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Research and Information Service Research Paper

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Common Funding Scheme

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This paper provides an overview of the Department of Education's Common Funding Scheme, changes made to the 2011/12 Scheme and a number of potential challenges relating to it. It also briefly considers approaches to funding schools in other jurisdictions.

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Key Points

- The Common Funding Scheme is the means by which the education budget is distributed – the total amount to be spent on and by schools is held within the General Schools Budget (GSB);
- The GSB comprises the Aggregated Schools Budget, Resources Held at Centre and Centrally Held Resources Attributable to Schools: The Aggregated Schools Budget is the total amount of funding delegated to schools by means of the Common Funding Formula;
- The Common Funding Formula is made up of a range of factors that aim to reflect the main costs associated with schools: the largest factor is the age weighted pupil units factor (80% of the overall budget);
- A number of changes to the Scheme came into effect on 1st September 2011, including changes aimed at discouraging schools from employing prematurely retired teachers for substitution purposes and the withdrawal of payment for substitute cover relating to the Transfer Procedure;
- The Department argues that the measures are legitimate as they limit the reward of teachers who have already been compensated for leaving teaching early, and are aimed at increasing employment opportunities for other teachers;
- Many concerns around these changes have been highlighted, with a majority of respondents to the Department's consultation opposing a number of the proposals;
- Areas of concern included difficulties in obtaining appropriate substitution cover in rural areas and for specialist subjects; a perception that some changes could constitute discrimination on the basis of age; and a view that the measures would not increase opportunities for newly or recently qualified teachers;
- Funding for schools in England, Scotland and Wales is provided to local authorities who distribute it to schools using locally agreed formulae: however, plans are underway in England to reform school funding, and there have been calls in Scotland to move to a national funding formula;
- The Republic of Ireland takes a different approach, with the Department for Education and Skills paying teacher salaries directly, and providing capitation grants directly to schools;
- Areas for consideration might include the recent changes to the Common Funding Scheme, particularly the extent to which they lead to increased opportunities for new teachers. Legal advice would have to be sought if the Committee wished to consider the issues around discrimination further. Approaches to funding elsewhere, particularly direct payment of teacher salaries in the South of Ireland, and the current reforms underway in England, may also be of interest.

Executive Summary

Introduction

This paper provides an overview of the Department of Education's (the Department) Common Funding Scheme, changes made to the 2011/12 Scheme and potential challenges. It also briefly considers approaches to funding schools in other jurisdictions.

Common Funding Scheme

The Common Funding Scheme for the Local Management of Schools is the means by which the education budget is distributed. The total amount to be spent on and by schools is the General Schools Budget, which is made up of the Aggregated Schools Budget, Resources Held at Centre, and Centrally Held Resources Attributable to Schools. The Aggregated Schools Budget is the total amount delegated to schools by means of the Common Funding Formula.

The Common Funding Formula aims to be fair and objective and is made up of a range of factors that seek to reflect the main costs associated with schools. The largest factor is the age weighted pupil units factor, comprising 80% of the overall budget. Other significant factors include the premises factor, which takes into account school size; the targeting social need factor, which recognises the additional support required by children from socially deprived backgrounds; and the small schools support factor, which aims to target more resources to smaller schools to facilitate delivery of the curriculum.

In addition, Resources Held at Centre are allocated to schools other than by the Common Funding Formula, and include areas such as substitution costs; additional costs in meeting the 'stated' needs of an individual child; legal costs; and contingency provision.

Changes and challenges relating to the Scheme

Some stakeholders have called for a fundamental review of the Scheme, suggesting, for example, that teacher salary costs should be held at the centre and not delegated to schools.

A number of changes were made to the Scheme for 2011/12, effective from 1st September 2011. These include a range of measures aiming to discourage schools from employing prematurely retired teachers for substitution purposes, and to stop the provision of substitution cover for the purposes of the Transfer Procedure.

A majority of respondents to the Department's consultation on the Scheme opposed a number of the changes, suggesting that:

- Schools may experience difficulties in obtaining appropriate substitution cover in rural areas and in specialist subject areas;
- The changes may constitute discrimination on the basis of age; and
- The measures may not have the desired effect of increasing opportunities for newly or recently qualified teachers.

However, the Department argues that the proposals are legitimate as they limit the remuneration of teachers who have already been 'generously compensated' for leaving employment early, and seek to increase employment opportunities for newly and recently qualified teachers.

Other potential challenges around the scheme include the use of Free School Meal Entitlement as a proxy for deprivation within the targeting social need factor, and difficulties for small schools to contain their expenditure within the delegated budget.

Funding in other jurisdictions

Funding for schools in England, Scotland and Wales is apportioned by government to local authorities, who then distribute it to schools using locally agreed formulae. In the Republic of Ireland, funding is provided directly to schools by the Department of Education and Skills.

England

In England, the Dedicated Schools Grant is the primary source of funding for staff salaries, books and equipment and other running costs. It is based on a method called "spend-plus," whereby the "spend" element gives each local authority an amount per pupil based on spending in 2005, and the "plus" element consists of top-ups based on ministerial priorities.

