



Northern Ireland  
Assembly

Committee for Education

# OFFICIAL REPORT (Hansard)

Common Funding Scheme:  
Departmental Briefing

12 February 2014

# NORTHERN IRELAND ASSEMBLY

## Committee for Education

### Common Funding Scheme: Departmental Briefing

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

Mr Mervyn Storey (Chairperson)  
Mr Danny Kinahan (Deputy Chairperson)  
Mr Jonathan Craig  
Mrs Jo-Anne Dobson  
Mr Chris Hazzard  
Mr Trevor Lunn  
Mr Stephen Moutray  
Mr Robin Newton  
Mr Seán Rogers  
Mr Pat Sheehan

**Witnesses:**

Mr Trevor Connolly	Department of Education
Mrs Roisin Lilley	Department of Education
Mrs Karen McCullough	Department of Education

**The Chairperson:** I welcome Mr Trevor Connolly, director of finance in the Department of Education (DE); Karen McCullough, head of the standards and improvement team; and Roisin Lilley, head of the common funding formula (CFF) implementation team. You are very welcome to the Committee again. Trevor, I ask you to make your presentation, and then, no doubt, we will get into questions.

**Mr Trevor Connolly (Department of Education):** Thank you, Chair. We appreciate the opportunity to attend the Committee today to outline the key findings from the public consultation and the common funding scheme (CFS) review. If you are content, Chair, I propose to give a few short opening remarks and then pass on to Karen, who will take the Committee through the key findings.

Our focus today is on sharing information about the consultation process and the analysis of responses. The overview of the nearly 15,000 responses and the four detailed reports on responses to the main consultation — schools, children and young people and Parenting NI — were sent to the Committee last Wednesday to ensure that you had time to consider them fully before today's briefing. I appreciate that the Committee wishes to have this information to inform its response, which I know that the Minister is keen to consider. It is important in that context that I make absolutely clear at the outset that the Minister has not yet reached any final decisions, but clearly he hopes to do so, informed by the Committee's response, in the next couple of weeks. That is why he has asked for the Committee's response by next Wednesday 19 February. Today's session is to review the outcomes of the consultation.

As the Committee knows, consultation on the Minister's proposed changes closed on 25 October 2013. The proposals were, of course, informed by recommendations from the independent review of the common funding scheme chaired by Sir Robert Salisbury, which concluded that change was necessary. A key objective of the review was to encourage debate and discussion, not merely on how schools are funded but on how that funding reflects and responds to challenges such as the Programme for Government commitments on targeting social need (TSN). That outcome has certainly been achieved. We received about 15,000 responses to the consultation, and the Minister welcomes the number of responses and the level of debate that this has engendered.

Although that level of engagement was great, it did, of course, present its own challenges. As the Committee will appreciate, it takes considerable time and effort to read and analyse such a volume of responses. Indeed, in order to ensure that every response was read and considered, we engaged an external provider to assist with the process of data input and analysing and presenting the findings. This also ensured an additional element of independence. Karen will shortly take you through the findings from the consultation process, and then Karen, Roisin and I will be happy to answer questions on that.

It is also important for me to take this opportunity to highlight to the Committee the demographic changes that have occurred since last year. The latest 2014-15 school census figures are as following: the number of pupils in the nursery and primary sector has increased by over 3,450; and the number of pupils in the post-primary sector has decreased by nearly 1,740. These changes will have to be factored into the final decision and the running of the formula. It is important that I stress again that we are not in a position to answer questions on the Minister's final decisions as these have not been taken. The Minister is keen to reach a position where the objective of targeting social need can be delivered without creating financial difficulties for other schools. This was the message from the consultation. Clearly, as I have just noted, he will also wish to consider the 2014-15 demographic changes.

A further message is that the Minister is exploring the need for a transition fund to ensure that no school loses out in 2014-15 as the result of the changes that he will make to the formula. The Minister is considering various options. I think that he said in the House last week that he expected the losses to schools as a result of the changes to reduce substantially, but he has not yet taken any final decisions and looks forward to receiving the Committee's considered response to inform them.

I will now ask Karen to take the Committee through the findings of the consultation process.

**Mrs Karen McCullough (Department of Education):** As you aware, a number of methods were employed to ensure that we got as wide a response as possible to the consultation. We had an online and a hard copy response booklet, which is the one that you have before you. We also had a children's booklet and a young people's consultation. The children's booklet had four questions, the young person's nine. As well as hard copy, those were available online. We also engaged Youth Action NI, which consulted, and Parenting NI. Both also conducted focus group interviews with young people and parents.

Under the Education and Libraries (NI) Order 2003, responsibility for engagement with schools lies with the relevant funding authority, so boards, voluntary grammars (VGs), grant-maintained independents (GMIs) and DE consulted schools. As Trevor mentioned, almost 15,000 responses were received. About 10,500 used the consultation response forms and the response booklet. Just over 3,000 were returned online, and 7,000 were in hard copy. In addition, we received just over 200 letters.

The findings of the consultation process are presented in the first booklet. There are four reports, and the first is titled 'Common Funding Scheme (CFS) Consultation'. It contains reports on the 10,500 responses and the quantitative results of stakeholders, which are divided into four groups. We received 56 responses from education sectoral support bodies; 855 from teaching, non-teaching and members of boards of governors in their own right; and 9,500 from the largest group, which was parents, grandparents and members of the public. About 4,500 of those were campaign-style letters. In fact, there were 2,000 responses from one school. As well as the quantitative analysis, the reports show the qualitative analysis of frequently identified phrases used by stakeholder groups. Additional comments are provided. That first report also shows the analysis of the findings from the 200 letters.

We received just over 3,000 responses from children and young people — 1,800 from children and 1,300 from young people. Of those, 1,700 were online and 1,400 were in hard copy. Those are in the

second report, which provides the same kind of format with quantitative and qualitative analysis of their responses.

Parenting NI conducted focus groups with a total of 45 parents. The third report provides a summary of the quantitative and qualitative responses.

The final report presents school responses received by the funding authorities. A total of 473 schools responded, which is 41% of all schools. There was a variation by sector: 23% of nursery, 44% of primary, 39% of post-primary and 3% of special schools responded. The report follows the same format with quantitative analysis by board area and GMI and VG schools, and qualitative analysis of the comments.

Roisin will go through each proposal in the consultation document and provide an outline of the responses.

**Mrs Roisin Lilley (Department of Education):** Karen outlined how we analysed the responses and detailed the volume of responses. I have tried to pull together an overview of all four reports. I will take members through each of them. I know that you have looked at them, but we thought that it would be useful to pull them together.

There were a lot of comments on the revised principles for the common funding scheme, particularly in the main consultation, which had over 10,000 responses, but a lot of them were not about the guiding principles per se. Many commented on the other proposals and outlined how they disagreed with them. There were not that many comments on the principles as such.

People commented on how schools would be assessed as being sustainable, particularly rural and Irish-medium schools. That accounted for a lot of the comments. The views of the key education partners and interest groups were mixed, with similar proportions agreeing and disagreeing. The majority of parents and individual staff members in schools disagreed but for the reasons that I outlined, which were the outworkings of the proposals rather than the principles.

The next proposal concerns the balance between primary and post-primary and is that the current formula be split in two: one would have primary and nursery together; the other would have post-primary. When we were in front of the Committee in July, we explained that we were keeping primary and nursery together because so many nursery classes are attached to primary schools. The majority of the key education partners and interest groups agreed with that proposal. Some commented that, for example, it would help to achieve the balance between primary and post-primary to reflect the different educational priorities in each sector, which is one of the main reasons why the Minister wanted to split it into two pots. Parents and school staff disagreed, and a quarter of the schools opposed it. However, the difference in views depended on where the schools were. Young people were fairly evenly divided in their views. Concern was expressed about the complexity of having two formulae and the fact that schools would need to know what their budgets were likely to be in future years.

We then had a series of questions about targeting social need, which was one of the Minister's key interests because of the strong link between low educational outcomes and social deprivation. We have taken each of the individual questions separately. The first question related to the banding of schools. The majority of respondents supported the principle of five bands. They felt that five bands would be better than the current three. However, it was noted that the first three bands mooted in Salisbury effectively equate to our first band. Some of the key educationalists said that, even if you go with three bands now, you should look at the five-band option in more detail with a view to asking whether it would not be better to introduce that. Concern was also expressed about schools losing funds because of parents who work. Some respondents suggested that the Department consider some alternative indicators. I know that you might want to come back to using the free school meal entitlement (FSME) as a measure.

We consulted on the proposal that the full additional £10 million would be allocated to the top banded schools. That was in line with the recommendation in the independent report, which was that the majority of funding should go to schools with the highest concentration of pupils from socially deprived backgrounds. That was also in line with the comments that we received from the Human Rights Commission, which said that we should look at educational outcomes and the concentrations of pupils, and the highest is where there is greatest need. Most of the key educational partners and interests groups were against allocating all £10 million to the top band. They thought that there should be a more graduated and balanced approach. The majority who responded were not against the idea

of putting additional funds into schools with socially deprived children, and that came through in an interview on Radio Ulster last week. It was more about how we do that.

The response to the proposal that the Department or the Minister would be able to make changes in how targeting social need was allocated in future years without going out to consult was opposed by a large number of people. Although respondents accepted the principle of additional resources being allocated to break the link, concern was expressed that this was removing a school's right to be consulted on how we allocate funding without engaging with it. The views of the key educational partners and the interests groups were fairly mixed, with only a slight majority in favour.

