



**RESPONSE BY THE DEPARTMENT OF EDUCATION TO THE
RECOMMENDATIONS CONTAINED IN THE REPORT
FROM THE INDEPENDENT REVIEW OF THE COMMON FUNDING
SCHEME**

JUNE 2013

THE INDEPENDENT REVIEW OF THE COMMON FUNDING SCHEME

1. Introduction

In June 2012 the Education Minister appointed Sir Bob Salisbury to chair an independent review of the Common Funding Scheme (CFS). The CFS is the funding scheme that determines how funding delegated to schools is allocated to each grant-aided school. Its major element is the Common Funding Formula which, in 2013-14, allocated £1,123,049,000 directly to schools to enable them to deliver effective educational provision for pupils.

The purpose of the review was to test whether the current CFS was fit for purpose, focusing particularly on the extent to which it supported the Department of Education's wider policies and adequately targeted social need.

In January 2013, the review panel presented its report to the Minister. The report, which was published on the Department's website <http://www.deni.gov.uk/independent-review-of-cfs.pdf> made 29 recommendations intended to improve the design and operation of the Common Funding Scheme.

This paper sets out the Department of Education's position on each one of the recommendations.

The Department's position has been informed by detailed consideration by the Assembly's Education Committee and by the views of a sub-group established by its Strategic Forum¹ to consider the report from the independent review panel. The Department is grateful both to the Committee and to the members of the Strategic Forum for their careful consideration.

¹ The Strategic Planning and Policy Development Forum (the Strategic Forum) is where the recognised trade unions, employers and sectoral support bodies have an opportunity to work with the Department to shape and influence policy development and strategic planning at an embryonic stage.

2. Departmental position on each recommendation

Recommendation 1

The Department of Education should clarify for all funding authorities the exact legal position of all schools in regard to procurement and ensure that procurement guidance issued by each funding authority is harmonised prior to the establishment of the ESA.

The Department accepts this recommendation in full and will investigate and provide guidance to schools.

Recommendation 2

The processes for monitoring, providing challenge, support and intervening in schools on financial management issues should be closely aligned to the processes in place in relation to school improvement. A financial classification of schools should be developed, together with comprehensive intervention procedures for schools that have excessive deficits and surpluses.

The Department accepts this recommendation. School funding authorities are already expected to monitor schools' financial management and provide appropriate challenge and support. This is particularly the case for controlled and maintained schools where, currently, the Education & Library Boards are accountable for ensuring effective financial management arrangements are in place. However, it is clear that more can and should be done to promote effective management by schools of the public funds allocated to them and to ensure that schools do not build up large surpluses or deficits. The Department will therefore work with the ELBs and other education bodies to design and develop a revised financial classification system which will include clear guidance on intervention as well as support

Recommendation 3

The Department of Education should explore the practical implications and legislative or procedural changes required to allow any school to adopt the systems of financial management operated for voluntary grammar and grant maintained integrated schools.

The Department accepts the recommendation to explore this but will do so once the Education Bill has been passed and ESA has been established. At that point, ESA will be asked to prepare a report on the implications and an assessment of schools' views and of their readiness to accept the responsibilities that would come with an enhanced level of financial autonomy.

Recommendation 4

Financial information for all school and Board Areas should be standardised. In particular, funding for schools outside the formula should be reported with greater consistency in order to facilitate benchmarking of funding between schools throughout Northern Ireland.

The Department accepts the recommendation and will ask the funding authorities to agree a standardised approach to providing financial information for schools to allow them and funding authorities to compare how funding is determined and used.

Recommendations 5, 6, 7 and 8

The Department of Education should restrict the number of funded initiatives for schools both to minimise administrative costs and effort both at centre and within schools and to encourage greater focus and coherence of approach at school level.

The use of earmarked funding by schools should be effectively monitored, with appropriate interventions should expectations not be met.

An exit strategy for each funded initiative should be developed prior to its implementation, to alleviate the risk that progress achieved during the initiative will be surrendered upon cessation of the funding stream.

The Department of Education should review all current earmarked initiative funding to ensure that earmarked funding is the best approach and that funding would not be better used by being directly delegated to schools via the funding formula.

The Department accepts these recommendations but recognises that many funding streams which schools can access lie outside its direct control. However it shares the independent review panel's view on the importance of ensuring that external funding streams are used to support the delivery of improved educational outcomes for young people and agrees that schools need to ensure that other externally funded activities do not dilute or detract from that focus and need to be able to account for the outcomes they deliver with external funding. It also accepts that schools, when applying to access external funds, need to give careful thought to how they might develop the capacity to build on progress delivered via additional funding once the funding stream comes to an end so that a clear exit strategy is in place from the outset.