However, the *Schools White Paper 2010* by the Department for Education outlined plans to revise the approach to school funding, noting that the current approach is 'opaque' and that it results in inconsistencies in funding allocations. The new approach will seek to target more resources to the most deprived pupils through a Pupil Premium. Proposals for the new approach are currently out for consultation.

Scotland

In Scotland, local authorities decide how much of their local government settlement will be given to education, and then delegate the funding to schools to spend as they wish. However, a recent report recommended that significant changes should be made to school funding, including implementing a national formula for the distribution of money to schools.

Wales

The Welsh Government provides funding to local authorities for pre-16 education within the Revenue Support Grant (RSG), the local authority settlement which is not earmarked for particular services. Local authorities decide how much of the RSG should be allocated to schools through a locally determined formula, although 70% of the funding must be distributed based on pupil numbers.

Republic of Ireland

In the Republic of Ireland, a key difference in the approach to funding is that teacher salaries are paid directly by the Department for Education and Skills (DES). In addition, the majority of schools receive their funds directly from DES by means of a series of designated grants throughout the year. At primary level, a capitation grant is provided to schools on a per pupil basis, with enhanced capitation grants paid for children with special educational needs and an additional grant provided for caretaking and secretarial services. At post-primary, a capitation grant is issued based on the number of recognised pupils, with grant-aid initiatives targeted to disadvantaged pupils.

Conclusion

In light of these findings, consideration could be given to the recent changes made to the Common Funding Scheme, particularly in regard to the extent to which they lead to increased opportunities for newly and recently qualified teachers to access opportunities to teach. Consideration might also be given to seeking legal advice for clarification on whether some of the changes could constitute discrimination on the basis of age.

Consideration could also be given to the approaches used elsewhere, for example the central payment of teaching salaries in the Republic of Ireland, and of the future progress of reforms to funding underway in England and proposed in Scotland. Their efforts to increase the transparency and consistency of funding distribution to schools may be of interest in regard to the Common Funding Scheme overall.

Contents

Key Points 1

Executive Summary.....3

Contents

1 Introduction.....9

2 Overview of the Common Funding Scheme.....9

3 Changes and challenges relating to the Scheme 17

4 Methods of providing funding in other jurisdictions.....21

Conclusion25

1 Introduction

The Board of Governors of every school in Northern Ireland receives a delegated budget to meet the costs of running the school under the Local Management of Schools (LMS) Scheme. Controlled and maintained schools are funded through the relevant Education and Library Board (ELB) and voluntary grammar schools and grant-maintained integrated schools are funded directly by the Department of Education (the Department).¹

Previously, seven different LMS schemes were used to divide the budget between the different sectors. Following consultation, the Common Funding Scheme was introduced in April 2005 to provide delegated funding to all grant-maintained schools in Northern Ireland.²

Between March and May 2011, the Department undertook a further consultation with schools on possible changes to the Scheme. The steering group for LMS, including stakeholders such as the ELBs, the Council for Catholic Maintained Schools (CCMS), and the NI Council for Integrated Education (NICIE), considered the proposed changes.³ Following the consultation, the Education Minister introduced changes to the Scheme effective from 1st September 2011.

2 Overview of the Common Funding Scheme

Budgetary framework

The total amount to be spent on and by schools is called the General Schools Budget (excluding special schools). It is made up of three specific categories of spending:⁴

- **The Aggregated Schools Budget:** the total amount delegated to individual schools under the LMS common formula;
- **Resources Held at Centre:** amounts allocated to school budgets other than by means of the common formula (for example, for the payment of substitute teachers in certain circumstances)
- **Centrally Held Resources Attributable to Schools:** amounts held by ELBs for services provided to schools in their area (for example home to school transport and school meals);

¹ *School funding* [online] Available at: http://www.deni.gov.uk/index/85-schools/schools_funding_pg.htm

² *School funding* [online] Available at: http://www.deni.gov.uk/index/85-schools/schools_funding_pg.htm

³ *March 2011 Consultation on possible changes to the Common Funding Scheme* [online] Available at: http://www.deni.gov.uk/index/85-schools/schools_funding_pg/9_schoolfunding_commonfunding_pg/9_schoolfunding_commonfundingconsultations_pg/march_2011_consultation-2.htm

⁴ DE (2011) *Common Funding Scheme 2011-12* Bangor: Department of Education

Common Funding Formula

The Aggregated Schools Budget represents the total resources available for allocation by means of a formula. The Department calculates the formula allocation for each school and provides each Funding Authority (for example, an ELB) with details of the allocations for its schools. The total amount of these allocations is known as the 'Funding Authority's Formula Allocation'.⁵

The Common Funding Formula is made up of a range of factors that aim to reflect the main costs associated with schools: pupil numbers; their ages and profile; the relative size of schools; costs associated with school buildings; and a range of other factors. The Scheme has been developed in accordance with six key principles:⁶

- Schools should be funded according to their relative need, and in a way that helps mitigate the effects of social disadvantage;
- Schools should be funded on an objective and fair basis determined as far as possible by objective measures of the various factors which give rise to unavoidable and significant additional expenditure;
- The formula should support schools in delivering the curriculum;
- The formula should underpin and reinforce wider education policy and objectives;
- The formula should be as transparent and comprehensible as possible and predictable in its outcome;
- The formula should be easy to administer and simple to operate by Funding Authorities and schools.

