



Northern Ireland
Assembly

Committee for Education

OFFICIAL REPORT (Hansard)

Common Funding Scheme: DE Briefing

20 June 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Mervyn Storey (Chairperson)
Mr Danny Kinahan (Deputy Chairperson)
Ms Michaela Boyle
Mr Jonathan Craig
Mr Trevor Lunn
Miss Michelle McIlveen
Mr Daithí McKay
Mr Sean Rogers

Witnesses:

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

The Chairperson: Trevor, as always, you are very welcome to the Committee. Roisin, thank you for coming. Thank you for the information you have given us. I ask you to speak about the paper, and then members may have some questions.

Mr Trevor Connolly (Department of Education): Thank you, Chair. I will make a short opening statement and then take questions. As always, I thank the Committee for the opportunity to update members on the review of the common funding arrangements for schools.

You have all received a copy of last week's press release confirming that the Minister has appointed an independent panel to undertake a review of the common funding scheme (CFS). You will note that it is an independent review and, as such, it is entirely a matter for the panel how they take forward that work. No doubt the review panel will wish to engage with the Committee as a key stakeholder in due course.

As the Committee will recall, the Minister noted in his autumn statement last year that he was not satisfied that the current scheme adequately supports his key policy objectives — in particular, that it did not take sufficient account of social need in supporting schools — and he confirmed that a review would be commissioned.

The CFS and associated formula were first introduced in April 2005. Although there have been updates to the scheme each year, there has not been a comprehensive review of its operation since 2005. The delegation of financial and management responsibilities to boards of governors is a key element of the Department's overall policy to improve the quality of teaching and learning in schools. Within the finance resources available for education services, the Minister is committed to ensuring that as much funding as possible is delegated directly to schools. However, it is important to

recognise that it is not always practical or economically beneficial to delegate all moneys to schools. Further, schools need to recognise that greater delegation will mean greater accountability.

The Minister has confirmed that the review is not about making savings. Rather, it is about maximising the value for money of the resources available for the funding of schools. In choosing the members of the independent panel, the Minister sought to get a breadth and depth of experience, covering educationalist, academic and practical perspectives. That is evidenced by the membership of Sir Robert Salisbury, Dr Eemer Eivers and Evan Bates.

The Committee has received a copy of the final terms of reference, and will note that the panel will submit its findings to the Minister by the end of this year at the latest. The Minister will then review those recommendations and subsequently make decisions. Those will then be taken forward by the Department. It is anticipated that the outcome of the review will be implemented during 2014-15, following a consultation process on the proposed new scheme.

The Chairperson: Thanks, Trevor. You will not be surprised to hear that some of us are cynics. From coming to this Committee, you have probably discovered that I am one of the chief cynics here.

It is no surprise that there was an announcement that there was going to be a review. Since January of this year, there has been talk of a review of the common funding formula (CFF). Only now do we have the appointment of the panel and we begin to see some of the context in which the review will be undertaken.

I notice that you said in your opening comments that the Minister was not satisfied with the scheme. On what information has he based that view? Is it on the distribution of current funds? Is it that the current scheme does not align with his policy objectives, whether they are those of Every School a Good School or area planning? I also noticed that you went on to say that this is not about making savings. So, if the Minister is not satisfied, and it is not about making savings, what is it definitively about? What is it that the Department wants to get out of a review?

I know that I scared you this morning when you saw me reading the 2004 'Proposed Common Funding Scheme for the Local Management of Schools'. This was all done in 2004 and, by and large, what has been in place came about as a result of this. It took us a long time to get from when that was published to a scheme being put in place. What core issues does the Minister want to get out of this?

Mr Connolly: The easiest thing is to refer you to the terms of reference in paragraph 7. Before I read that there is the context to consider. You have probably put it better than I can. The scheme has been in operation since April 2005, which is more than seven years ago. Clearly there has been a lot of change in the policies and the policy agenda of the Minister. Paragraph 7 states that the review is:

"to ensure that the revised CFS is fit for purpose, sufficiently targets social needs and is consistent with, and supports, Departmental policy objectives."

The simple answer is that it was implemented in 2005. It has operated for seven years and we are now doing a review to ensure that it remains fit for purpose and sufficiently targets social need. Paragraph 9 lists the details. The review will:

"ensure that the Common Funding Scheme is supportive of the Department's policies".