The Department also recognises that it is sometimes necessary to earmark funds which it allocates to schools, for example funding for extended schools activities, in order to ensure that the funding is spent for the purposes intended and that there is appropriate accountability for how funding has been used. It already expects the funding authorities to monitor the use of earmarked funds and to act if there is evidence that they are not being used effectively. In light of recommendation 6 it will remind funding authorities of the need to ensure appropriate monitoring and intervention.

The Department will review, in light of recommendation 8, the earmarked funds it currently allocates to schools to explore whether any of these might more appropriately be delegated to schools via the funding formula.

Recommendation 9

To allow schools to fulfil the requirements of the Entitlement Framework in the short to medium term, the Department of Education should consider extending earmarked entitlement framework funding at its current level for the 2013/14 and 2014/15 financial years.

The Department has considered carefully this recommendation in the context of feedback from post-primary schools and has accepted it. Funding has already been provided to schools for the current financial year and further funding has been set aside to provide support for the Entitlement Framework in 2014-15.

Recommendation 10

In the long term, the panel is of the view that sites offering post-16 provision should be of sufficient size to be able to offer a broad range of opportunity to pupils within that site, with collaboration generally limited to more specialist provision.

The Department accepts this recommendation. There are particular challenges in delivering the level of subject choice that our young people need in sixth form, including ensuring that sixth forms are sufficiently large to provide the necessary diversity of choice. The recommendation will be addressed primarily in the context of work already underway on area planning and also through support to Area Learning Communities to ensure that collaboration takes place in a manner that is carefully planned and designed to facilitate the needs and aspirations of pupils and their pastoral care and wellbeing. The Department will also work with the Department for Employment and Learning to explore how best to ensure that schools are making best use of the excellent specialist provision available to sixth form pupils through the existing network of further education colleges.

Recommendation 11

Transport policy, including eligibility, the definition of suitable school and the potential for some parents to contribute to costs should be reviewed at the earliest opportunity.

The Department accepts this recommendation and will advance a review of transport provision and eligibility. Details of the scope and timing of that review will be provided to the Assembly and announced more widely in due course.

Recommendation 12

The proposed regional school development service should assign a central role to supporting ongoing peer support at area and school level, providing greater opportunities for teachers to work together in sharing good practice, while also able to draw on external expert advice, where needed.

The Department accepts this recommendation. It is in the process of planning a new, regional school development service and will ensure that its remit includes a focus on professional collaboration and sharing of good practice as well as providing access for schools to external expert advice.

Recommendations 13 and 14

Until the impact of the recent Special Education Needs review can begin to be assessed, and until there is greater consistency and precision is available financial information linked to pupil needs, it is best to continue to rely on current funding arrangements, and the use of funding outside the Aggregated Schools Budget.

The Department of Education should consider targeting funding and resources at the collective needs of statemented pupils within a school, rather than allocating physical resources or services to individual children, irrespective of circumstance.

Consistent financial management information should be recorded for all special schools, in a format which will facilitate benchmarking with special schools elsewhere. There should be a specific review of special school funding at that stage.

Recommendation 13 recognises the complexity associated with allocating funding for SEN support when that support is designed to reflect the individual needs of a pupil with special educational needs and will therefore vary from pupil to pupil. The Department accepts the recommendation and agrees that that such funding does not, at this time, lend itself to allocation via a formula.

The Department accepts that funding to support children with statements of special educational need should be considered in the round, looking at school level at the collective needs of pupils with special educational needs, rather than allocating physical resources or services to individual children, irrespective of the provision already in place within the school. While it does not propose to change funding arrangements for such pupils at this stage, it recognises that this aspect of the recommendation is very much in line with the wider aim of the SEN Review and will be considering it in that context.

Recommendation 14 identifies that special schools, while continuing to receive funding directly rather than through the Common Funding Scheme, should have consistent financial management information recorded for them. The Department accepts this recommendation which is already a requirement under Article 67 of the Education (NI) Order 1998 and will review the format that this information is required to take to ensure that it is consistent.

Recommendation 15

The funding arrangements for Alternative Education Providers should be reviewed. Arrangements to remove funding from mainstream schools following transfer should be assiduously followed (involving not only AWP funding, but also Special Educational Needs and social deprivation funding), with transfer of this funding to EOTAS budgets.

The Department accepts this recommendation and will incorporate it into new guidance on the provision of education otherwise than at school (EOTAS) which it is currently preparing.