The proposal that money currently allocated for educational attainment be allocated via the social deprivation funding but retained in the primary schools was opposed by a large number of people. A small proportion of the key educational partners and interest groups agreed with it, but quite a few comments were made about special educational needs and children losing out. However, it is important to state for the record that this is not about special educational needs. This money was not for special educational needs; it was meant to be about educational attainment. There is not a measure of educational attainment, so the proposal went out as it did because of the close correlation. The majority of the funding authorities opposed the proposal. Comments were made about educational attainment but, again, they are not linked to actual educational pupil attainment. People who agreed with the proposal said that they agreed that the funding should be retained in the primary sector. A lot of comments were not about that proposal per se but about primary schools losing funding.

The next TSN proposal was about increased accountability. The independent review stated, and the Minister has said, that, if schools are getting additional funds, particularly targeted at that group of children, there needs to be increased accountability for the outcomes of those children. Not surprisingly, the vast majority of all respondents were in favour of that, but funding authorities in particular were of the view that, if you are going to measure outcomes, you may not be able to do that over one year because some of the improved outcomes will not happen within one year. There will be, for example, improved attendance as well as improved educational outcomes. Those are the sort of details that the Department will need to consider.

The independent review highlighted the fact there was no support for one particular vulnerable group of children, namely looked-after children. They felt that that was a flaw and that we should introduce such support. There was clearly strong support for that introduction from all groups, though children's views were quite mixed. I am sure that you noticed when reading the reports that there were comments that this should not just be an issue for education; it is a wider issue, so there should be some support from the Health Department and other Departments. The issue was also raised in some of the responses about adopted children. Although it was strongly supported, there were particular areas raised that the Department should consider.

The next proposal was on the removal of the sports and premises factors and allocation of that money on a per pupil basis. Half the funding authorities were in favour of the proposal or supported the principle of funding on the basis of pupil need. Others raised issues, as did some of the other respondents, about the fact that, particularly in relation to premises, you need to take account of the age and condition of the building. People felt that it may not be appropriate to allocate all the money on a per pupil basis and that factors such as building condition also needed to be taken into account. Schools said the same and made the point that it might be OK to do that if all schools had similar conditions and were all in a similar position. There were not as many comments on the sports factor, but some respondents said that it might give out the wrong message about healthy living.

You will not be surprised that there were fewer responses, even from schools, to the proposal to remove VAT. That is because it does not impact directly on a lot of schools. Many of them, therefore, did not respond or make a comment because they felt that it was not relevant to them. The funding authorities were content with it, and the two school sectors on which it would impact — VG and GMI — were in favour.

We posed three questions on the consideration of the amalgamation premium, which was a proposal from the independent review. None of the three will take immediate effect because the questions were not asked for this year. They were asked about whether there was a need for an amalgamation premium, how it should operate and the length of time. The vast majority of people who responded supported the idea of an amalgamation premium. Some tied that into area-based planning and what was happening there. Many, particularly parents, did not comment on whether it should be inside or outside the formula. It may well be because that is more of a practical issue. It was the key

educational partners who commented, and the majority of them felt that, if we were introducing it, it should be outside the formula. Views were divided on the appropriateness of five years. Issues were also raised about whether amalgamation referred to two schools and how any other changes would be taken account of.

The next proposal was on the retention of the existing support for Irish-medium schools and units. The majority of key educational partners and interest groups supported its retention, but the majority of parents and staff who responded did not. Opinions from schools were fairly evenly divided. A point was made about support for language. They talked about newcomers and said that there should be money in the CFF for other languages. It is already there through the newcomer premium, but the point was made. There were some mixed comments from key education partners. The majority supported retention of support, although a few did make the point about the additional cost that the Irish-medium sector in particular faces, not just because of teaching through Irish but because of the sector's size.

Retention of support for special units in mainstream schools was overwhelmingly supported, with the vast majority of people saying that we should retain it. Members will be aware that teaching and non-teaching staff in special units are funded in addition to the school. This was just about additional money for units to meet the practicalities of running them. The point was raised about GMI schools not being able to have special units, so the Department will want to look at that. I make the point because it ties into the earlier comments about accountability. The point was raised there about accountability for outcome for children in special units, even though we are taking it into account.

The next two sets of proposals concern financial management. The independent report talked about financial intervention, and the surpluses and deficits in certain schools. The proposal was therefore that there should be a new financial monitoring and intervention system. The majority of schools, education partners and other interest groups supported it. Some of the key education partners suggested that financial management and its assessment should be an integral part of school inspection. School inspectors already look at it in their overview, but respondents said that they should have a stronger part to play.

The independent report suggested that there should be a lot fewer earmarked budgets, with the majority of money going directly to schools. It is not surprising that that was supported by all the education partners and most other people. They were unsure whether the current level of monitoring is appropriate. Views were expressed that people did not want it to be too bureaucratic but that accountability needed to be ensured.

The final question was specifically about special education. The independent review suggested that support for pupils with a statement should remain as it is but that there should be a review of special schools when the special educational needs and inclusion review was further down the road. It said that, in the interim, additional financial information should be provided to special schools. A majority of people supported that view. Views from parents and staff were slightly more mixed, but most people did not express a view. That ties into the point that people commented only on the areas that were specific to them. If they did not know a lot of detail on something, they gave no view rather than a strong view.

At the very end of the consultation, we asked for any other comments. A lot of the comments reiterated those that people had made on individual proposals as we went through the questionnaire. Here, we have tried to extract some of the other comments that were not specific to any of the other proposals. I know that the Committee is interested in small schools. A few respondents raised the issue that their continued inclusion acts as a disincentive to area-based planning. They mentioned the need for transitional arrangements for schools and raised the issue of dual-site funding, and that will become more of an issue as we proceed with area-based planning. There were almost conflicting views on nursery funding. Some felt that the nursery age-weighted pupil unit (AWPU) is too generous already and that, as such, nurseries get too much of the funds. Some said that there should perhaps be nursery principal release time in the same way that there is primary principal release time.

Without taking up too much of the Committee's time, I have tried to give an overview of what was in the four separate reports by pulling them together.

**The Chairperson:** Thank you. It is almost a case of where you start from. I think that we will start at the beginning.

The original proposals, despite what some said, resulted in these facts: in the Belfast Education and Library Board (BELB), 28% of primary schools are losing money; in the Western Education and Library Board (WELB), 82% are losers; in the North Eastern Education and Library Board (NEELB), 90% are losers; in the South Eastern Education and Library Board (SEELB), 82% are losers; and in the Southern Education and Library Board (SELB), 85% are losers. In the primary sector, 80% of schools are losing money.

That led the Primary Principals' Association (PPA) spokesman to say:

*"This divisive, unfair policy will create a new form of inequality where the minority of pupils are educated in small classes with wonderful resources and plentiful support staff, whilst the majority sit in large classes with scant resources and no support staff."*

What has changed from June of last year, when we started this, to today for the 80% of schools that are facing a cut, such as the £44,000 cut for St Anne's Primary School? What has changed for those schools today, Trevor, so that we can go back to them and tell them, "This is your financial position"?

We have 400-odd pages of stuff in front of us today. I do not know how many trees were cut down to make that. It is a good job that we now have everything on tablet, because at least the information is easier to condense. However, the one piece of information that is glaringly missing is the spreadsheet that shows us the £15.8 million that was put into the system. We still do not know who is getting it and who is not getting it. My question is this: what has changed for those schools?

**Mr Connolly:** The information that was circulated last year was clearly set out as being indicative budgets, based on the 2013-14 education budget. Clearly, that information was to inform the consultation process. As I said at the outset, the Minister has made no final decisions. The figures were there purely to illustrate the outworkings of the proposed changes for the consultation. All that they were there to do was to give an illustration, and they were based on the 2013-14 budget, which, as you said, does not include the £15.8 million increase in the 2014-15 budget. However, I go back to my point that the Minister has not made any final decisions. Therefore, we are not in a position to provide that level of detail.

**The Chairperson:** Trevor, that is different from what we are being told by the media. We are being told that another slush fund is being created in the Department. It is great at hiving off contingency funds and having money under the bed for a rainy day. The Department of Education has one of the best financial mattresses of any Department. It now has a contingency fund, which the Finance Minister has said is a problem. You saw the correspondence on that. The Minister now tells us publicly that he is going to create another one. He said in the public domain that £15.8 million has been put into it, yet you cannot come here today and tell us how that affects the system. I appreciate Karen and Roisin's work on all of this, so this is not in any way a reflection of the work done by the Department, but I have to say, Trevor, that it is a total and absolute waste of time if you cannot come to the Committee and tell us anything.

Crisis was created by an indicative budget. It does not matter how you try to dress it up. Some even in this room accused me of being sectarian on the issue, wand that is in Hansard. Some even accused me of telling lies. I want to make it quite clear that no lies were being told. The indicative budgets told St Anne's that it was losing £45,000. That was not a lie. That was not a sectarian point. That was the reality. The Minister has found another £15.8 million, plus the £10 million, so, whether it was from under the bed or wherever, he got the money. He says that it is being put into the system. How does that affect the schools? To be honest, if we cannot get that answer, all the other things that we want to explore become absolutely and totally irrelevant. I just want to know the answer to a simple, straightforward question: how does the £15.8 million change the schools' financial landscape?