You have listed quite a few of them. There has been a lot of policy development over that seven-year period and, in essence, the CFS has not changed. We are now asking whether it is still fit for purpose, and that is the purpose of the review.

The Chairperson: In a sense, it is asking the question. It is not coming to the issue with any evidence that the Department has collated over the years, for example, as regards its particular focus on using TSN. What empirical evidence is there?

Repeatedly, we get through all these papers, statements and comments in which the Department says that, if it is going to deal with, for example, the issue of underachievement, it must do so in the context of TSN. OK, if TSN is a contributory factor, and evidence suggests that it is one of a number of factors contributing to underachievement, then there must be evidence that the Department has collated and gathered over a period of time that would lead it to that conclusion.

The Department should not simply say that it has to determine whether the CFS is "fit for purpose" and "sufficiently targets social need". It should say: "This is what we want to do", rather than "We are doing this because, as a result of having TSN as a target, we believe we have to make a change." Those are two different things.

Mr Connolly: The terms of reference list a range of policies, of which TSN is clearly one. In a press interview last week or the week before, the Minister made his view clear that he wants the funds targeted towards areas of need in recognition of the fact that there are schools that operate in socially deprived areas in which educational attainment is not everything that it should or can be.

As you are well aware, Chair, combined with that is a Programme for Government target for the Minister and the Department to improve education outcomes for young people in social need. All the evidence points to the fact that young people who come from socially deprived backgrounds are less likely to achieve educationally. In that context, I think that, from the Minister's perspective, it is important that he is assured that the common funding scheme is fit for purpose.

The Chairperson: At the moment, 4.7% of the aggregated schools budget (ASB) is dedicated to TSN. What I want to try to get from the Department is this: if you are to increase that 4.7%, almost 5%, to 6% — just take that figure as an example; it does not matter what it is — we need to know that you are doing so on the basis of hard evidence and not just the philosophical assumption that it is good to spread around the world that you are addressing social need. I am not convinced that it is only young people from socially disadvantaged areas who have particular problems and issues with education. Other young people could end up being lost because they do not fall within the particular definition or category that has been identified.

Mrs Roisin Lilley (Department of Education): I know you that quoted the figure of 4.7%. The way the scheme operates is that no limit is put on how much is allocated via TSN. That is driven by the number of pupils entitled to free school meals or jobseeker's allowance, which has risen in the current year. The Department does not set a limit; this is demand-led.

The Chairperson: On that point, we raised an issue with Tony Gallagher, but it is really one for the Department. I still have to be convinced that free school meals is the best instrument for deciding where funds should be allocated.

There is a particular problem, although there has been uplift as a result of access to or use of free school meals in recent times, particularly in the Protestant community and in areas where there is social disadvantage. Again, a lot of this needs to be evidence based. What evidence will the Department make available to the independent panel. It says: "As a result of an increase in the use of free school meals, there has been an uplift that young people have benefited from, and here is the evidence". I worry about the Department: it takes an amount of money and decides to do something with it, but it has its fingers and toes crossed and hopes that somehow that will provide the outcome it wants. What evidence is the Department using to say that TSN, free school meals or some other benefit is the best indicator or tool to use?

Mr Connolly: The Minister's agreed policy is that we target social need, and that is part of the schedule of overall policies that are listed in paragraph 9. I will ask Roisin to talk about the evidence in a second. Whatever empirical information the panel requires from the Department will be provided, but it does not need to restrict itself to us. I am not trying to influence what the panel will do, but it will clearly want to look at other external information, other jurisdictions and other information that is publicly available in order to come to a conclusion on the benefits or otherwise of, as you say, using roughly 5% of the ASB to target social need.

Mrs Lilley: You mentioned the 4.7% for TSN. As Trevor said, the panel will look at that and will decide what it feels should be done. It will look at all of the available evidence and will talk to stakeholders.

The total amount for TSN is not all for social deprivation; there is an element for educational underachievement also. For instance, for pupils going from primary to post-primary education, we will look at things such as the Key Stage 2 results. It is recognised that the schools that take in pupils whose educational attainment is not perhaps what it should be for that level and age will face a greater challenge. Therefore, those schools are given funding for educational under-attainment. That is still taken as part of TSN. Last year, £28.1 million of TSN was allocated for social deprivation and £24 million was for educational under-attainment.