Recommendations 16 and 17

More funding should be directly targeted at pupils from socially-disadvantaged backgrounds. This should be part of core school funding rather than short-term initiatives. A revised funding formula should increase the level of funding spent for social deprivation.

Increased funding for socio-economic deprivation should be weighted towards schools with significant concentrations of disadvantage to reflect the negative effects of such concentrations.

The Department accepts both recommendations and agrees that there is a need to target additional support to help young people from socially disadvantaged backgrounds to achieve to their full potential. The revised funding formula that will shortly be published for consultation will include increased levels of funding for social deprivation. It will also contain new arrangements designed to weight that funding towards schools which draw significant proportions of their pupils from disadvantaged backgrounds.

Recommendation 18

A notional Special Educational Needs budget should be identified for each school in Northern Ireland.

The Department recognises the argument that calculating a notional budget and showing this clearly in schools' budget statements, schools will be reminded that they have a responsibility to meet the special educational needs of pupils whose needs do not require a statement from within their core resources and will be able to satisfy themselves that they have deployed a level of funding from within their overall budget to do this. The Department intends to trial this arrangement with a small number of schools and to seek feedback on its usefulness before introducing it as a standard element of the financial information sent to schools.

Recommendation 19

The Department of Education should closely monitor and evaluate the use of additional resources and performance of schools and intervene rapidly when performance expectations are not met.

The Department accepts this recommendation. It already ensures, through guidance on school development planning, that schools undertake planning for improvement that is informed by the resources available to them. It will also require school funding authorities to intervene where there is evidence either that resources are not being effectively managed or where outcomes are lower than they should be. It will also particularly ensure that funding allocated for social disadvantage is used effectively to support the education of a school's FSME pupils by sharpening the arrangements through which schools must account for how they plan and deploy that funding.

Recommendation 20

Social deprivation funding should continue to be allocated using either adjusted Free School Meal eligibility criteria (to increase eligibility at post-primary), or "Ever Free School Meals" criteria

The Department accepts this recommendation and will move, from September 2014, to a position where the entitlement threshold for free school meals is the same for both primary and post-primary pupils.

Recommendation 21

Ongoing investigation into an alternative, or adjunct measures to Free School Meals, as a measure of deprivation, should continue.

The Department accepts this recommendation. It welcomes the view of the independent review panel that free school meals entitlement (FSME) is currently the most effective measure of deprivation that is available but agrees that its continued effectiveness should be kept under review.

Recommendation 22

Data should be gathered on maternal education for inclusion in pupil databases, and its efficacy modelled as a measure of additional educational need.

The Department recognises the rationale for including this recommendation: research shows a very strong correlation between a mother's educational attainment and that of her children. However, informed by feedback from other stakeholders, it has reached the conclusion that requiring schools to gather such personal information presents more challenges than benefits and it is not therefore accepting the recommendation.

Recommendation 23

In the future, the following principles should underpin the Common Funding Scheme:

- *Sustainable schools should be funded according to the relative need of their pupils, and in a way that enables the effects of social disadvantage to be substantially reduced.*
- *Sustainable schools should be funded on a consistent and fair basis, taking full account of the needs of pupils.*
- *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 Department accepts the recommendation that the Common Funding Scheme should be underpinned by guiding principles that have at their core a focus on transparency and equity. As part of consultation on a revised Common Funding Scheme it will seek views on a set of guiding principles that reflect the suggestions made in this recommendation.

Recommendation 24

Small school support factors should be removed from the Common Funding Formula. However, this must be combined with a Small Schools Policy and funding for strategically important small schools outside the formula.

The Department of Education should, as a matter of urgency, develop a Small Schools Policy, which defines clearly the circumstances in which a small school will be required and allows for schools to become designated small schools for funding purposes.

The Department accepts the rationale behind this recommendation and, through the work underway on area planning, intends to ensure that school provision at area level is effectively planned and sustainable, with schools having sufficient scale to enable them to deliver the full benefits of the revised curriculum and, for post-primary schools, of the Entitlement Framework as well as a high quality educational experience and a wide range of extra-curricular opportunities. It recognises also that there will always be a need for some small schools to serve the needs of isolated, often rural communities and that such schools need to be identified and supported.

The Department takes the view that the Sustainable Schools strategy already provides an appropriate framework within which decisions can be taken on when there is a need to sustain and support small schools.

The Department is confident that, through the area planning process, plans will be developed and implemented that will ensure that strategically important small schools are identified and protected and that solutions involving other small schools

can be planned and implemented in a manner that ensures that pupils' educational needs are placed to the forefront.

