility for free school meals; I am not sure that there is any less eligibility in rural areas. There are a lot of issues around the difference between the number of people who are entitled to free school meals and the number of people who take up that entitlement, regardless of whether they come from an urban area or a rural area. There are significant issues, such as the stigma effect. A lot of that is being tackled now, particularly in new schools, where access to free school meals is on your fingerprints, which means that no one is walking around with a sign above them saying, "free-school-meals child". There are a lot of issues around people's willingness to claim eligibility for free school meals.

**Ms Lilley:** Anecdotally, we know that schools are proactively encouraging their children to claim free school meals even if the child does not go in and get the meal, because the schools recognise that they get additional funding to help with their teaching.

**Mr Kinahan:** Thank you. It had been brought to my attention that the situation is slightly different in rural areas.

**Mr McGrath:** That is an issue about the income levels in the farming community. We simply say that the test is there if people wish to apply. We are very keen to maximise the take-up. That is one of the things that the Minister will be taking through with the Minister for Social Development among the wider issues of benefit uptake.

**Mr Kinahan:** There are no more questions. John, Roisin and Michele, thank you very much.