**Mr Connolly:** First, the £15.8 million was the result of the Executive's decision in January 2012 to put £120 million into the education budget, specifically in the aggregated schools' budget (ASB), so this is not money that the Minister has "found", as you described it, but money that has been there, was agreed by the Executive, was announced publicly in January 2012 and has been there ever since. The Minister is on record as saying that he will put a contingency fund in place — using the terminology "transition contingency" — where it is necessary to do so, in order to ensure that no school loses out in the first year as a result of the changes that he has made.

You mentioned our contingency fund. It is in the public domain. As you are aware, Chair, we have spoken about it several times when I have been in front of the Committee. It has been there since I

joined the Department in September 2011. All the detailed analysis that we have given to the Committee highlights the fact that it is open and transparent. There are no hidden funds. The fund is there. We publicly stated that it is there and explained why it is there, which is to deal with unforeseen pressures throughout the year.

We are here today to discuss the consultation process and the views given by consultees. I go back to my point that the Minister has not made any final decisions. The budgets that were given, and I have the sheet in front of me, clearly stated that they were for illustrative purposes only. That, I think, is a crucial point. They were based on 2013-14 figures and on the assumption that all the proposed changes would be put in place. The Minister has not made final decisions, and the budgets do not include the £15.8 million that was the result of the Executive's decision and the increase in the ASB for 2014-15.

**The Chairperson:** I want to get to other Members, because we are going to take some time to deal with this, because the issue is vital. On 4 February, the Minister said in the House:

*"I have had the opportunity to inject the £15.8 million additional funds, which was not recorded on the schools' budgets that they received earlier in the year and caused understandable concern. I am now in a position where I can confirm that no school will lose any funding as a result of the changes that I have made."*

According to what the Minister said, no school is going to lose any money. He went on to say, and this is the important part:

*"I will put a contingency fund in place where it is necessary to do so to ensure that no school loses out in the first year of the funding round. I am confident that the losses have been reduced substantially to any school that would lose funds thereafter." — [Official Report, Vol 91, No 6, p38, col 2].*

Is that not simply a stay of execution? We will not hang you today, but we will hang you next year. Perhaps I am a cynic and 22 May has something to do with it. I do not know, but it happens to be the date of the election, I think. Is it the case that this is just a stay of execution, because, sooner or later, we are going to come back to the fundamentally flawed policy, which has been rejected by the schools out there? Despite all that has been said about there being a loaded questionnaire, with leading questions, there were all sorts of concerns about the whole process, and it has been rejected. Clearly, plainly and bluntly it has been rejected, yet we are going to come back to it, because the Department's view is that we will not get you now but will get you eventually. It is shifting sand, on which you cannot build any foundations. I think that it is very clear that the policy is ill-thought-out, ill-prepared and ill-conceived, and it has now been rejected. The Minister has had to react. He has had to put £15.8 million into the budget, and, now, simply to cover any eventuality, we are going to create a slush fund. Trevor, who was the external provider that did the assessment? It is news to us about the Department having to use an external provider to do an assessment of a consultation process carried out by the Department. What were the criteria used for acquiring the organisation? What was the skill set that it brought, and how independent was it in the information that it provided to assess the responses to the consultation?

**Mr Connolly:** Chair, the external provider was PricewaterhouseCoopers. Its specific role was to input data and to analyse and present the findings. Its role was not to prepare any policy response; rather, it was in the context of the almost 15,000 responses received. As I said, the policy response is clearly a matter for the Department and the Minister. This was to analyse the 15,000 responses received.

**Mrs Lilley:** The Department has used external providers in the past where there has been a large volume of consultation responses.

**The Chairperson:** Not in recent days, because there have not been too many consultations to which there have been large responses. We had the Department up last week and were told that it had received one response to one consultation and 22 to another. Therefore, consultants are used only for policies that are clearly and fundamentally challenging to schools. This consultation had 15,000 responses to it, and that says a lot. Even the consultation on the Public Service Pensions Bill had only seven responses, I think. That says a lot about how this policy was presented and prepared.

There are a lot more questions that I want to ask, but I will move on to members, because I know that they are exercised about many other elements of it as well. Let us have that discussion.

**Mrs Dobson:** That there were 15,000 responses indeed shows the depth of the concern. I have received a considerable amount of lobbying through my constituency office on the issue. It has been of massive concern.

Trevor, if I may, I will follow on from the Chair's comments. I am sure that you will not be able to provide me with detail, but I will ask you anyway. If, as you say, allocations are now going to change, when we will see the figures to show the new allocation will affect individual school budgets? Just as the Chair indicated that he is, I am concerned about whether it is a short-term sticking plaster. Alternatively, will the funding be guaranteed for future budgets? If schools were branches of a business and were treated like this, the business would not be trading for too long. Does the Department really accept responsibility for the mess — that is what it has been — and the confusion that it has led to?

**Mr Connolly:** I will deal with the last point first. This is a consultation and is to do with the CFF, which is an incredibly complex area. There are 15 individual factors involved in the current scheme. The book relating to it is 80-odd pages long. Therefore, irrespective of what happens, we all appreciate that the CFF is a very complex area.

On the guarantee of the funding, the only budget that I have as finance director that I can talk to the Minister about is that for up to 2014-15. There is no agreement from the Executive and the Assembly regarding the allocation for the Department for 2015-16. The only allocation that the Minister has the authority to make is for up to 2014-15. We do not have a budget for 2015-16, and, as the finance director, I cannot give him what I do not have.

What is the next stage? The Minister is fully aware of the importance of getting the information out to schools. What we asked and what the Minister asked when we sent the consultation responses to the Committee was, hopefully, to have the responses back by next Wednesday. The Minister's plan is to write to all schools in the next two to three weeks giving them their allocation for 2014-15, and we will obviously copy that information to the Committee. His view is that we want to have the Committee's response so that he can consider it in coming to his final decisions. When he has made those final decisions, the allocations will go out to schools in the next two to three weeks.

**Mrs Dobson:** They will go out in the next two to three weeks. Schools look to their future budgets and are planning to meet their needs. They need to know in order to plan for next year, and so on.

Finally, I want to ask — I will be brief, because I know that everyone is looking to get in — what lessons you feel the Department will take away about how announcements can affect decisions. That was an absolute fiasco. Do you think that lessons will be learned from how the announcement was handled?

**Mr Connolly:** I totally agree that, in any public consultation, there are always lessons to be learned. Here, because the issue affected all 1,200 schools, and owing to the complexity of the subject matter, we were always going to get a high level of responses. For us, it is about working through the process and trying to understand where we could have done things better. We will learn those lessons, absolutely.

**The Chairperson:** Trevor, you said that you will write to schools. What will you tell them?

**Mr Connolly:** Every year, we write to all schools to tell them their budget share of the CFF. If they are controlled or maintained schools, we copy that information to the boards. Therefore, we will follow exactly the same process, as we have done since I have been in post. There is no change to the process for schools. They will receive their budget allocation.

**The Chairperson:** But is the £15.8 million included?

**Mr Connolly:** The £15.8 million is in the aggregated schools' budget for 2014-15, so, yes, it will be included.

**The Chairperson:** Why was the Committee not able to see the spreadsheet that identified the £15.8 million?

**Mr Connolly:** Sorry, when you say "identified the £15.8 million", I am not —

**The Chairperson:** The Minister's words were:

*"I have had the opportunity to inject the £15.8 million additional funds, which was not recorded on the schools' budgets that they received earlier in the year and caused understandable concern."*

That money has now been put in. Obviously, you run the formula based on the number of children, applying the caveats that you mentioned at the start. I accept that. There is a decrease in primary funding and an increase in nursery funding. You run the formula. That will tell us a budget that will go out to schools next week.

**Mr Connolly:** In the next two to three weeks.

**The Chairperson:** Why do we not know the outcome?

**Mr Connolly:** Because the Minister has not made the final decisions. When he makes his decision on each of those proposals, we will apply the formula. The formula can and will fundamentally change depending on the Minister's decisions.

**The Chairperson:** I am sorry for pushing the point, Trevor, but the Minister's comments in the House on Tuesday 4 February indicated that he had made a decision. Is that accurate or is what you are saying today accurate? Let me make it very clear that I am not trying to be difficult or awkward. Some members are laughing at that, but I will tell you this: when schools that were to lose £50,000 come knocking on the door this evening and ask whether they are still losing money, do you know what I will have to say to them? I will have to say that I do not know. What I do know is that the Minister said on 4 February that he had had the opportunity to inject £15.8 million. He said that there would be no losers. How do we know that that is the case if we do not see the spreadsheet that told us the indicative figures or now the figures including the £15.8 million? I want to be able to go to those schools — many of which are in my constituency and are losing money — and ask them, "You have got your budget. How does it compare with last year's?"

**Mr Connolly:** There are three elements to that. The £15.8 million is in the aggregated schools' budget for 2014-15. There is an increase of £15.8 million compared with the figure for 2013-14. That is a factual statement. It has been there since January 2012. That is an absolute fact. It has been published. It is there. Therefore, the year-on-year increase between 2013-14 and 2014-15 is £15.8 million. The Minister has gone on record publicly to give his commitment that he will put in place a contingency fund to ensure that no school loses out in the first year based on his changes. That is a commitment that he has made.

**The Chairperson:** Are you saying, Trevor, that the £15.8 million was in the indicative figures that were published?

**Mr Connolly:** No, absolutely not. The indicative figures were based on the 2013-14 budget. That was completely and utterly clear in the figures.

