

Independent Review of the Common Funding Scheme

Update on recommendations

At 30 September 2018

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Purpose

1. This paper provides an update on recommendations from the Independent Review of the Common Funding Scheme 2013.

Background

2. The Independent Review of the Common Funding Scheme was published in January 2013 and contained 29 recommendations covering school funding issues, some of which fall outside the Common Funding Scheme.
3. The then Education Minister's response to the recommendations can be found on the DE website using the following weblink: [Education Minister's Response to Independent Review of CFS](#).
4. In the Minister's response, the Department accepted 28 of the 29 recommendations. Recommendation 22, that "data should be gathered on maternal education for inclusion in pupil databases, and its efficacy modelled as a measure of additional educational need" was not accepted.
5. The update provided is therefore broken down into three different sections as follows:
 - a. Outstanding recommendations (Appendix 1). Nine recommendations: 1, 10 (incorporating 29), 12-13, 18-19, 24 and 27;
 - b. Completed Recommendations (Appendix 2). 18 recommendations: 2, 4-9, 11, 14-17, 20-21, 23, 25-26, and 28; and
 - c. Other Recommendations. That is, those which were either not accepted or for which the rationale behind the recommendations was accepted and an alternative course was taken. (Appendix 3). Two recommendations: 3 and 22.

Appendix 1 Outstanding Recommendations

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.

Minister's agreed position: The Department accepts this recommendation in full and will investigate and provide guidance to schools.

Action required and status: Clarification of legal position for all schools and issuing of consistent guidance to all schools. Presently ongoing. This is noted as an action in the EA Centre of Procurement Expertise Plan and therefore forms part of its 18 month procurement project.

Current Position: The Education Authority (EA) is the funding authority for all grant-aided schools covered by the Common Funding Scheme. The EA is in the process of harmonising its procurement guidance issued to all school types.

In relation to VG / GMI schools, publication of the revised to Procurement Guidance Note PGN 01/07 Grant and Procurement should be noted. Changes to this PGN has resulted in the default position for VG / GMI schools being that they are subject to NI Public Procurement Policy (NIPPP), "unless there is good reasons to deviate".

Recommendation 10 (Note – **incorporates Recommendation 29**. “Commissioning sixth form places on an area basis”): 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.

Minister’s agreed position: 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.

Action required and status: Area Planning to take account of this recommendation and to factor in availability of FE provision. Ongoing for duration of current Area Plan and supporting Annual Action Plans.

Current Position: The Education Authority “Providing Pathways” strategic Area Plan 2017/2020 includes addressing sustainable sixth form provision as a priority. The Area Plan is supported by an Annual Action Plan, detailing the work programme of the planning and managing authorities to address specific issues at local level. Managing Authorities are required to consider FE provision as part of area solutions. The Department for the Economy (DfE) representative on the Area Planning Steering Group will advise on FE issues. A change to the required number of courses under the Entitlement Framework at post-16 from 27 to 21 (from September 2017) is not believed in itself to make any substantive difference to the outworking of this recommendation.

Should a development proposal (DP) be approved to consolidate 6th form provision in an area, the accommodation required would be supplied when funding becomes available – as is the case with DPs generally.

The Department, in conjunction with DfE is taking forward work on developing a strategic approach to 14-19 education and training, which may require a broad package of legislation in relation to post-16 provision. This will require full public consultation as well as stakeholder engagement in the policy development phase.

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.

Minister's agreed position: 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.

Action required and status: Arrangements for the EA's new school development service are to include a focus on professional collaboration and sharing of good practice as well as providing access for schools to external expert advice. This is presently ongoing.

Current Position: Work continues to progress within the EA to develop a School Improvement Service/School Development Service. Relevant Directors in DE continue to liaise with the EA to ensure that the arrangements include a focus on professional collaboration and sharing of good practice. In this context the Department published a professional learning strategy – Learning Leaders in March 2016. This provides an overarching and coherent framework for teacher professional learning to strengthen the professionalism and expertise of the teaching workforce. The strategy focuses on collaboration and sharing of best practice and provides a vision and characteristics for teacher professional learning going forward. It will inform the EA's development of the new School Development Service.

Recommendation 13: 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.

Minister's agreed position: 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 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.

Action required and status: Consider recommendation 13 in the context of progressing the next stages in the SEN review. Presently ongoing.