One of the factors for educational under-attainment in primary schools is free school meal entitlement. That is not to say that the panel will not review this and decide what it wants. However, there are currently two elements of TSN. There is the social deprivation element, which uses free school meal entitlement because it is pupil specific and you can update it each year with census date. We also look at educational under-attainment because it is recognised that pupils from any social background can underachieve educationally.

The Chairperson: I want to develop this point. If you take paragraph 9 of the final terms of reference as the rationale for the review, then the Department is saying that it will have a review and will look at policies. One policy that is glaringly missing is the one on early years, and we know why that is the case: there is no policy. It is a total shambles. If you go back to the issue of relating funding to TSN, then you have identified that early intervention is a very important thing to do. You do not have a policy, but you are asking people to come up with a different model or formula. How are you ever going to come up with a formula that will be workable in practice in the absence of a policy on early years and with only an attempt at trying to do anything in relation to special educational needs? Paragraph 10 refers to special schools. It states that other issues to be considered include:

"Analysis of whether those aspects of Special Educational Needs currently funded in the CFS should remain as is, or be augmented".

That is a major problem for the independent panel. Some policy context does not exist.

Mr Connolly: To be fair, paragraph 9 specifically and explicitly states:

"Ensure that ongoing reviews such as SEN & Inclusion, Early Years, Sustainable Schools and Area Based Planning are all reflected in any revised CFS".

Clearly, there is a chicken and egg situation; we will provide the panel with the most up-to-date information possible, and it will take that on board. I agree that there is a timing issue. However, irrespective of when you start and stop a review, that review can only be in the context of the related information, decisions and policies. I fully accept your point, but, on balance, we have clearly recognised it by specifically saying that the ongoing reviews should be reflected in any revised CFS.

Mr Craig: A point that fascinates me is the blunt instrument that we use — free school meals. To be honest, Trevor, I see growing evidence that it is a very blunt tool when it comes to TSN sectors and those in society who are really in need. I cannot explain why there is not a correlation, but I can certainly tell you that the evidence is growing that there is not.

A very interesting project being carried out in my constituency clearly points to massive educational underachievement in areas where there is a very low take up of free school meals. Digging deeper, you find that there is social need but that it is just not being highlighted by the mechanisms that we have.

An incredibly significant piece of work has been done through the South Eastern Regional College on this issue. I advise you, Trevor, to speak to the college's principal. He has software that tracks income related to pupils' families. It contains no names or personal information, but the software is incredibly enlightening and shows that those pupils definitely come from what we would regard as areas of social need. Yet, all the blunt instruments that we use at present would never have picked up that fact.

The Department needs to have a very close look at that, because this blunt instrument will direct funding to an area where, on examination, it is not needed, whereas the areas that we need to fund are not getting it. Therefore, I have a huge fear of relying on the blunt instruments that we use.

Mr Connolly: I would not dispute anything that the member has said. My responsibility, with respect to the CFS, is to look at the existing policies. If there is evidence to show that we need to look at and review how we target social need, we will do so.

The Chairperson: I worry about the process of consultation. The previous consultation that the Department undertook regarding changes to the CFF for 2011-12 was conducted in a much shorter timescale than is proposed for this. If this is agreed, we are talking about implementing it for 2014-15.

The Department tells us that it holds consultation feedback in great esteem, and it is consulting on five changes to the existing scheme. However, the paper that the Department provided to members gives a breakdown of all the responses and all that was said. It shows that the majority of the schools that responded did not agree with the proposed change to teacher substitution compensation; did not agree with the proposal that schools should be liable for the total cost; did not agree with the proposed change that schools should meet the full cost of substitute teachers; and did not agree with the proposed changes in criteria for the central substitution costs. Yet, the Department went ahead and said, in effect: "Well, thanks very much. We did consult. We really appreciate your views, even though they showed that 83% and 64% were opposed".

It almost worried me that this was getting a bit like the responses to the consultation on early years' provision, albeit that those were all in the 90% range. I cannot get my head around how, in the light of the teachers, the schools and the system — this was not politicians, although we all have a greater or lesser degree of bias — saying no and disagreeing, the Department said: "Thank you very much for your opinions, but we will go ahead and do it anyway". The other problem is that the Assembly has no power to stop this because it can be done without fundamentally changing the legislation. That is a very serious and worrying situation.