To be absolutely clear, the figures that went out in June last year were based on the 2013-14 budget and were for illustrative purposes only. That was absolutely clear in the consultation and in all the meetings that we had. There is no query about that. The £15.8 million is part of the outworkings of the £120 million that the Executive gave over the three years, and that was included in the 2014-15 budget. That is a fact. It is there.

On your second point, yes, the Minister has been clear about his intention to set up a fund for 2014-15 so that no school will lose out in the first year as a result of the changes that he has made.

**The Chairperson:** Would it not be easier to run the spreadsheet on the basis of what we saw with the £15.8 million included, as then we would know roughly an indicative figure?

**Mr Connolly:** From my perspective, we do not want to confuse the situation. To me, schools now want certainty. Once the Minister has made his final decisions and we have taken account of the demographics and the additional funding, schools want us to say, "Here is your funding". This is what you will get in 2014-15". Anything in between will add more confusion, and, at the end of the day, once the Minister gets the response from the Committee on the consultation, he will come to his final

decisions. As I said to Mrs Dobson, we will then write out to the schools and tell them exactly how much they will get in 2014-15.

**The Chairperson:** Trevor, if the Minister is waiting for us to give him cover to raid the coffers of schools on the basis of a flawed policy, he will be waiting a long time beyond 19 February. It is up to the Minister. He is the Minister, and he has to make the decision. That is his call. I am speaking in my personal capacity, and it is up to others to make their own decision. I am not giving the Minister any cover to raid schools. We need clarity and certainty. If I were a teacher listening to this conversation, I would still be very suspicious of what is going on. I would be thinking that I will still lose money, not this year but next year. We have not seen the criteria for the contingency fund. We have not seen any information on how it will be managed, what money will be taken out of the budget and who else will lose out. It is an absolute stab in the dark. We will pursue the matter a bit further later.

**Mr Craig:** Trevor, what you have stated this morning alarms me. I will hold my hands up and say that I am speaking as a member of a board of governors. You are meant to sit down and do a rolling three-year indicative budget for a school. Anybody in my position who is listening to this conversation will be outraged, because what you have said is, "We have managed to put a sticking plaster over it this year. You will not lose money this year, but we have not got the foggiest idea what will happen in the two years thereafter".

I will ask you an obvious question: how am I meant to do a three-year budget? How am I meant to show with any certainty how we plan the economics of the school for the next three years? At this point in time, I would say, "OK, we have the money to do everything next year" and base it on that. I would have to go back to your indicative sheet and say, "The following two years will be miserable, and we need to plan for redundancies". Is that the way in which I am meant to look at it?

**Mr Connolly:** There are several points to Mr Craig's comments. First, I go back to the point that we only have a 2014-15 budget: no budget has been agreed for any Department for 2015-16 or for any year beyond that.

**Mr Craig:** The formula is there. Anybody can use a calculator.

**Mr Connolly:** Absolutely, but there is no certainty about what the Department of Education's budget or that of any other Department will be in 2015-16 or future years. So, we cannot give a level of certainty about information that we simply do not have.

I think that it goes back to the key strategic issue. We are coming to the end of a four-year Budget allocation, and we are about to have the spending review for 2015-16 and agreement with the Executive about how that 2015-16 year is going to be allocated. So, irrespective of whether there was a review, we would have no certainty for what the budget would be in 2015-16 and going forward. That is simply a fact. As finance director, I could not give the information a degree of certainty, irrespective of whether the review was there. We do not have a budget.

**Mr Craig:** Trevor, I am not arguing with you on that, and I will not argue with you on it, because none of us knows what central government are going to do with the next funding round. However, the difference here is that you will be working on a formula, which, for one year and one year only, will have a sticking plaster put on it, that is, additional money put into it. If it reverts to the formula thereafter, it is not hard to work out what is going to happen to the schools' budget. That is what I am saying to you, Trevor.

I will ask you a very, very simple question about your consultation. Outside the schools that were making out of this, 90% of which were in Belfast, how many people agreed with this change? How many schools agreed with this change?

**Mr Connolly:** I will ask Roisin and Karen to come in on the second part. You said "reverts to". I want to be absolutely clear: the 2013-14 figures were there for illustrative purposes, and they are based on the 2013-14 budget. The figures that went out in the consultation were based on the 2013-14 budget and simply illustrated what would happen if all those changes were put in place.

**Mr Craig:** Precisely.

**The Chairperson:** Exactly, and that is the issue.

**Mr Connolly:** Sorry, Chair, I am finishing. The issue here is that the Minister has not made any final decisions on whether he will implement it.

**The Chairperson:** Let me make it quite clear, Trevor: as far as my party is concerned, if he makes a decision on this policy, it is heading for the Executive. It will be pulled in and stopped. There is no point in me beating about the bush or trying to say anything different. It is not going to be implemented, because, clearly, it has been rejected. That is as blunt and as plain as we can be. We can talk around it, and we can try to get to the bottom of what is this and what is that, but that is the bottom line. I have seen no certainty this morning. How am I going to go to Mossley Primary School, which is losing £25,000, Fairview Primary School, which is losing £20,000, Templepatrick Primary School, which is losing £20,000, or to St Colman's or Ballyholme? There is a list of them. If I was in a school in Belfast that is receiving £185,000, I would be ecstatic, and rightly so. It is an unfair, uneven distribution. So, I am glad that you clarified that point, because that was the next question that I was going to ask. I think that this is maybe what Jonathan was getting at. So, we set this policy aside, because it is fundamentally flawed; it is not going anywhere. On the basis of the normal processes that you would operate with the common funding formula as it is currently, what would the outcome be? We do not know that yet. Is that correct?

**Mr Connolly:** Sorry, repeat the last question.

**The Chairperson:** If these policy proposals were not implemented — if the Minister made no decision on them — and we just had the common funding formula as it currently sits, with £15.8 million in the budget and all the figures on schoolchildren, demographics and all that, what do we believe would be the outcome of that for the individual schools if it were run through the system?

**Mr Connolly:** We have not worked that out.

**The Chairperson:** Is that because it has not been done yet?

**Mr Connolly:** No. I want to go back to the demographic, because I think that that is important. We are talking about individual school level. Going back to your earlier point, irrespective of the review of common funding scheme, that will change year on year because of demographic changes.

**The Chairperson:** We have already accepted that.

**Mr Connolly:** It is important to identify that it is not simply about the number of children; it is the characteristics of those children. If you have children who are entitled to free school meals, newcomers or Travellers, and they are eligible for that additional funding, you could lose a substantial amount of money, even though the decrease in actual children numbers is quite small. Similarly, you could gain, because they have different weightings and different values. So, there is clearly a year-on-year change, and that is totally outside the Minister's remit in the context of the CFS review. That will happen every year, and it does happen every year. Members who are on a board of governors will know that that is simply a fact.

**Mr Craig:** It is factual, Trevor, but I will ask you this very obvious question: £44,000 is being trailed out of the budget of St Colman's Primary School in the maintained sector under this new formula. What do you tell that principal and the parents of the children in that school who are going to lose teachers as a result of a formula that does not take into account the fact that that school is heavily oversubscribed, needs another classroom and is bunged to the gills? We are not rewarding success; we are actually rewarding failure here. That is the fundamental of what we are doing. What do I tell Downshire Primary School, which is in exactly the same boat? Those are two extremely successful schools that are bunged to the gills with children, yet, in each case, £40,000 or £50,000 is being dragged out of their budget, to do what? To put additional money into other areas. Yes, they need the money, but not at the expense of someone else. That is the difficulty with what we are talking about. All the changes that you are talking about that happen in the normal basis will not fundamentally change those two schools' funding; the change in the formula will.

**Mrs Lilley:** When we say that the Minister has not made any final decisions, we mean that there was a significant number of proposals. Seventeen different questions were asked. Admittedly, some of them were not for the current year for the amalgamation premium, but a lot of the other ones affect the

formula specifically. So, it depends on what decisions the Minister makes on of each of those individual questions that affect the formula, and that will affect the schools' outcomes. The demographics then come on top of that. I do not think that it is an either/or situation. I do not think that it is that it stays as it was or that it is everything that we have gone out and consulted on. The Minister may be minded to do something that is in between, where he accepts some and does not accept others. That is the final decisions.

**Mr Craig:** There were three key areas in the proposed changes. One was that the special educational needs payment disappeared. Another one was that the buildings were disappearing. There was another issue, but it has gone out of my head. You made a very alarming statement. You said that the special educational needs payment does not actually go to special educational needs.

**Mrs Lilley:** No. I said that, in the current common funding formula, there is no factor for special educational needs. The Department does not fund special educational needs specifically through CFS. The only money that goes for special education through the formula is that lump sum for special units, which is £3,000 for each special unit. There is currently no funding through the formula for special educational needs. There is not a factor for that in the formula.

**Mr Craig:** The proposal was to take that out.

**Mrs Lilley:** No, because there was no funding for it in the formula, so we did not propose taking it out.

**Mr Craig:** I have seen the formula.

**Mrs Lilley:** No, we talked about taking out the educational attainment need.

**Mr Connolly:** Just to be absolutely clear, the special schools funding is not through the CFS. If you go through the April 2013 booklet, you will see that funding for special education goes through the block grant that goes to the board. So, there is no plus or minus here in special funding. I think that everybody could accept that. That is not part of the CFS as it currently stands.