Current Position: The Department is working towards having each of the three parts of the new SEN Framework in place. The first part, the Special Educational Needs and Disability Act (NI) 2016 is in place. The second and third parts, namely the SEN Regulations and SEN Code, need to be finalised. The lack of an Assembly is affecting this work. However, it should be noted that the funding of the needs of statemented pupils is unaffected by the new SEN Framework.

It will take a number of years for the new Framework to be embedded and, as the new duties are taken forward, it will be appropriate to reconsider the funding arrangements.

Regarding Recommendation 13, in the early stages of the SEN Review the Department wished to allow schools increased flexibility in making provision for children, but there was resistance amongst the public, the Assembly and the Assembly Education Committee, to move away from statements. Consequently, the SEN Review policy proposals retain the provision of statements, which are based on the individual needs of children. As the EA moves forward with the regionalisation of services, it will be considering how to most effectively meet the assessed needs of statemented pupils.

This issue also falls within the work being taken forward in response to the recommendations contained in the NIAO Report on SEN, published in June 2017. In particular **Recommendation 6** in that report: *'The Department and the EA should*

review the current funding arrangements to ensure that available resources are used effectively to meet the needs of all children with SEN, with or without a statement.'

A Programme Board has been established to oversee the work to address the recommendations in the NIAO report and project leads have been identified to take forward projects to address each recommendation. Recommendation 6 is being considered under *Project 4 – Review of Current Funding Arrangements for SEN*. Progress to date on this Project includes establishing the feasibility of capturing all aspects of SEN expenditure (i.e. in addition to costs of statemented pupils, the additional SEN support which the EA provides at stages 1-3 and spend from within schools' delegated budgets) and options for funding of this expenditure.

Recommendation 18: A notional Special Educational Needs budget should be identified for each school in Northern Ireland.

Minister's agreed position: 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.

Action required and status: This would require calculation of notional budget and subsequent trial with a small group of schools to assess value of such a move. Taking this forward will be contingent upon the full outworkings of the implementation of NIAO SEN recommendations.

Current Position: Reporting mechanisms across the EA regions are being aligned.

The EA has advised that it is taking forward work on improving the consistent classification and financial reporting of expenditure relating to Special Schools, Special Education in Mainstream Schools and Pupil Support. The EA has undertaken work to provide consistent presentation, within the EA financial systems for financial reporting purposes.

With reference to the update provided at Recommendation 13, the Department is addressing NIAO recommendations, one of which is for the Department and the EA to review current funding arrangements to ensure that available resources are used effectively to meet the needs of all children, with or without a statement. This is being incorporated into an ongoing review of the Common Funding Scheme.

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.

Minister's agreed position: 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.

Action required and status: Approach to intervention to be mapped out, agreed and implemented. Ongoing.

Current Position: Regular governance and accountability meetings provide an opportunity for the Department to discuss ongoing monitoring of school performance and the level of support that is being provided to schools. Schools identified through inspection as requiring external support are prioritised by the managing authorities through the formal intervention process¹. DE has initiated an additional monitoring mechanism via quarterly meetings with managing authorities to discuss progress of individual schools.

Further work has been taken forward regarding accountability for the additional resources provided to schools to support our most disadvantaged pupils (with

¹ However, action short of strike (ASoS) is preventing areas for improvement from being identified in schools choosing not to co-operate with inspection. In schools that are participating in action short of strike and not co-operating with inspection:

- the ETI is not able to carry out fully its function to inspect the school on behalf of the Department;
- the quality of education is impacted because the school is not benefitting from ETI advice on areas of good practice and the identification of areas for improvement (AFIs) that must, statutorily, be addressed;
- the Department cannot assure itself that a given school should not be in formal intervention; and
- the Department cannot assure itself that a given school should be taken out of formal intervention.

Principals of schools in which teachers are participating in action short of strike, are also reporting that the improvement agenda is not being progressed; therefore the children and young people are being denied the improved quality of education that would follow as a result of progressing the improvement agenda within a given school.