Mrs Lilley: That year, there were changes to teacher substitution as a direct result of recommendations from the Assembly's Public Accounts Committee (PAC) on teacher substitution costs and the fact that all of the initiatives that the Department had to date at that stage were to try to reduce the cost.

At the second hearing, the PAC said that it did not accept that those changes were being effective and that the cost of teacher substitution and teacher sickness levels was still too high. That is why those changes were brought in. Prior to that change, if a teacher was off on long-term sick leave, and once you passed the qualifying level, the relevant funding authority, the education and library board, would pick up the full cost of the substitute teacher. What this was trying to do was to put more of the onus on the school so that it would be more responsible, and to try to push it into managing the issue. That was the reason why the schools were not in favour. They felt that it would put more cost onto their budgets, but it was because the Department was trying to take account of PAC recommendations that had come forward for the second time, which stated that the teacher substitution costs were too high.

The Chairperson: Yes, but, Roisin, the Department slipped another issue under the table and under the mat that was not referred to by the PAC, and it was the criteria for central substitution costs with respect to the transfer procedure.

It was very clear that the system said that it did not want that to happen. That is the issue. Everybody knows my view about the reason why it was done. It was not really done on a financial basis; it was done because of the whole process and whole debate around transfer. It was included, and the Department was told that it should not be doing it, but it still went on ahead. It does not give any teacher, principal, chair of a board of governors or anybody in the system confidence that, if they express their views on proposals during consultation, their views will be listened to.

There is a worry and a fear that there is a predetermined outcome, which is about changing elements of the CFF, which will make it easier to put through some policies that even the system does not believe are fit for purpose. I think that that is the problem that the Department has and needs to recognise.

As a Committee, how can we ensure that we are genuinely being informed as to the real intent of this, and how do we respond based on the information coming from practitioners on the ground? At the moment, they are really concerned. I will give you one example — the small schools factor. Primaries schools are sitting out there in absolute fear that the small schools factor will disappear. The reason why it will disappear is because it will make it easier to close a school if the small schools factor is not on the table. If schools cannot tick that box, they will leave themselves very vulnerable, because there is an element of the system that judges whether they should receive money. If they do not receive money, they will not exist.

Mr Connolly: To take one of your points; the terms of reference agreed by the Minister are those that Sir Bob will use as chair of the panel. That is it. That is the explicit role and aim of the review. There is no ambiguity about what task the panel has been set. It is open and transparent and clearly being shared here with the Committee.

As regards the specific point you raise; I think I am right in saying that the small schools formula is not included anywhere in the terms of reference. It is included, in that this is an overall review, but it is clearly up to the panel in its mode of independence to decide what empirical evidence it sees for whether it is successful or not, and what conclusions it comes to. I want to stress that the terms of reference are what have been agreed with the Minister, and they express the objectives and aims that the independent panel has to achieve.

Mr Rogers: I want to make a couple of points. Following on from that, what worries me is the evidence base. To me, the biggest social leap, particularly in some of our rural areas, is access to education. As the Chair said, if the small schools factor were removed then it would cause a major problem. I declare an interest as chair of a board of governors. The proportion of pupils receiving free school meals has gone from 18% to 34% in recent years. In relation to that, we worry because the definition of social disadvantage that was used for preschool criteria and whatever else was very narrow in my estimation. Will the definition of social need be similar?

The Chairperson made a point earlier about the removal of central substitution costs regarding the transfer procedure. It is not the fact that there is or is not selection, it is just that many parents need a teacher to sit with them and explain how the form is to be completed. Perhaps spending money on that would be a good idea, because it would save a lot of future hiccups in the system in that parents would list first, second and third choices as opposed to just putting down a first choice, which creates problems when children do not get in.

My real question is to do with ESA. If ESA happens, will more funding be delegated to schools?

Mr Connolly: I do not think there are any plans to increase or decrease it per se, or that ESA will be a milestone or an action point for doing so. The Minister is on record as saying that the delegation of financial management responsibilities to the board of governors is a key element in overall policy. He is committed to ensuring that as much funding as possible is delegated directly to schools, but, and this is a very important but, it is important to recognise that it is not always practical or economically beneficial.