The Department considers that it would be premature to remove all of the small school support factors from the Common Funding Formula for the 2014-15 financial year but, in accepting this element of the recommendation, signals to schools and managing authorities that they should not rely on the continuation of the funding allocated via those factors in the longer term. The Department reserves the capacity to make further adjustments to the funding formula, including the small schools' factors in future years to reflect and respond to progress on area planning.

Recommendation 25

The Department of Education should aim to ensure that a future funding formula distributes as much funding as possible according to pupil rather than institutional needs and has the minimum number of factors required to facilitate the distribution of funding in an equitable manner thereby making it as clear as possible why a school receives the funding it does.

The Department accepts this recommendation which is in line with its focus on putting pupils first.

Recommendation 26

The Department of Education should consider the implementation of a new funding formula made up of following elements:

- *Basic Per Pupil funding (weighted to reflect phase of education).*
- *Weighted Pupil Premium for social deprivation.*
- *Lump sum fixed costs payment for primary schools.*
- *Additional Social Deprivation Premium for Traveller, Roma and looked-after pupils.*
- *Newcomer Premium*
- *Children of Service personnel premium.*
- *Notional SEN budget – drawing on a proportion of basic per pupil funding, a proportion of the weighted social deprivation premium, and a further premium at post-primary level linked to prior attainment*
- *Administration and landlord maintenance pupil payment for Voluntary Grammar and Grant-maintained integrated schools*
- *Irish-medium school and unit support premium.*
- *Amalgamation Premium.*

The Department accepts the focus in this recommendation on a funding formula which puts pupils first. As noted above, the Department intends, for 2014-15, to retain the various small schools protection factors. It will therefore not adopt the lump sum fixed cost payment for primary schools as this was designed, in the absence of the small schools factors, to provide some assistance for smaller schools.

Additionally, as noted in its response to recommendation 19, the Department is proposing to introduce additional steps which schools will need to take in order to be able to access the higher levels of social deprivation funding which will be available to those schools with higher concentrations of FSME pupils. These steps will be designed to ensure that schools have a clear purpose for such funding and will ensure it is used to improve educational attainment for those pupils, thereby contributing to breaking the link between social disadvantage and educational underachievement. The Department is developing a revised funding formula including these elements but with some adjustments and this will be subject to consultation.

Recommendation 27

Voluntary grammar and grant-maintained integrated schools should be able to reclaim actual VAT costs from the funding authority. DE should investigate the potential for these schools to reclaim their VAT from HMRC.

The Department recognises that decisions on the VAT status of voluntary grammar and grant maintained integrated schools lie outside its direct control but agrees that the current arrangements represent an anomaly that should be challenged. It therefore accepts the recommendation and will be investigating with HMRC the historic reasons for the differential VAT treatment that currently exists and the scope for change.

Recommendation 28

The balance of funding between primary and post-primary should be kept under review.

The Department accepts the recommendation that the balance of funding between primary and post-primary schools should be kept under review. It notes the independent review panel's comments about the challenges faced by post-primary schools and accepts that, while a case for additional funding to support earlier intervention in early years and primary schools can be made, this should not be at the expense of post-primary schools. In order to facilitate any future decision to delegate additional levels of funding to primary schools, the Department is developing a Common Funding Scheme that will incorporate separate funding formulae, one for primary and nursery schools; and one for post-primary schools. This will ensure that future funding intended either for primary schools or for post-primary schools can be targeted effectively.

Recommendation 29

In the medium to long-term, DE should consider moving towards a model whereby it commissions sixth form places on an area basis thereby maximising economies of scale and ensuring a broad, balanced curricular offer for all pupils; ensures open

access to area based sixth forms; and considers with the Department for Employment and Learning the potential for joint funding arrangements for all 16-19 provision.

The Department accepts the recommendation that it should, in the years ahead, consider whether there is a better way of planning and developing sixth form provision on an area basis with greater integration with further education provision. It intends to progress this issue in the context of area planning and in discussion with the Department for Employment and Learning with a view to ensuring appropriate and joined up provision for pupils who remain in education after the age of 16.

3. Conclusion

This paper is designed to be read alongside the Minister of Education's Statement to the Assembly on 11 June 2013 entitled *Putting Pupils First: Reforming the Common Funding Scheme*.

The paper's content will also be reflected in consultation that the Department will shortly undertake with schools and other stakeholders and interested parties on changes to the Common Funding Scheme which will apply for the 2014-15 financial year.