There are 16 factors within the Common Funding Formula, each with its own complexities. The following table presents a broad overview of the factors making up the Common Funding Formula.⁷

⁵ DE (2011) *Common Funding Scheme 2011-12* Bangor: Department of Education

⁶ DE (2011) *Common Funding Scheme 2011-12* Bangor: Department of Education

⁷ DE (2011) *Common Funding Scheme 2011-12* Bangor: Department of Education

Table 1: Overview of the Common Funding Formula factors 2011/12

Factor	Overview
Age weighted pupil units factor	<p>80.2% (£902.7m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • Pupil numbers are calculated using the enrolment at each school • The numbers are weighted to reflect differing costs associated with age ranges (the pupil's year group is used rather than their age) • The cash value of the AWPU is determined by dividing the total number of AWPU's across all schools into the amount remaining in the Aggregated Schools Budgets after amounts allocated under all other factors within the formula have been deducted • Each school's AWPU is calculated by multiplying the total number of AWPU's generated by the school by the AWPU cash value
Premises factor	<p>5.9% (£66.3m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • This factor has three elements: <ol style="list-style-type: none"> 1. A size element; 2. A pupil element; and 3. A landlord maintenance element (described below: voluntary grammar and grant-maintained integrated schools only) • Size element: each school receives an amount per square metre depending on the approved size of the school (40% of the funding under this factor will be distributed according to the size of the building) • Pupil element: each school receives an amount per FTE pupil (60% will be distributed on a per pupil basis)
Landlord maintenance	<p>0.8% (£9.3m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • Each voluntary grammar and grant-maintained integrated school will be allocated an additional amount per square metre (£13 in 2011-12) for landlord maintenance expenditure
Targeting social need	<p>4.7% (£52.4m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • This factor has two elements: • Social deprivation element: recognises the additional costs faced by schools in education children from socially deprived backgrounds. Free School Meal Entitlement (FSME) is used to determine social disadvantage

Factor	Overview
	<ul style="list-style-type: none"> • Educational attainment element: recognises the extra support required by pupils performing below the expected level for their age, regardless of social background • To determine the educational attainment element, attainment at Key Stage 2 is used at post-primary. At primary level, two measures are used: one based on the Warnock factor that assesses the likely proportion of pupils who required additional support for learning; and one based on the number of pupils with FSME
Small schools support factor	<p>2.6% (£29.1m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • This factor is intended to target more resources to smaller schools to facilitate delivery of the curriculum • The amount to be allocated is determined by the number of pupils in the school • At primary level, a lump sum equivalent to 1.0 times the salary of a teacher on point 1 of the upper pay scale (£41,421 in 2011-12) is allocated to schools of up to 100 pupils, tapering to zero at 300 pupils • At post-primary, a lump sum equivalent to 3.4 times the salary of a teacher on point 1 of the upper pay scale (£140,830 in 2011-12) is allocated to schools of up to 200 pupils, tapering to zero at 550 pupils
Foundation stage factor	<p>2% (£22.8m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • Intended to provide primary schools with additional funds to ensure that they deliver the Foundation Stage of the primary curriculum effectively (including through the use of classroom assistance and resources) • The amount of Foundation Stage funding to be allocated to individual primary schools will be based on the number of eligible pupils in the school • Primary schools with a combined primary year 1 and 2 enrolment of up to ten pupils will be allocated a minimum lump sum amount determined by the Department (£12,000 in 2011-12), with an additional per pupil amount (£350) allocated thereafter for each pupil above 10 in the combined cohort.
Primary principals' release time factor	<p>0.8% (£9m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • Intended to provide resources to help ensure that at least two days per week of release from teaching duties is available for principals of smaller primary schools to focus on leadership and management

Factor	Overview
	<ul style="list-style-type: none"> The amount allocated is based on the number of pupils in the school Primary schools with enrolments of up to 100 pupils will receive a maximum lump sum amount determined by the Department (£16,420), tapering to zero at 300 pupils
Teachers' salary protection factor	<p>0.6% (£6.2m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> Schools are eligible for compensation where their overall teaching salary costs are above the average for the relevant school phase The relevant Funding Authority collates details of salary costs for each of its schools on the payroll and produces an annual salary bill for the school which is compared to the average salary cost for the particular school phase Where a school has above average teacher salary costs, it receives a compensatory amount payable at 100% of the above average costs for schools of four teachers or less tapering to 10% of the above average costs for schools of 30 teachers or more
Sports factor	<p>0.5% (£5.6m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> All primary and post-primary schools are allocated an amount to assist in meeting costs arising from the delivery of the sports curriculum A lump sum is provided based on bandings of pupils enrolled
Administrative costs factor	<p>0.7% (£7.4m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> Voluntary grammar and grant-maintained integrated schools are allocated an amount per pupil based on the equivalent spend per pupil on comparable functions by ELBS This factor takes into account the additional responsibilities and associated costs for administrative functions for these schools (which are carried out by the Board in ELB funded schools), as well as diseconomies of scale Each school is allocated a basic lump sum determined by the Department and an additional amount for each pupil in excess of 100 (up to a maximum allowance)
VAT costs factor	<p>0.4% (£4.2m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> While ELBs can reclaim VAT on behalf of controlled and maintained schools, voluntary grammars and grant-maintained schools must pay VAT and are