There is a specific point here about what we are consulting on. However, I want to be absolutely clear: special educational funding is completely outside the CFS.

**The Chairperson:** Is that special needs?

**Mrs Lilley:** Special educational needs, yes.

**The Chairperson:** Where does the Warnock factor come in? It was part of the formula, and the proposal is now to take it out.

**Mrs Lilley:** It is for educational attainment, but there is no measure for educational attainment. In post-primary schools, the measure that is used is Key Stage 2 results.

**The Chairperson:** Let us be honest, Roisin; we are dancing on a pin there. If you tried to explain to the school that taking the Warnock factor out of the common funding formula does not have an impact on children with special educational needs, they would laugh you out of court. The reality is that, for people in schools, the Warnock factor was in there and was specific to children with special needs. It is not there, because it is all being lumped into TSN. That is what is happening. We have a fund centrally in the boards for special educational needs. We understand that that is the case, but this was about the formula that was proposed to be changed. We are switching money out of that pot into TSN so that we will be able to divert money away from the 80% to address the needs of the 20%. That is what was going on.

**Mrs Lilley:** In the post-primary schools, educational attainment is measured by Key Stage 2 results in recognition of the fact that, when children come into the school, if they are performing below the required level, that school will have a difficulty and a challenge to overcome, so its gets additional funds for that. That is based on an actual educational attainment measure. In the primary school, it was not based on an educational measure. The proposal was put forward because of the strong correlation between social deprivation and low educational outcomes. It was for educational attainment; it was not for special educational needs. Schools are supposed to fund the special

educational needs pupils at stages 1 to 3 from their core funding in the same way as they deliver lots of other things through their core funding.

**Mr Craig:** To be honest with you, we are no further forward here. The Warnock formula is in there. I actually — I would not call this a privilege — went through with a couple of principals the entire system as it now sits. The Warnock payments are in there. You might not think that they go towards special educational needs. That is all right; you can sit there. You are pen-pushers, bean-counters or whatever you want to call yourselves. The reality for the principals out there on the ground is that that money is used specifically to target special educational needs in those schools and to pay for people to help those children who have real difficulties with their educational achievements. That is disappearing out of the system. That is going out of the formula, whether I like it, you like it or anybody else likes it. That is the proposed change, so let us not bury our heads in the sand on the issue. I do not see how any of us could ever agree to that.

**Mr Rogers:** Thank you for your comments so far. I do not really want you to go over it again, Trevor, but there is a distinct difference between what the Minister said and what you said, in that you talk about the first year. Related to Jonathan's point, I will say that we are six weeks away from the next financial year. Your colleagues in the ETI want a three-year development plan. Your development plan is linked to your budget plan etc. I think that where we are today will not sit easy with any principal out there so near to the next financial year. Principals are in the position at the moment of saying, "Do I have a composite class or do I not have a composite class next year?" So, the whole thing is linked.

It is very concerning that, so close to the next financial year, schools do not really know where they are going. The fear is about what is going to happen beyond the first year. Are they going to get hit with a double whammy at that stage? I know that you have tried to justify it through financial planning or whatever.

However, I want to move on to my main point about a comment that you made. I admire the Minister for doing his best to target social need and the relationship between social deprivation and educational underachievement. However, the education cake is finite. You said that there is an increased emphasis on targeting social need without creating difficulties for schools. How is that going to be achievable? Although I am speaking about targeting social need, how does the Department measure the effectiveness of the targeting of social need? Does it use educational attainment, value added or whatever?

**Mrs McCullough:** We use free school meals entitlement as a proxy for social deprivation. As you said, social deprivation is very strongly correlated with educational outcomes. That is well documented in international evidence, and we know it from our data as well.

The independent review looked in a lot of detail at our use of free schools meals entitlement as the indicator and considered alternative measures that we could use. It looked at spatial measures, such as multiple deprivation, income deprivation among children and ever free school meals. It also tested a number of hypotheses. When the review's authors were talking to people and gathering evidence, they heard quite a lot of comments about differential rates of claiming entitlement, for example. A lot of their analysis is laid out in chapter 7 of their report. They were confident, and they gave us confidence, that free school meals entitlement was the best method to use as a proxy for social deprivation, and they told us that we should continue to use it.

In response to the review, the Minister welcomed the fact that it was currently the most effective measure, but he said that it would be kept under review to make sure that that continued to be the case. That is what we have done. A few suggestions for alternatives came out of the consultation. The Department has looked at a number of those, but we will take others on board.

With earmarked funding, we set out what we hope to achieve with the money, and then we make sure that it gets recorded and has an impact. We are seeing improvements right across, particularly among our most deprived children, who are improving at Key Stage 2, Key Stage 3 and GCSE. However, that gap is still there. The additional funding recognises the additional challenges that schools have in meeting the needs of those particular children. That is all based on evidence, which as I said, is not just our evidence but international evidence. So, we do measure impact.

**Mr Rogers:** Taking that point on, to me, an Education Department is there to target educational need. As I said, I feel that the Minister is certainly trying to do his best, but I think that he is trying to cover for the whole Executive in targeting social need. The cake has been cut very thin.

Let us get down to the reality. I am begging Gavin Boyd in the Southern Board to try to get an extra hour for a classroom assistant for children who have special educational needs. They cannot get an assistant for one extra hour between 1.00 pm and 2.00 pm, because he does not have the money. So, I hear what you say, but when I bring it down to the reality of the classroom, I can see that, at the minute, we are not targeting educational need, never mind anything else.

**Mrs McCullough:** As Roisin mentioned in her opening statement, the point that you made came across quite a lot. The view that nobody disagreed with — maybe some did — was the principle that more should go towards targeting social need. I think that some of the respondents made the point well that that is not just a matter for Education; it needs to be done across Departments. That is because addressing need and tackling intergenerational poverty are issues for everybody.

**Mr Rogers:** It concerns me that we are being asked to respond to something when we do not really know what is happening. Unfortunately, the most vulnerable in our community seem to suffer most when things are squeezed.

That leads me on to my last point, which is the idea of small school support and where that is. From among the 400 pages that we received this week, one phrase jumped out at me. It said that small school support was a disincentive for area-based planning.

That really scares me and our rural primary schools. Is the debate about common formula funding really about closing small rural primary schools in a roundabout way and making area planning easier?

**Mr Connolly:** The Minister is on record about that. The small schools factor will remain in 2014-15; it is not part of the review process. So, that is clearly someone's comment and interpretation, but the small schools factor is there for 2014-15; it was not part of the proposals that were consulted on.

**Mr Rogers:** Again, Trevor that is for the one year. Schools and communities look beyond the one year. If my daughter gets married and is deciding whether to settle in a particular area, as a young mother, she will look beyond the one year. Communities look beyond the one year.

**The Chairperson:** On that point, the Minister said that he was not minded to remove the small schools factor yet. He went on to say, and this has now disappeared into the corridors of Rathgael, that he would consider a small schools — I forget the word but it was not "policy". He said that he will look at small schools separately, even outside the issue of sustainable schools. People still have that concern. There was a comment in response that said that we can only support:

*"a CFS with flexibility to address social/educational achievement but not when it so directly addressed purely social need rather than the specific educational need".*

The rationale is strong, but the outworkings are seriously flawed. That is what we are dealing with as a result of the consultation, and I think that we all need to bear that in mind.

**Mr Kinahan:** Thank you very much for the report. The first email that I got this morning was from Templepatrick Primary School, and it said "great" in response to the comment from the Minister that no school will lose funding. We have had the matter from everybody else — *[Interruption.]*

**The Chairperson:** Somebody's phone is still on.

**Mr Kinahan:** That list was put out, and those are the figures that all the schools are working to or are looking at, because that has flagged it up. I emailed every single school in July and August, and the answers that came back were virtually all related to jobs. They are planning their teachers, classroom assistants and special needs teachers for the next year. I really do not understand why, when they are working on three-year plans, the Department cannot work to the same ones, because there will still be parameters and variations. I cannot see why there is no way of giving them an indication for the next two years in the context of how you know the budgets will be. I want to make that point and

then discuss the consultation and how that was done. Is it really not possible to look three years ahead and to give them some indication and some guarantee?

**Mr Connolly:** From my viewpoint, no, because, right now and as I will reiterate, we have a 2014-15 budget. The only information that the Finance Minister has from Treasury is purely for 2015-16, and the Executive have clearly not yet looked at how the 2015-16 budget will be determined. So, no Department has a budget for 2015-16 and obviously for any year after that. From my perspective, the difficulty is that we have come to the end of a four-year comprehensive spending review, and the only information that is available at a global block level is for 2015-16. At this point, we do not have any allocations by Department for 2015-16. If we tell schools that it will be x amount, and we suddenly have less than that, we will have created an expectation that we cannot fulfil. I totally appreciate where you are coming from, and from speaking to the boards and the VG and GMI schools directly, we all understand that they want certainty. Unfortunately, I am simply not in a position to give the Minister any certainty other than the figures that he has for 2014-15. In x months' time, when the Executive have sat down and worked through the 2015-16 budget, the best that we will be able to do will be to give schools a degree of certainty for only the second year of the next three years. That will be some point in the 2014-15 year — it will be in the next three to six months when that is agreed. So, the difficulty is that we have come to the end of a comprehensive spending review, and we do not have any certainty, in that I have only an allocated budget for 2014-15 and the Executive will determine the allocations for 2015-16 in due course. Once we have that information, yes, we can clearly factor that in, but beyond that, we simply do not know.