Under ASoS, the ETI are reporting on any concerns based on the evidence available at the time of the inspection; in turn, DE is seeking assurances from the EA and/or employing authority that they are working with the school in relation to the inspection report. Schools in the follow-up process who take ASoS and do not, therefore, provide evidence that the AFIs have been addressed, continue to be monitored through routine district inspection activity; updates are provided to DE in this regard on request.

entitlement to free school meals) The template (Annex H of the School Development Planning Guidance) which is currently used to account for the use of TSN funds (as part of school development planning process and reporting to the EA) has been revised to collect additional information on impacts and outcomes, in consultation with EA/DE/ETI and school principals. This revised template was trialled with a number of schools.

Following this, a software package has been developed with C2k and Wholeschool as a first step towards improving the availability of information on the use of TSN funding and the sharing of good practice. Schools were advised of the launch of new TSN Planner app in October 2018 and DE intends to capture examples of good practice that can be share across schools following the end of 2018/19 academic year.

ETI do not audit finance during school inspections. However, the use of funding to meet the needs of specific groups of learners for whom it is provided is evaluated routinely on inspection. Consideration is also given to the school's outturn statement and three-year projection, particularly when: there is an under spend or projected under spend; or a deficit or projected deficit and how senior leadership (including governors) are planning strategically to address the issue.

Recommendation 24: Small school support factors should be removed; combined with a Small Schools Policy and funding for strategically important small schools outside the formula.

Minister's agreed position: The Department takes the view that the Sustainable Schools Policy and its implementation through Area Planning 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 its intention to do so in future years in the context of moving forward with Area Planning.

Action required and status: Changes to the Small Schools' Support factors is dependent on a policy review of the Sustainable Schools Policy as well as the CFS Review.

Current Position: The Sustainable Schools Policy (SSP), the EA's strategic Area Plan and the Development Proposal (DP) process already provides an appropriate framework within which decisions can be taken on when there is a need to sustain and support small schools.

A review of funding arrangements for small schools was taken forward in 2015-16 for the then Minister, however no further action was directed or decisions taken before the Minister left office.

The issue of small schools support was tabled with the LMS Steering Group in March 2018.

In addition, the Department's Transformation Programme intends to address the issue of "Delivering Schools for the Future" through three strands of work:

- Strand One – The acceleration of the Area Planning Process;
- Strand Two – Identifying barriers to efficient Area Planning and publication of DPs and developing solutions to increase the pace of change through firm proposals to address sustainability and transform education provision; and
- an update of the SSP including, but not limited to, a statement on strategically important schools and rural / urban definitions.

Recommendation 27: Voluntary grammar (VG) and grant-maintained integrated schools (GMI) 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.

Minister's agreed position: 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.

Action required and status: DE to explore with HMRC the reasons for differential VAT treatment for VG and GMI schools and the scope for any change. This process is currently ongoing.

Current Position: An initial internal review of legislation has been carried out. On the issue of reclaiming actual VAT costs from the Funding Authority, procedures are now in place to allow schools to apply for the VAT reclaim grant based on their actual expenditure. A position paper has been submitted to DSO to seek legal advice. Following DSO advice, the Department will consider how to engage HMRC.

Appendix 2 Completed Recommendations

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.

Minister's agreed position: 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 EA and other education bodies to design and develop a revised financial classification system which will include clear guidance on intervention as well as support.

Current Position: Significant resource and time has been invested by EA in developing and implementing a new approach to schools financial planning in 2018-19. This aims to learn the lessons from prior years and take account of the challenges and constraints within the system. The new approach to financial planning in 2018-19, enhancing the accountability of schools within the parameters and constraints which exist within the current system was introduced through 11 engagement events in March 2018 across NI which were attended by around 650 school leaders and governors.

The key actions include prioritisation and categorisation of schools according to financial risk, with targeted engagement with those schools considered to be most at financial risk, including the involvement of multi-disciplinary teams. EA has developed benchmarking with similar types of schools and developed options for consideration by boards of governors and principals. In addition, a schools database has been established to record LMS interaction with schools, financial plan information and scenarios, financial categorisation, approvals issued and agreed actions.

In addition, to help improve financial management, EA has developed standard budgeting templates with enhanced financial modelling tools for staff complements and costs, including prior year information by expenditure type, sectoral averages and summary papers to aid schools' understanding of finances, the split of funding between different expenditure types such as staff and consumables, and discussion and consideration of sector averages with schools. EA has also further enhanced accountability through declarations from boards of governors and principals.

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.

Minister's agreed position: 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.