Factor	Overview
	<p>unable to reclaim</p> <ul style="list-style-type: none"> The Department analyses the accounts of these schools for items attracting VAT and allocate funding to meet the cost of VAT accordingly
Support for children of the Traveller community	<p>0.1% (£1m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> Each full-time pupil designated in the school census as being of the Traveller Community generates an additional allocation for the school equivalent to 0.5 of the basic age weighted pupil unit cash value (£1,020 in 2011-12)
Support for Newcomer pupils	<p>0.7% (£8m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> This factor recognises that newcomer pupils often require extra support, particularly in their first few years of education Schools will receive an additional 0.5 of the basic age weighted pupil unit cash value for each full-time pupil designated in the school census as a Newcomer pupil
Support for children of service personnel	<p>0.03% (£0.3m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> Qualifying pupils are those in primary and post-primary schools whose father or mother is a member of the UK armed services, is not normally resident in NI and who has been posted here for a period scheduled to last no less than two years Schools receive an additional 0.2 of the basic age weighted pupil unit cash value (£408 in 2011-12) for each full-time qualifying pupil
Support for Irish-medium schools and units factor	<p>0.07% (£0.8m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> Curricular support: Irish-medium primary schools and Irish-medium units attached to primary schools will be allocated an amount per pupil equivalent to 0.055 of the age weighted pupil unit cash value (£112 in 2011-12) to reflect costs associated with the development of curricular materials and the teaching of English at Key Stage 2 Irish-medium post-primary schools and Irish-medium units attached to post-primary schools will be allocated an amount per pupil equivalent to 0.014 of the age weighted pupil unit cash value (£28 in 2011-12) Administrative support for Units attached to primary schools: these will be allocated a lump sum equivalent to 1.1 times the salary of a teacher on point M 6 of the pay scale (£42,013 in 2011-12), operating on a sliding scale

Factor	Overview
	<p>tapering to zero at 300 pupils</p> <ul style="list-style-type: none"> • Administrative support for Units attached to post-primary schools: these are allocated a lump sum equivalent to 2.9 times the salary of a teacher on point M 6 of the pay scale (£110,762 in 2011-12), operating on a sliding scale (tapering to zero at 550 pupils)
Special units factor	<p>0.05% (£0.6m) of the Aggregated Schools Budget in 2011-12</p> <ul style="list-style-type: none"> • Designed to support primary and post-primary pupils in special units (not pupils with statements of special educational need (SEN) in mainstream classes) • Pupils with statements of SEN in a mainstream class will generate the same age weighted pupil unit weighting as non-statemented pupils – the Funding Authority will meet the additional costs required to fulfil the terms of the statement • Schools with approved special units will be allocated an appropriate lump sum for each class within the unit

Resources Held at Centre

Resources Held at the Centre are allocated to schools other than by means of the common formula. The departmental guidance on these resources is very detailed; however the following points provide a broad overview of these resources:⁸

- **Staff costs – not related to substitution:** The costs of teachers employed within the approved complement and one classroom assistant within each class in special units;
- **Staff costs – substitution:** where teacher substitution costs are paid from centre funds, this is now limited to a maximum of point M3 on the teachers' scale; in addition, schools are now liable for the total cost of employing a prematurely retired teacher;
- **Special Educational Needs:** additional costs associated with meeting the 'statemented' needs of an individual child will be in addition to the school's formula allocation;

⁸ DE (2011) *Common Funding Scheme 2011-12* Bangor: Department of Education

- **Other accommodation costs: rates, rents and unitary payments:** cost of rates levied against approved accommodation and approved rents and other associated costs will be met from centre funds;
- **Licence payments made centrally by Boards on behalf of schools:** for example, Copyright Licences and licences associated with Classroom 2000;
- **Start-up costs for new schools and amalgamating schools:** separate funding arrangements will be applied for new schools, amalgamating schools and schools which close in the course of a year;
- **Insurances:** controlled schools are covered by the self-insurance arrangement of the Board; Boards meet the costs of premiums required to insure premises and equipment for maintained schools; voluntary grammar and grant-maintained integrated schools meet insurance costs from within their formula allocation;
- **Legal costs:** varying arrangements are in place across the different management types;
- **Security services:** a contribution towards the cost of security services can be made by the Funding Authority where the school has obtained their prior approval and can demonstrate a number of conditions (for example, that the cost of vandalism and other criminal activity warrants a security service);
- **Dual-site schools:** eligibility for funding as a dual-site school will be determined by the relevant Funding Authority based on a set of criteria;
- **Caretaker residences:** the Funding Authority may make a contribution towards the costs of a caretaker residence (the premises are excluded from the floor area calculation for the premises factor of the formula);
- **Contingency provision:** each Funding Authority must establish an LMS Contingency Fund to meet certain unexpected costs, such as correction of significant errors in application of the formula; emergency costs; and in-year growth in pupil numbers;
- **Curriculum Reserve Support Fund:** each Funding Authority should set aside resources for the Curriculum Reserve Support Fund to meet certain costs, for example, phasing in a reduction in teaching staff; avoiding a reduction in teaching staff caused by a short-term dip in enrolments;
- **Department initiatives:** the Department may make funds available to meet certain specified needs or promote certain policies;
- **Budget management:** Funding Authorities may transfer resources within the various headings in managing the Resources Held at Centre.