For instance, there is a balance in having regional services such as transportation and meals. At the moment, 60% of the overall education budget is delegated directly to schools; the aggregated schools budget (ASB). Of the other portion, I said last week or the week before that 32% of the rest goes to the boards and that a large chunk of it is for services that they then delegate effectively and manage on behalf of schools. It is the classic argument — it all depends where you start. You could get into the oranges and apples argument about other jurisdictions and people doing things differently, ages, and when pupils transfer. Another point is that, hypothetically, if that recommendation comes from the review panel, the Minister will take cognisance of it and review it when he receives the report.

As to your specific question on whether ESA would be a trigger point for a change in that; first, as far as I am aware, the answer is no; and secondly, the Minister is clear that he views the delegation as important but also that there should be caveats and balances in place. If that recommendation comes from the independent review panel, then we will clearly take full cognisance of it when it is received. I want to stress that I have no knowledge of any recommendations that the panel will make. It is an independent panel.

The Chairperson: Does the panel face a dilemma created by the Department in that it is saying this is a review of the CFF, whereas there is a dispute between the Finance Minister and the Education Minister around the transparency of how the Department deals with its finances? The Education Minister has commented that he has not been open to the DFP's budget review process. Instead of having more transparency, the Minister wants to retain more power to be able to delegate money as he did on 15 May when he reallocated £72 million. We now have serious questions about one element of that allocation, and the Committee has written to the Department this morning asking for more information.

The CFF is part and parcel of the overall education budget. We want to ensure that more money is delegated to schools so that they can make decisions. Everybody says that that is what they want to do. Is there not a need for the Department to say that, along with the CFF review, that it is also prepared to open up as to how it deals with the other elements, whether it is money held centrally at the Department or whether it is in relation to moneys that go to the education and library boards?

Mr Connolly: To finish on the point raised by the previous member who spoke, the other balance involved is that the more funding that is delegated to schools, the more they will have to be fully accountable as individual units for that funding. The Minister is on record as saying that one of the complaints that he receives from school principals is that they feel that they are becoming more like accountants than principals. Personally, I have a conflict of interest with that —

The Chairperson: As an accountant?

Mr Connolly: As an accountant. I fully appreciate the point. Without being facetious in any way, the other key element is that schools, irrespective of size, will have to take on a high degree of accountability with their funds. Currently, a lot of that is managed by boards on their behalf.

The CFS is the methodology used to distribute delegated budgets and to provide a framework for consistent central funding and support arrangements to all grant-aided schools except special schools or those established in hospitals. The CFF is the methodology and the mechanics involved, and it distributes the ASB element.

As you rightly said, there are two other elements of what we describe colloquially as the "block grant" that go to the boards. The issue with transparency concerns estimates, budgets and accounts. The two things are completely separate. The CFS is our methodology for delegating the funding that we have to schools. Your point on transparency does not align with that, because it is about the transparency of the information that we present to the Assembly on budgets, accounts and estimates.

As you have recognised, the ASB is a key element. It is 60% of the overall budget of the Department, and, on many occasions, we have highlighted to schools and the boards the ASB figures for the next three years. We did it prior to Christmas, and you recognise that, with the changes, we did it post-Christmas. There is no issue about us having full transparency on how much the ASB is and how much the age-weighted pupil unit (AWPU) was. When we announced the change on 25 November and the change on 16 January, all of the information was circulated to every school, so every school was fully aware of the ASB and the forecasted AWPU.

I think that the two things are separate. This review is specifically in relation to the CFS, which is the methodology set out in our paper in the terms of reference.

The Chairperson: I stand to be corrected, but my understanding is that, in England, there is an urban/rural formula that reflects those two geographical locations. Huge emphasis has been placed on TSN, but little emphasis has been placed on rural schools, which we discussed earlier. Ideally, would the Department have rural and urban formulas? Or, would it have formulas for preschool, primary schools and post-primary schools? Primary schools have always said that there is disparity between the amount of money that they get and the amount that the post-primary sector receives. The post-primary sector will say that that is because it has particular needs, and so on. A debate has gone on there for a long time. Do you see any of that being addressed in this review?