**Mr Kinahan:** I still do not understand why you cannot say that it is not quite ring-fenced and that this is the most important part of the funding of our schools, so we should guarantee x amount and make the cuts from somewhere else.

Anyway, I will move on to how the consultation was done. Have we learned from it by doing it at the beginning of the summer holidays when everybody is gone so that nobody really actually saw it until August? We got no replies.

**The Chairperson:** Danny, can I correct you, there? I have the front page of the 'Belfast Telegraph' from 8 July, and everybody knew about it.

**Mr Kinahan:** I realise that. However, I emailed every single school, and I can tell you that I did not get replies until they started coming back. It may have been in the papers.

**The Chairperson:** I take that point.

**Mr Kinahan:** That is really the point. They knew that it was coming, but they did not have the details until they got back, and no one really started responding until late August. That means that one might have learned not to do things over the holiday period.

Also, do we talk to people beforehand? Before it comes up with an idea, does the Department take soundings? Does it find out what reactions are likely to be? This is a fantastic summary, and I congratulate you on that — it is really good. However, if you had asked a few people beforehand, would you not have got an idea that it was not going to work before it started?

**Mr Connolly:** If I can deal with the timing first, I will say that you are quite right. Obviously, it was issued in June or July, but the actual consultation period ended on 25 October, which is nearly two months into the proper school year. As the Chair already said, people were aware of it from the start of the summer, but they had the guts of two months back at school to be able to do that. The overall timescale was July, August, September and October, which, to be fair, is nearly four months. I think that that is a considerable amount of time, half of which is within the school year.

**Mr Kinahan:** It looks great. You do not get back from your summer until the end of August, you then have all the other things that are happening in September, and you have a mass of things going on. It was just bad timing and ill thought out, and that is really what I am trying to get across. If you had made the announcement in September, when we were all back and working and then had run it for four months or for the whole of that session —

**Mr Connolly:** Sorry, but I think that the key aspect there is that, when the Minister looked at the independent review, he clearly wanted to have this in place for the start of 2014-15. The difficulty with

starting in September is that you would have your consultation responses back only at the end of January and suddenly you would have an incredibly compressed time period in which to do the review, consult with colleagues and the Committee and have an answer within eight weeks. I think that that would be an incredible challenge.

**Mr Kinahan:** The point is still made that it was bad timing. You could have done it earlier or something. Also, how it was written and how it was put together are matters for consideration. It was a phenomenally complicated area, and you said that you got a mass of replies on other subjects. You could have had a better load of questions at the end that got other people to reply on the other matters that affected funding. I just hope that we are learning from the system on consulting in the future.

**Mr Connolly:** Mrs Dobson raised that point before the member came in, so, yes, of course; as in any consultation, we will review it and look at how we can learn lessons.

**Mr Hazzard:** I have a couple of comments. We leave party allegiances at the door most weeks, but I think that today has been a wee bit different for some things. Certainly, to describe what went on as a "crisis" I think reflects more the politicking that went on. Indeed, we appear to be able to repeat ad infinitum what the Minister said on the Floor but conveniently forget that he said from the very start that these were only indicative budgets and that the £15.8 million was not included. I think that that is worth bearing in mind. Indeed, this money came not from the Department of Education's mattress, as it was put; it came from the Executive's mattress and the Finance Minister's mattress — if it came from any mattress at all.

Tackling social inequality is a Programme for Government commitment. Seán Rogers is 100% right: the Minister appears to be the only Minister who is actually taking his Programme for Government commitment seriously.

I would like to quote from the Audit Office report, 'Improving Literacy and Numeracy Achievement in Schools', which says:

*"The wide gap between the highest and the lowest achieving children continues to be challenging with a strong correlation between low levels of academic achievement and free school meal entitlement."*

It continues:

*"A key challenge is improvement of outcomes for learners...across all sectors, but particularly those from disadvantaged backgrounds."*

It also states:

*"this low level of achievement and the widening gap in outcomes is unacceptable'."*

The Public Accounts Committee, which the DUP is the majority party on, by the way, said:

*"The Committee, therefore, strongly recommends that the Department undertakes a full review of the Common Funding Formula with a view to ensuring that funding is directed to where it is needed most"*.

Again, the Minister is only following the advice of the Public Accounts Committee to tackle social inequality and to review the common funding formula.

Getting back to this thing about the year, most of the principals I spoke to said that all they wanted was a year to adjust to some of the changes that they could comfortably do. I accept that it is not the same across the board, but a large proportion of principals feel that, so it is important to get those points across.

There is an issue with surpluses and deficits. In the health sector, some hospitals run surpluses and deficits of around 0.5% of the budget, but it is much more than that in the education sector. Are there any moves to tackle surpluses and deficits and to get them closer to the figures that the Department of Health works on?

**Mr Connolly:** Surpluses and deficits relate only to maintained and controlled schools. Voluntary grammars and grant-maintained schools are cash-funded, which means that they operate totally differently. Effectively, they have a bank account, with either an overdraft or cash in the bank. For surpluses and deficits, local management of schools guidance clearly states that you should operate within the lower limit of 5% or £75,000, whether within surplus or deficit.

In a statement last June, the Minister made the point that a considerable number of schools are operating at a higher level. The simple answer is yes: in our quarterly governance and accountability meetings with the boards, we review in detail individual schools if they have surpluses above the 5% limit. The three-year development plans must be agreed by the funding authorities, which, for controlled and maintained schools, are the education and library boards. We constantly challenge the boards to show us, if there are schools with surpluses above and beyond the limit of 5% or £75,000, what plans they have to use that money. We ask them especially to detail the educational outcomes of those schools because schools should not be hoarding money that is allocated for the education of the pupils in those schools, when, in the worst possible case, they have extremely poor educational outcomes. So we have asked the boards, when they are assessing allocations from the block grant, to consider the financial position and the education position of each school. When the boards are looking at development plans, for schools with large surpluses and those with large deficits — both are equally important — they must challenge those schools to ensure that they have three-year plans that, if they are in surplus, show how they will utilise that money, or, if they are in deficit, how they will manage that deficit and bring it back to a more reasonable position within the limits.

**Mr Hazzard:** Karen, you mentioned evaluating the changes to see whether they are targeting need, and so on. Has the Department begun to consider the variables? Some schools will receive substantial funding increases to target need. Will there be a suite of measures for them to pick from, with the Department perhaps saying that these have been proven to work elsewhere?

**Mrs McCullough:** As I said, the consultation showed very strong agreement that, when schools get money, they should be held accountable for what they do with it and for the outcomes. There has been a lot of discussion about what we should be measuring. Respondents said that we should not measure only educational outcomes. There are other measures that can be used and, because of the delay between a school getting money and being able to assess the educational outcomes, it is not an immediate measure. Other measures could be put in place. The need to involve educationalists, which we will do, in any decisions came through really strongly, as did the belief that we should have a range of indicators. Suggestions are coming through as alternatives, and we will take forward those principles.

**Mr Hazzard:** So it will be value added. It will not simply be —

**Mrs McCullough:** We are looking at value added, and, with the levels of progression — that is a different conversation — that is where that would be measured. Again, that refers to outcomes. There is a gap between getting the money and seeing something —

**The Chairperson:** Karen, with the greatest respect, if you use levels of progression, on the basis of their being accepted by schools at the minute, you will only compound the problem and make it worse. Also, we do not have a measure of assessment for value added. How do you measure value added? How many times has Trevor made a comment about value added? We still do not have a process, system, structure or framework that gives us a measure of value added that allows you to tell a school what its account will be credited with. The inspectorate goes into beat-up schools to deal with a variety of issues. What do the inspectors do about value added? It is aspirational. There is nothing there. That is the difficulty. I accept that trying to address that is a real challenge for us.

**Mrs McCullough:** Value added captures, within one measure, something that tracks pupils through. If you were looking at where you go from Key Stage 1 to Key Stage 2 to Key Stage 3, the real difference and everything about that child is encapsulated in that. If you were looking at the difference between those stages, that would be the value added.

Contextual value added is a different issue, whereby a range of factors is taken in. There is an even bigger debate about the range of factors that you take into account, the weighting that you give to each of those factors and, depending on your position, there are arguments for particular factors and weightings being assigned. Confidence and trust in the system for the levels of progression would give us a value-added measure. That is the way in which other education systems in other Administrations have gone.

**The Chairperson:** The Minister made it clear in the response booklet that he is:

*"committed to allowing schools the flexibility and freedom to take decisions on how best to use this funding to meet the educational needs of pupils from socially disadvantaged backgrounds. However, he has also signalled the need to ensure robust accountability for the outcomes they deliver for those pupils with this additional funding."*

In light of that, I want to ask you about what he says in the following paragraph:

*"The Department will be undertaking some further work in the months ahead, and in consultation with school governors and principals, to determine the best means for ensuring an appropriate level of accountability including via the School Development Plan."*

Where are we on that? Have we seen any of that work emerging? Obviously, that was in the consultation, and it ties in with Chris's point. The Minister said:

*"The Department will be undertaking some further work".*

Is work under way on that?

**Mrs McCullough:** It has only started. We are responding to the idea that we will need a range of indicators related to measuring performance in a school. We have started that discussion and are noting the points from the consultation about the importance of involving educationalists and practitioners.

**Mr Newton:** I thank Trevor, Roisin and Karen for coming today and for their valiant attempts to defend the indefensible.