3 Changes and challenges relating to the Scheme

A number of written responses to the Department's consultation on proposals for changes to the scheme call for a fundamental review of the Common Funding Scheme as a whole. For example, some stakeholders suggest moving responsibility for teaching costs from schools to the centre, creating a 'pool' of teachers.⁹

The following paragraphs consider the changes made to the scheme in September 2011, consultation responses on the changes, and other issues that may be of interest in regard to the Scheme.

Changes to teacher substitution arrangements – prematurely retired teachers

The Public Accounts Committee made two recommendations in their report on the management of substitution cover in 2010, suggesting that a flat-rate for all substitution cover be established, and that the Department should consider amending the LMS regulations to prevent the practice whereby schools "top up" payments made to prematurely retired teachers out of LMS budgets.¹⁰

Three of the changes made to the Scheme effective from 1st September 2011 broadly take into account these recommendations, without implementing them exactly as suggested.

The changes aim to reduce the reemployment of prematurely retired teachers by making schools responsible for the associated cost; increase employment opportunities for Newly Qualified Teachers; reduce the cost of substitution cover in line with the recommendations of the Public Accounts Committee; and limit remuneration to teachers who have been compensated for leaving employment early. The changes are as follows:¹¹

- **Introduce a flat rate of pay, Point 1 of the main scale, for prematurely retired teachers who have received discretionary compensation ("added years") and who return to teaching:** this aims to act as an incentive for schools to employ newly or recently qualified teachers as substitutes;
- **Reduce the ceiling for centre reimbursements costs from the current level (Point M4 to Point M3):** this aims to effect immediate savings in centre costs and serve as an incentive for schools to employ newly or recently qualified teachers as substitutes; and
- **Make schools liable for the total cost of employing a prematurely retired teacher** but retain a central budget to assist schools in employing newly

⁹ DE (2011) *Consultation Exercise on possible changes to the operation of the Common Funding Formula in 2011/12* Bangor: DE

¹⁰ Public Accounts Committee (2010) *The Management of Substitution Cover for Teachers: Follow up Report* [online] Available at: http://www.niassembly.gov.uk/public/2007mandate/reports/2010/report_20_10_11r.htm

¹¹ Information from DE, August 2011 and DE (2011) *Common Funding consultation March 2011: proposals for changes to the Common Funding Scheme 2011/12* Bangor: DE

qualified or other non-retired teachers: employing authorities would continue to reimburse schools for the cost of substitution up to Point 3 of the Main Scale for newly qualified or non-retired teachers but contribute nothing to the cost of employing a prematurely retired teacher.

An analysis of school responses to the Departmental consultation on the proposed changes to the 2011/12 scheme shows that the majority (72%) of schools did not agree with the proposed change that the current ceiling for centre reimbursement costs should be reduced. Responses to the consultation from trade unions highlight concerns that many teachers will be excluded from substitution cover by this rule and that the specialist experience and skills built up by teachers over their careers will be lost. However, it should be noted that the consultation had a low response rate of 8%.¹²

In addition, 66% disagreed that schools should be liable for the total costs of substitution where cover is provided by a prematurely retired teacher. Key issues raised by schools and stakeholders in this regard included difficulties in finding alternative substitute teachers in some instances, particularly in rural areas and at short notice; and challenges in employing appropriate substitute teachers where expertise in particular areas is required. Some stakeholders suggested that many schools would be forced to continue employing prematurely retired teachers in order to deliver the curriculum.¹³

A number of trade union responses to the consultation state that they do not believe that the proposals will adequately address the needs of NQTs, and that they could be counter-productive. In particular, the responses suggest that discouraging prematurely retired teachers from undertaking supply teaching will encourage more teachers to remain in full-time teaching until retirement, therefore retaining posts that might otherwise be available to other teachers.¹⁴

Nonetheless, there was agreement from over three-quarters (77%) of respondents to the Department's consultation that a flat rate of pay at Point 1 of the Main Scale should be established for prematurely retired teachers who have received discretionary compensation and return to teaching.