Mr Connolly: You have raised two issues, and, once again, the Minister is on record as saying that he fully recognises how difficult it is to get the balance between rural and urban. When you are facing 1,200 schools that are geographically spread, the urban and rural separation will, clearly, be a challenge.

On your second point, the paper refers to the wider considerations and the terms of reference, where we specifically recognise that one of the wider issues that Sir Bob and the panel will consider is the potential for dividing what is currently one common funding formula into three separate formulas, exactly as you said, on nursery, primary and post-primary. Alternatively, some subset or variation of that might be used. However, I stress that the recommendations are for the panel to make following its work. One clear option to be looked at is whether the existing single CFF is fit for purpose and whether there is any value or benefit in separating it, hypothetically, along the lines of nursery/primary/post-primary or, as you said, urban and rural. Clearly, that will be a question for the panel, which I am sure it will look at and come to a conclusion on.

Mr Kinahan: I apologise, Trevor, for missing your presentation. I was upstairs at another event. I came in just as you were talking about ESA. I was hoping that within this review of the CFF you would look at something that would get everything closer to schools with more flexibility. If ESA comes in, there has to be something local below ESA for running things, whether it is local boards or whatever. Is that not a mechanism for allowing the specialists who can understand funding to be closer to

schools so that they can respond better instead of it all being held much higher up at Department level, which seems to be the case.

Mr Connolly: My understanding, and I caveat this strongly, is that each board has specific LMS teams that deal with schools in their region. We are the funding authority for voluntary grammar and grant-maintained integrated schools, so we have that role. With regard to the other schools, however, it is the boards and their LMS teams. So, in effect we already have a regional structure in the boards. It is certainly not within the Department with regard to the controlled and maintained schools. That is already there.

Mr Kinahan: So, you envisage that that will stay on within ESA in some format. It does seem to be very rigidly controlled from the Department as to how the block is spent. There does not seem to be much flexibility at school level.

Mr Connolly: There are clear dos and don'ts in the guidance that we send out. These are public funds, so, clearly, there will be procurement, value for money, no waste and no extravagance issues. However, I am not 100% clear what you mean by the rigid structure. There is a framework within which schools have to spend their money but how they want to do that within the framework is fully delegated to them. There has to be recognition that these are public funds and if we did not have a framework within which schools had to operate, we would be rightly criticised by this Committee in asking why that was not the case.

Mr Kinahan: Yes, but you can write a framework in a way that gives it a little bit more flexibility and still account for spending.

Mrs Lilley: In what way? I do not understand the specific point you are making. The common funding scheme consists of three separate areas. The first, as the Chair said, is the formula, which gives the money directly. It works out each school's individual allocation. Within that allocation, the school is free to determine its teaching and non-teaching, what books and stationery it wants. It has that freedom and flexibility, so it can spend it in whatever way it wants.

Mr Kinahan: But, can it go up to the body and say, "Look, you interpreted this in a slightly different way. We will be able to spend on one extra person here." Do you see? It would be giving schools a little bit more freedom.

Mrs Lilley: As long as the school can afford it. Trevor made the point that ELB schools work with their LMS officers, who are located geographically. They visit every school. They sit down with the school when it is given its allocation. As Trevor indicated, we have given boards and schools an indication of what we think their budget is likely to be for the next three years. AWPU will change depending on the number of free school meals and newcomers etc. However, by and large, schools know what the bulk of their budget will be.

The boards' LMS officers sit with each school and go through their three-year school development plan, which has an associated financial plan. That is when the board of governors will say how many teachers and classroom assistants it wants to employ. The role of the ELB is to state whether the school can afford it, and if not, to ask the school how it is going to live within its budget. That is the only constraint that they put on a school; that it has to be affordable. Schools have to show that they can live within their budget but they can decide their priorities. That is the whole ethos behind the local management of schools. The only constraint is affordability. You cannot go and spend capital and stuff like that.

Mr Connolly: There are affordability, value for money and the protocols we have with regard to the framework that the school has to operate within.

Mr Kinahan: It just seems terribly tight, mainly because there is little money. Then when you add the guidance —
Anyway, I will come back on that one.

The Chairperson: Trevor, Roisin, thank you very much. No doubt we will have this discussion for some considerable number of months. Thank you very much.