I want to ask three short questions. These changes are the most divisive for many years and have the potential to set school against school. Do you agree with that?

Why are you defending a consultative process that has not stood the test of public or professional opinion?

What would you say to the comments from the professionals in the front line of education who say that the proposals, if implemented, would put some pupils first?

**Mr Connolly:** In answer to your first question, the Minister said last week — we have discussed it several times — that he will put a fund in place to ensure that no school loses out in the first year as a result of the changes that he has made. The funding position is clear.

The consultation process received nearly 15,000 responses. Karen and Roisin have spent quite a bit of time on that. If you go through any of the individual tabs and topics, you can see that there is clearly a wide diversity of opinion among educationalists, parents and children. To a certain extent, that displays the complexity of what we are discussing. Clearly, much has been driven by the budget and the illustrative budgets that have gone out. That is probably what people can understand most simply. From that perspective, there has been a very wide diversity of opinion on each matter. The Minister's statement is entitled 'Putting Pupils First'. His policy is Every School a Good School. That is the Minister's stated position of what he wants to achieve.

**Mr Newton:** In respect of setting school against school, I want to pay tribute to the group of east Belfast primary school principals who indicated that, if one school is going to be a loser and another school is going to get a major gain out of this, they do not want this to go forward because they do not want any school to lose out. That seems to be a sane and sensible approach.

I will reflect that attitude in my final point. The policy is putting some pupils first. They do not see it as a fair allocation or a fair way to support the work that they do. That is why I opened my comments by referring to your valiant attempts to defend what, overall, is seen as indefensible.

**Mr Connolly:** I go back, Chair, to the earlier comment that the information that went out to schools last summer was on illustrative budgets based on 2013-14 and the fact that all proposed changes would be in place. The Minister has not made any final decisions on what he is going to do. He is also

clearly on record as saying that no school will lose out as a result of the changes that he will make in 2014-15.

**Mr Newton:** For one year.

**Mr Sheehan:** I am disappointed by that answer, Trevor. You should have said that, as a bean counter, you do not have an opinion on pitting one school against another, but that is another point.

Today's line of questioning reminds me a bit of James Molyneaux, who said, when the IRA ceasefire was declared, that it was the most destabilising event in the history of the state. We have a good news story here. More funding is going into our schools. The Minister has said clearly that there will not be any losers. Has the Minister been caught out telling lies on any issue such as this in the past that suggests that he could be telling lies this time? Are you aware of anything along those lines, Trevor? I certainly am not.

I mentioned in Committee previously — I said it to you, Chair — that the model that went out for consultation clearly had unintended consequences. Those were consequences that the Minister had not anticipated and certainly did not want. I said at the time that I was confident that the Minister would address and resolve those issues. I went to the event in the Long Gallery with many principals and school governors. I said exactly the same to them then: namely, that the figures that went out were indicative figures from 2013-14, that £15.8 million still had to be run through the system and that that would make a difference.

The reason for putting the formula out for consultation was so that the Minister could get responses. I also said at this Committee that I was absolutely confident that the Minister would listen to those consultation responses. Correct me if I am wrong, Trevor, but one of the themes running through most of the consultation responses — it is also one of the themes in Committee — is that people are not opposed in principle to targeting funding to where it is needed, that there is a clear link between social deprivation and educational underachievement, and that it is right that the Minister should direct funding to that area. People were concerned that other schools were going to lose as a result of that. The Minister is now saying that there will be no losers. It is not pitting one school against another.

The fact is that children cannot pick their parents. If their parents have no interest in their education, do not want their children to be educated, do not assist them in their education, do not provide them with books, do not read to them and teach them about the world, who will do it? Those kids are not at the starting line with other kids who perhaps come from middle-class backgrounds. They are way behind. We have to direct funding to try to get those kids up to the starting line with everybody else. What the Minister is doing is what was clearly laid out in the Programme for Government.

I am disappointed at the attitude here this morning and that people do not take the Minister at his word because it will all become clear in a couple of weeks' time when he makes his decision. It was pointed out here and at the event in the Long Gallery that a decision had not been made. My exact words in Committee at the time were that it was a genuine consultation. It was not the Minister going through the motions. It is unfortunate now that, when we get word from the Minister that there will be no losers, we do not welcome that as a good news story. People are still huffing and puffing and trying to make political capital out of something that is not there.

Contrary to Robin's assertion that you made a valiant effort to defend the indefensible, Trevor, I think that you played a very straight bat. You did not have to deviate from it because it is straightforward. A three-year budget cannot be guaranteed to schools. Go along and ask Simon Hamilton to do that. Go along and ask him to tell John what his budget is for the next three years. He cannot do it. There is no point in Jonathan sitting there saying that we have to make budgets for the next three years: nobody knows what is happening after next year. I would say that you have made a valiant attempt to try to discredit the process. It is a good news story —

**The Chairperson:** It has discredited itself. It did not need the Committee to do that.

**Mr Sheehan:** Let us welcome it.

**The Chairperson:** Welcome what?

**Mr Sheehan:** You complained at the start —

**The Chairperson:** Pat, tell me this: welcome what?

**Mr Sheehan:** Welcome the fact that there will not be any losers and that there will be —

**The Chairperson:** You seem to know more about what the Minister is going to agree than Trevor does. He cannot tell us the implications of the £15.8 million, yet you are telling us today that what will happen in two weeks' time is that there will be no losers; do not worry, do not panic. There is the man who holds the purse strings in the Department. Trevor cannot tell me that.

**Mr Sheehan:** The Minister has told you.

**Mr Connolly:** Sorry, Chair. The Minister is on record as saying —

**Mr Sheehan:** It is on record.

**The Chairperson:** The Minister has said that there will be no losers provided he gets a contingency fund — money under the bed — to ensure that, when the crises arise, he is able to address them. That is not the basis on which to build any security or confidence in principals.

Here is the acid test: let us go back to the principals. That is what the Committee will do. Let us go back to the group of east Belfast principals who had indicative budgets. Karen did not even refer to the two public consultations in Omagh and Belfast. Where did they go? What did they tell us? We know what the one in Belfast told us: this is not a good idea. That will be the acid test when the decision is made.

**Mr Sheehan:** Mervyn, the consultation is over. You actually asked for more time and did not get it. You still got 15,000 responses. The responses have been analysed by PricewaterhouseCoopers. We have the details. Let us look at the basic facts. The Minister said that he would listen to the consultation. He has done that. He is now on record as saying that there will be no losers. If it turns out that there are losers, I will get up beside you and criticise him.

**The Chairperson:** I will read to you exactly what he said:

*"I am confident that the losses have been reduced substantially".*

That is different to saying that there will be no losers. That is what he said on 4 February. If we are being accurate, that comment will be accurate only on the basis of his putting in place a contingency fund — just in case.

**Mr Sheehan:** I could have sworn that I heard the Minister on 'Talkback' with you not that long ago and that he said that he was confident that there would be no losers.

**The Chairperson:** I can go only on the basis of what he has said —

**Mr Sheehan:** If it turns out that there are losers, I will stand beside you in front of the cameras and criticise the Minister. If he is telling lies, I will certainly get up and criticise him.

**The Chairperson:** I am not accusing the Minister of telling lies. I am not going to go down that road, because it would not help any debate. However, we have to reflect accurately what he has said, which does not tally with what we have been told today. We still do not know what the outcome will be when they run the process, so we are stabbing in the dark. The Minister says, "I am confident that the losses have been reduced substantially, but that is predicated on me having a slush fund — an additional contingency fund raided from another account somewhere in the Department — just in case there are losses".

I accept Trevor's point that you cannot run things in exactly the same way for three years, because there are variances. However, there are not variances on the basis of these proposals. We are getting away from that fundamental point.

**Mr Sheehan:** Mervyn, the point is this —

**The Chairperson:** It is Trevor who is here to answer questions, not me.

**Mr Sheehan:** You are also posing some of the questions. If the Minister is confident that he can produce this within two weeks and put proposals on the table that mean that no school will lose, are we saying, as a Committee, that we are not going to support that? To say that would be absolute madness.

**The Chairperson:** I will repeat what I said on behalf of my party so that there is no ambiguity. If the proposals that have been put out in this consultation are transcribed into the budgets for schools, they will not be endorsed. Now we are being told that the Minister has not made a decision, even though we are told that he has £15.8 million in a contingency fund. We have to see what the decision will be. We cannot prejudge that on any basis other than what we know or do not know at this moment in time.

**Mr Sheehan:** I would not support the illustrative figures that went out in the indicative budget under any circumstances, because schools were losing out that should not have been losing out. Instead of creating a storm, we should look at the situation calmly. Let us wait for the final proposals and the Minister's final decision. He has given cast-iron guarantees that there will not be losers, and I take him at his word.

**Mr Craig:** That is the difficulty with what the Committee is being asked to do: I almost need a crystal ball because I do not know what the Minister is going to do. Pat, I will share my concerns with you right now. Keeping the existing formula and throwing a pile more money at it to act as a sticking plaster is not sustainable in the long term. If the Minister comes back with a different set of proposals, the Committee has to sit down, look at them and see whether they make sense. None of us would disagree with that, and I hope that the Minister does that. You are talking about an act of faith: how can I endorse what I do not know? That is my difficulty, Pat.