Suggestions of age discrimination

Some respondents to the consultation suggested that these changes to the Scheme could lead to the less favourable treatment of prematurely retired teachers and as

¹² DE (2011) *Consultation Exercise on possible changes to the operation of the Common Funding Formula in 2011/12* Bangor: DE

¹³ DE (2011) *Consultation Exercise on possible changes to the operation of the Common Funding Formula in 2011/12* Bangor: DE

¹⁴ DE (2011) *Consultation Exercise on possible changes to the operation of the Common Funding Formula in 2011/12* Bangor: DE

such, constitute discrimination under the Employment Equality (Age) Regulations (Northern Ireland) 2006.¹⁵

In its Equality Impact Assessment of the changes, the Department recognises that these proposals may have an adverse impact on grounds of age, and states that it would *'welcome suggestions on measures which might mitigate such impacts'*.

However, it also states that the proposals are justifiable in that it is legitimate to limit the remuneration of teachers who have been already been *'generously compensated'* for leaving employment early. It notes that any savings achieved through substitute cover could reduce the need for other measures such as teacher redundancies, and that the proposals may provide additional opportunities for newly or recently qualified teachers.¹⁶

Other changes to teacher substitution arrangements

The two other changes to the Common Funding Scheme effective in the school year 2011-12 are as follows:¹⁷

- **To require schools to meet the cost of the substitute teacher when the absent teacher moves on to half pay:** previously, schools had made a saving when absent teachers moved onto half pay (as the cost of substitution was met by the centre). This change aims to incentivise schools to employ cheaper substitutes and encourage schools to proactively manage the return to work of the permanent teacher; and
- **To remove the criteria for centre substitution costs where the teacher has been required to be involved in the Transfer Procedure:** this change aims to make savings and the Department suggests that existing forms of contact between parents and schools can be used to provide guidance on the Transfer procedure.

The majority of schools responding to the Department's consultation did not agree with these two proposals (now in effect). With regard to schools meeting the full cost of the substitute teacher when the absent teacher moves on to half pay, 71% of respondents did not agree that this should be the case.

In addition, 59% of schools disagreed that substitution costs for teachers involved in the Transfer procedure should be removed. Concerns around this included potential inequalities for parents with literacy, language or other difficulties in understanding the Transfer procedure.

¹⁵ *The Employment Equality (Age) Regulations (Northern Ireland) 2006* [online] Available at: <http://www.legislation.gov.uk/nisr/2006/261/regulation/3/made>

¹⁶ DE (2011) *The final Equality Impact Assessment on proposal to introduce a flat rate of pay for prematurely retired teachers who return to teaching and proposed changes to the Common Funding Scheme for the Local Management of Schools* Bangor: DE

¹⁷ DE (2011) *Common Funding consultation March 2011: proposals for changes to the Common Funding Scheme 2011/12* Bangor: DE

Free School Meal Entitlement (FSME) as a proxy for disadvantage

Another concern around the Common Funding Formula is the use of FSME as a proxy measure for deprivation within the Targeting Social Need Factor. A number of difficulties around the use of FSME as a proxy measure have been highlighted, these include:

- **Reflects registered rather than actual eligibility:** many eligible parents may choose not to apply for free school meals for their children, perhaps due to a perceived stigma, particular dietary requirements or the extent to which schools and local authorities encourage parents to seek entitlement.¹⁸
- **Families close to the eligibility threshold may experience similar disadvantage:** one study¹⁹ found that *'FSM is both a coarse and error-prone instrument,'* stating that the income cut-off will result in a significant proportion of low-income families with low capital assets being characterised as 'non-disadvantaged.'
- **Measures income only:** Some commentators have highlighted that FSME only takes account of a family's income, and not of other factors, for example, the propensity for learning of children entering a school, or their skills and attainment;²⁰

However, many other measures used to identify levels of deprivation take an area-based approach, and geographical areas do not necessarily reflect the true socio-economic characteristics of an individual school. For example, a school's intake area is often socio-economically different from the area in which it is located.²¹ Styles²² notes that despite limitations for FSM as a deprivation indicator, it nonetheless acts as a 'significant predictor of educational outcome measures when better measures of socio-economic status are unavailable.'

Small schools

As a large proportion of the Common Funding Formula in the *Strategic Review of Education*, Bain indicates that while the Small Schools Support Factor aims to meet the additional budgetary needs of small schools, small schools may still struggle to contain

¹⁸ Croxford, L. (2000) 'Is Free-Meal Entitlement a Valid Measure of School Intake Characteristics?' *Educational Research and Evaluation* Vol. 6, No. 4, pp. 317-335

¹⁹ Kounali, D. et al. (2008) *The probity of free school meals as a proxy measure for disadvantage* Education Department, University of Bath

²⁰ Croxford, L. (2000) 'Is Free-Meal Entitlement a Valid Measure of School Intake Characteristics?' *Educational Research and Evaluation* Vol. 6, No. 4, pp. 317-335

²¹ Styles, B. (2008) 'Moving on from free school meals: national census data can describe the socio-economic background of the intake of each school in England' *Educational Research*, Vol. 50:1 pp. 41-53

²² Styles, B. (2008) 'Moving on from free school meals: national census data can describe the socio-economic background of the intake of each school in England' *Educational Research*, Vol. 50:1 pp. 41-53

expenditure within budget. He notes that most of the delegated budget for smaller schools will be spent on staff costs.²³

4 Methods of providing funding in other jurisdictions

England

Current approach

Money designated by the Government as spending for schools is divided by the Department for Education into numerous grants. The core element of this is the Dedicated Schools Grant (DSG), which is the primary source of funding for teacher and support staff salaries, school running costs, and other non-pay items such as books and equipment. The DSG was introduced to replace a number of ring-fenced grants and instead to provide a single funding stream.²⁴

The Department apportions this grant to local authorities, and each local authority then allocates the money to its schools using a locally agreed formula. The current calculation of the DSG allocation is based on a method called “spend-plus”:

- The “spend” element gives each local authority a per pupil amount, uplifted each year, originally based on spending in 2005-06; and
- The “plus” element consists of top-ups based on ministerial priorities. The major top-up for the 2008-11 settlement supports the roll-out of personalisation to all pupils.

The Department uses this approach to determine a Guaranteed Unit of Funding (GUF) for every local authority for each year of the funding settlement: this is the amount the authority knows it will receive for each of its pupils. Differences will roughly reflect the level of educational disadvantage in each area, area costs, and sparsity.²⁵

A changing approach to funding

*The Importance of Teaching: the Schools White Paper 2010*²⁶ outlined plans to change the approach to funding in England, targeting more resources to the most deprived pupils over the next four years through a new Pupil Premium (worth £2.5bn per year). It also outlined plans to consult on developing and introducing a clear, transparent and fairer national funding formula based on the needs of pupils, to work alongside the Pupil Premium. The proposals include greater autonomy for schools, although money

²³ Bain, G. (2006) *Schools for the Future: Funding, Strategy, Sharing* Bangor: Department of Education

²⁴ *How school funding is apportioned throughout the country* [online] Available at: <http://www.education.gov.uk/aboutdfe/foi/disclosuresaboutschoo/s/a0065048/how-school-funding-is-apportioned-throughout-the-country>

²⁵ *How school funding is apportioned throughout the country* [online] Available at: <http://www.education.gov.uk/aboutdfe/foi/disclosuresaboutschoo/s/a0065048/how-school-funding-is-apportioned-throughout-the-country>

²⁶ DfE (2010) *The Importance of Teaching: the Schools White Paper 2010* The Stationery Office

will still be provided to schools through local authorities, except for Academies, which are funded directly from the Department.²⁷

The second stage of the consultation was underway at the time of writing into how school funding could be made fairer in England. The Department notes that the present system creates variations in how much money similar schools in different parts of the country receive (differences as much as 50% between schools in similar circumstances). This is particularly due to the fact that funding is based on historic calculations - some dating back to at least 2005, rather than the current composition of the pupil body.²⁸

Republic of Ireland

The primary source of all funding for schools in the Republic of Ireland is the Department of Education and Skills (DES). The majority of schools receive their funds directly from the DES by means of a series of designated grants throughout the year. Unlike the other jurisdictions, the salaries of teachers and other specified members of staff are paid directly by the Department.²⁹ Some schools in the South of Ireland qualify for enhanced funding under different Social Inclusion measures.³⁰

Almost all grant scheme payments are co-ordinated and paid electronically through a Central Funds Unit. There are a number of different sections in the Department that provide funding for schools.³¹

- Primary Administration section co-ordinates and administers a range of grant schemes including capitation grants and the Free Book grant;
- Social Inclusion Section provides additional financial supports in the form of grants for Social Inclusion Programmes such as the Home School Community Liaison Scheme and the Breaking the Cycle Scheme; and
- The Planning and Building Unit provide funding for school maintenance and minor works.

Primary schools

The Department of Education and Skills pays a direct capitation grant per student to each primary school. Capitation grants are used for the day-to-day running of schools and for teaching materials and resources. (Enhanced capitation grants are paid for

²⁷ DfE (2010) *The Importance of Teaching: the Schools White Paper 2010* The Stationery Office

²⁸ *Fair funding for all schools* [online] Available at: <http://www.education.gov.uk/inthenews/inthenews/a0076656/fair-funding-for-all-schools>

²⁹ OECD (2007) *Improving School Leadership: Country Background Report - Ireland*

³⁰ *Part 4 Services to Schools and VEC* [online] Available at: <http://www.education.ie/robots/view.jsp?pcategory=17216&language=EN&ecategory=37551>

³¹ *Part 4 Services to Schools and VEC* [online] Available at: <http://www.education.ie/robots/view.jsp?pcategory=17216&language=EN&ecategory=37551>

children with special educational needs in special schools or who attend special classes in mainstream school).³²

Primary schools also receive a grant for caretaking and secretarial services under the Ancillary Services Grant Scheme. Because of funding constraints, smaller schools (including those in rural areas) are more likely to have a part-time secretary and caretaker.³³

Post-primary schools

At post-primary level, a capitation grant is issued to schools based on the number of recognised pupils. In addition, grant aid initiatives are targeted at disadvantaged pupils at second level. Community & Comprehensive Schools and Vocational Education Committees (VECs) receive a budget allocation.³⁴

Scotland

A Concordat between the Scottish Government and local government was put into place in November 2007, establishing a new relationship between local and Scottish government. This involved a new partnership approach to the delivery of key policies and public services and new supporting funding arrangements.