**Mr Sheehan:** You can say that if what the Minister has said is true — there will not be losers, he has reconfigured the common funding formula to ensure that there will be no losers, and more funds will be targeted where they are most needed — you can support that in a general sense. If it turns out that the Minister does not do that, you are in the clear and can say, for argument's sake, "I supported the proposal that we had in Committee, but the Minister has gone in another direction, and I am not supporting that". I cannot see a difficulty with that.

**Mr Lunn:** There has been so much discussion about what the Minister means when he says that there will be no losers. In simple terms, the indicative proposals that we saw some time ago, based on the 2013-14 budget, included a proposal to take money from a lot of schools. Is the Minister now committed to ensuring that none of the schools that was listed as losers in the indicative proposals will lose money as a result of those proposals? Is it as simple as that?

**Mr Connolly:** As the Chair quoted several times, the Minister has said that he will put in place a contingency fund, when it necessary to do so, to ensure that no school loses out in the first year as a result of the changes that he has made. There is one point of clarification: as we indicated, demographic changes happen every year, and we are aware of that. If a school has a reduction in pupil numbers because of demographic changes, that would happen irrespective of the review. From a school perspective, that will result in a reduction in funding, and that is not part of the review. I just want to make that clear.

**Mr Lunn:** You answered my question before I asked it. Irrespective of the proposals, there will be changes to school budgets every year. The schools that were listed as losers and have been under threat until now, can rest easy, for 2014-15, because they will not lose as a result of the proposals. Other factors may come into play about demographics, and so on, but that is an annual occurrence, and there is no particular difficulty with that.

Did I hear a figure of £300,000 quoted for the contingency fund?

**The Chairperson:** I am not sure, Trevor.

**Mr Lunn:** I believe that I did, at least in the press. If that is the size of the contingency fund that we are all worrying about, move on because, in overall terms, it is peanuts.

Surely it has always been the case that schools have had to make budget decisions on a three-year cycle. It has always been the case that schools' requirements to project forward do not always coincide with the overall funding proposals from this place, so they have always had to take leaps of faith and leave a bit of flexibility in their systems to adjust from year to year. It is no different this time. Is that a fair comment?

**Mr Connolly:** Absolutely.

**Mr Lunn:** I may be moving slightly outside your remit, but perhaps you will comment anyway. A major decision always has to be made at the end of each funding cycle. At this time, the decisions are probably more major than they used to be because you either have ESA coming over the horizon or you have not. We do not know. There was some good news, apparently, today or yesterday. Who knows? We do not have the detail. We may have an ESA and we may not.

I will move outside the education sphere. We face the prospect of losing shedloads of money because of a failure to agree on welfare reform. The sorts of figures that have been talked about will affect every Department's budget unless somebody gives way. With education, that is before you start to talk about area-based planning, if that ever goes ahead. There are so many variables that Departments cannot possibly be expected to project beyond 2014-15.

**Mr Connolly:** I agree with all those comments. Strategically, there are a lot of important challenges for the Executive for 2014-15 and future years. Some of those decisions will have far-reaching financial implications. Those impact on all departmental budgets, and, like all Departments, we await the Executive's decisions on those matters to see how they flow through to budget allocation. I can deal with certainty once I have an agreed budget allocation from the Executive for 2015-16 and beyond.

**Mr Lunn:** Particularly if we knew how many schools there were going to be. There are so many variables — I keep coming back to that — and the sooner we start making some decisions, the better. I mean no offence, Chairman, but the one decision I did hear, which you announced at quite an early stage today, was that, on the basis of what is on the table — in fact, there is not anything on the table, because we have not heard the Minister's final proposals — the DUP would block this. I do not want to get political about it, but it worries me that any party would assume that it is going to block something, when it has not seen the final document. Pat alluded very eloquently to the Minister's confirmation that there are going to be no losers in 2014-15. That is actually a major step forward. In some ways, it is a victory for the Committee, which was reasonably unanimous in deciding that that was what we wanted set aside — that the indicative proposals just did not make any sense. We have got that. I hope that nobody will be too quick to condemn and block it. The blocking mechanisms in this place really do need some attention, but at the moment they still exist. I hope that we are not going down that road.

**The Chairperson:** Trevor, in case you think that I may have stepped beyond my remit and powers of importance, I am only reflecting what my party leader, the First Minister, has repeated in the House on at least three occasions, particularly in relation to two issues: the common funding formula and the Dickson plan. That has been made very clear. I am in a party in which I have every confidence in my leader and there is no division between him and me. There is no rancour. So, I am quite happy to quote what my party leader, the First Minister, has said in the House. That is the political element to it, so we can move on.

**Mr Lunn:** I cannot quite recall what the First Minister said in the House —

**The Chairperson:** I will get you a copy of the Hansard report.

**Mr Lunn:** I can easily look it up, Chairman. However, that is what the First Minister said in general terms. The Committee is looking at it in more detail.

**The Chairperson:** The First Minister was not speaking in general terms when he said that we would block the common funding formula on the basis of this consultation. Let us be very clear: that is what he said on the Dickson proposals. That is the reality. It is not breaking news that is going to get Stephen Nolan in a tizzy tomorrow morning. It has already been in the public domain for some considerable time. It is not anything new. That is the reality of where we are. Why? Because the First Minister has a concern about the way in which the whole process has been happening.

**Mr Lunn:** As a Committee, we have to formulate a response —

**The Chairperson:** Which we have done.

**Mr Lunn:** We have not completed it yet.

**Mr Moutray:** It is late in the day, and the conversation has moved on somewhat. However, under the consultation, 85% of schools in the SELB area — my constituency is within that area — were going to lose out. We are now told that no school will lose out for the next year. Time will tell. That has caused great uncertainty and concern among schools, educationalists, parents and the like. Can you give us an indication now as to how we move ahead on this and how soon, so that the concern can be allayed? What is the time frame for moving from here?

**Mr Connolly:** I will repeat what I said to Mrs Dobson. The Minister has asked for a response from the Committee by next Wednesday. His view is that, if that timetable is achieved, he will consider the response and make his final decision. The Department will then write to all schools within the next two to three weeks, giving each school its share of the CFF for 2014-15. That is exactly the same process that we follow each year. So, it will be within the next two to three weeks.

**Mr Moutray:** Do you accept that lessons could be learned from the exercise?

**Mr Connolly:** I have said to Mr Kinahan and Mrs Dobson that, in any public consultation, we always look at what lessons we can learn.

**Mr Rogers:** I had a very quick one, but I have got the answer. The only thing in a principal's head is the last spreadsheet. That is all that they can see until they get the up-to-date one. We need that to allay the fears, ASAP.

**Mr Kinahan:** It is a slightly different subject from what we have got here. I hope that that is all right, Trevor. I got a question from someone outside, who asked why the officials are blocking the 1% pay rise for staff in other parts of the public sector.

**Mr Connolly:** Sorry, I did not hear all of the question.

**Mr Kinahan:** It is a question —

**The Chairperson:** This is using social media. I thought that we were awaiting a strategy on social media.

**Mr Kinahan:** It was just while we had Trevor here. He wanted to know what was behind the 1% pay rise being blocked. Are there any comments?

**Mr Connolly:** Sorry, I honestly — contextually —

**Mr Kinahan:** I will deal with that in a different way. It was unfair.

**The Chairperson:** Maybe you can convey it to Trevor in an email, or pass the information on.

To conclude, I struggle with the 4 February comment and what we have heard today. On 4 February, the Minister said:

*"I can confirm that no school will lose any funding as a result of the changes that I have made." — [Official Report, Vol 91, No 6, p38, col 2].*

That is definitive in that he had made a decision. Yet we are being asked to respond by next Wednesday without knowing what those decisions are and on the back of you saying that the Minister is still deliberating or considering. It is this crystal ball; it is uncertainty.

I have to say that I find it difficult to conclude that we can give any definitive response other than the comments that we have previously made in relation to the consultation, which has been discredited. We do not know what the decision is. We do not know whether the Minister is going to take out the

small schools factor, despite the fact that people said that it should not be taken out. Is he going to take all of TSN and put it into one unit in terms of what was being proposed? We do not know what he has decided, other than that he has said, "I have made changes. I am now confident that there will be no losers. And just in case, to cover my back, I will run a contingency fund, because I just want to be absolutely sure that nobody comes out of the woodwork to bite me, and Pat might have to stand beside me at the press conference and say that yes, there are losers."

I may as well go out of here blindfolded, walk to Carson's monument and hope that I do not trip and fall on the 360 steps and that a bus does not drive over the top of me. Why are we being asked to make any decision on that basis?

**Mr Connolly:** Going back to my opening statement, the briefing session was on the responses to the public consultation. That is the context. What the Minister would like from the Committee is its considered views on the responses to the public consultation, which he will clearly consider when he makes his final decision.

**The Chairperson:** We cannot give any response on the changes that he has made because we do not know what they are. Isn't that accurate? That is factual.

**Mr Connolly:** The Minister has made no final decisions.

**The Chairperson:** So there are changes that he says he has made, but we do not know what they are. He has made no final decision, so we cannot comment on what we do not know.

**Mr Connolly:** I go back to the point that the briefing session is on the consultation.

**The Chairperson:** OK. Trevor, Karen and Roisin, thank you. We appreciate your work. I want to make it clear that, despite being robust and all that, that is no reflection on the work that you carry out. It is not a valiant attempt at defending the indefensible. None of it — I am serious about this — should be taken personally. Thank you, and I look forward to working with you in the future.