The majority of the budget for schools in Scotland is contained within the Local Government settlement which provides for local authority delivery of education in schools. As such the majority of funding for expenditure on school education in Scotland comes from local authorities and they are also responsible for deciding on priorities for capital expenditure on the schools estate.

Local authorities decide how much of the grant will be given to education, and the funding is then delegated to schools to spend as they wish through the Devolved School Management system. Control of the budget is at the school level and decisions are largely made by the head teacher in consultation with staff and the school board.³⁵

Proposed changes

A recent report into school funding in Scotland has recommended that changes should be made to the way funding works, including cluster level management of budgets and a national formula for the distribution of money to schools. For example, it suggested that it would be beneficial to allow groups of schools (such as primary and secondary schools which share a catchment area) to manage their budgets together.³⁶

³² *Part 4 Services to Schools and VEC* [online] Available at:

<http://www.education.ie/robots/view.jsp?pcategory=17216&language=EN&category=37551>

³³ OECD (2007) *Improving School Leadership: Country Background Report - Ireland*

³⁴ *Part 4 Services to Schools and VEC* [online] Available at:

<http://www.education.ie/robots/view.jsp?pcategory=17216&language=EN&category=37551>

³⁵ *The schools system in Scotland: funding and regulation* [online] Available at:

http://tsn.custhelp.com/app/answers/detail/a_id/901/~/the-schools-system-in-scotland%3A-funding-%26-regulation

³⁶ *Review of devolved school management* [online] Available at: <http://www.scotland.gov.uk/News/Releases/2010/11/26095844>

Wales

The Welsh Government provides funding to local authorities for pre-16 provision in schools in Wales, mainly through the Revenue Support Grant (the local government revenue settlement). The other main sources of funding for local authority education budgets are council tax income and non-domestic rates income. Funding for post-16 provision in schools is by specific grant from the Welsh Government.³⁷

The Revenue Support Grant is distributed by means of a formula which aims to be fair and objective across all 22 local authorities. The underlying principle of the RSG is that funding is not earmarked for particular services: as such, local authorities are responsible for deciding how they spend their allocation of RSG on the services for which they have responsibility, including schools.³⁸

The Welsh Assembly Government does not set targets for local authority expenditure on schools. Local authorities are required to distribute funding to schools in the form of an annual delegated budget. Schools can then decide how to spend their budget.³⁹

The School Funding (Wales) Regulations 2010 require local authorities to allocate expenditure to three budgets:⁴⁰

- **The Local Authority Budget** relates to central local authority functions and includes the costs of provision of a specialised nature, school improvement, access to education, further education and training for young persons and adults and strategic management;
- **The Schools Budget** covers expenditure directly aimed at supporting schools. It comprises of expenditure on services for which the LA may retain funding centrally, such as special educational needs services and schools meals. The amount of expenditure retained centrally is deducted from the Schools Budget and the remainder is the Individual Schools Budget (ISB) - the funding delegated to schools.
- **The Individual Schools Budget** forms part of an individual school's overall delegated budget.

The Individual Schools Budget must be allocated to schools within the local authority in the form of budget shares, using a locally determined funding formula. The regulations require the 70% of the funding to be distributed on the basis of pupil numbers, and

³⁷ *School funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en>

³⁸ *School funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en>

³⁹ *Revenue Funding* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/revenuefunding/?lang=en>

⁴⁰ *The legal framework* [online] Available at:

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/thelegalframework/?lang=en>

authorities may in their formula weight pupil numbers according to any or all of the following factors:⁴¹

- Age, including weighting according to key stage or year group;
- Whether a pupil is provided with nursery education by a school;
- In the case of pupils under five, their exact age when admitted to school;
- In the case of pupils aged under five, hours of attendance;
- Special Educational Needs;
- Whether a pupil at a school is also attending an institution within the Further Education sector; and
- Whether a pupil is being educated through the medium of Welsh.

Local Authorities may distribute the remaining 30% of budgets on the basis of a range of factors outlined in the regulations, for example the size and condition of buildings and grounds, rates, cleaning, schools meals.

Except in certain circumstances the power to spend the budget share is delegated to the school's governing body, which is free to spend their budget shares as it sees fit, as long as it is for the purposes of the school.

Conclusion

In light of these findings, consideration could be given to the recent changes made to the Common Funding Scheme, particularly in regard to the extent to which the changes achieve the aim of providing increased opportunities for newly and recently qualified teachers to access opportunities to teach. Consideration might also be given to seeking legal advice for clarification purposes on whether the changes to the scheme concerning prematurely retired teachers could constitute discrimination on the basis of age.

Consideration could also be given to the approaches to school funding used elsewhere, for example the central payment of teaching salaries in the Republic of Ireland, and of the future progress of reforms to funding underway in England and proposed in Scotland. Their efforts to increase the transparency and consistency of funding distribution to schools may be of interest in regard to the Common Funding Scheme overall.

⁴¹ *The legal framework* [online] Available at: <http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/thelegalframework/?lang=en>