Current Position: The EA, as the funding authority for all grant-aided schools covered by the Common Funding Scheme, has developed and implemented a new approach to schools financial planning in 2018-19 seeking to improve the financial planning and monitoring process within the parameters in which the sector operates, as outlined in recommendation 2.

The new approach has also ensured standardisation of the approach to financial planning for schools across all areas. Actions have included:

- schools have been categorised to enable support to be targeted to those at most financial risk and ensure EA supports schools in the categories consistently,
- improved standardised budget templates for use by all schools,
- detailed guidance for the new template issued to all schools,
- consistent financial planning guidance and scripts for LMS staff when meeting schools to discuss financial plans,
- continued engagement with schools at Principal engagement events,
- LMS coordinated responses to queries from schools,
- sectoral averages for groups of schools provided within budget templates

EA used the financial planning process as a health check for schools identifying where schools could reasonably take actions to reduce costs further and where it was not reasonable to take further action to reduce costs without impacting educational outcomes.

EA have developed a database for school financial records to record financial planning information and track the progress by schools through the financial planning process consistently.

In line with new planning approaches EA has also issued approval letters and plans to upload budgets based on categorisation.

Recommendations 5, 6, 7 and 8:

Rec 5. 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.

Rec 6. The use of earmarked funding by schools should be effectively monitored, with appropriate interventions should expectations not be met.

Rec 7. 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.

Rec 8. 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.

Minister's agreed position: 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.

Current Position: All budget holders have been reminded of the need to monitor spend.

During 2015-16, the former Minister John O'Dowd, requested a full Review of Earmarked Funds to be undertaken. The aim of the Review was to ensure that the earmarking of any funds, both to Schools and Youth and other smaller NDPBs, remained appropriate, was fit for purpose and was consistent with, and supported,

Departmental policy objectives. A key objective was to review each fund individually and come to an informed view as to whether in 2016-17 and beyond, the activity:

- Should remain as an earmarked fund; or
- Be delegated to schools via the Common Funding Scheme; or
- Be allocated to the Education Authority (EA) as part of its unhypothecated Block Grant.

The final report (November 2015) was considered as part of deliberations on Budget 2016-17. The key outcomes following completion of the review in March 2016, in respect of Budget 2016/17 whereas follows:

- specific earmarked funding totalling nearly £120m transferred to the EA Block Grant. This transfer provided the EA with significantly greater flexibility in managing and prioritising these funds, enabling them to plan the use of their delegated budget allocation effectively and helped reduce bureaucracy within both the Department and the EA.
- some funds which were allocated to schools remained earmarked, for example funding for extended schools activities. This is 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.
- when considering the potential transfer of any existing earmarked fund to the Aggregated Schools Budget via the Common Funding Scheme (CFS), a key consideration was whether this was logistically possible for 2016-17. Any significant change to the CFS, for example the introduction of a new factor, would require a public consultation. However, the review did not identify any earmarked funds that were considered to be suitable to be transferred to the schools via the Common Funding Formula.

Former Minister O'Dowd agreed the specific criteria to be considered for the future earmarking of funding and the proposed methodology for allocation of future earmarked funds. These have been applied to all new funding streams since 2016-17 and any new earmarked funds will require Ministerial approval.

In 2017-18, there were c£70m of earmarked funding is spread across c30 separate budget lines and about four of these lines accounted for over 80% of this funding. By way of comparison, in 2015-16, £170m of earmarked funding was allocated across over 90 budget lines.

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.

Minister's agreed position: 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

Status: Complete.

Recommendations 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.

Minister's agreed position: 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.

Current Position: The independent review was published in December 2014; however, a decision was taken not to proceed with the policy consultation during that mandate. This may be given further consideration by a new Education Minister.

Recommendation 14: 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.

Minister's agreed position: Recommendation 14 identifies that special schools, while continuing to receive funding directly rather than through the Common Funding Scheme, should have access to consistent financial management information. 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.

Current Position: Following the establishment of the EA and the implementation of the single EA financial system in December 2016, the EA has established consistent financial reporting for all Special Schools. This is also in line with the work ongoing through the DE Programme Board relating to the NIAO recommendations emanating from the NIAO report on SEN issued in July 2017.

A standard suite of reports for each Special School is available through the Oracle financial system. These reports can be run at any time by the schools and show complete financial information on Article 60 "Delegated" expenditure, non-article 60 expenditure, and earmarked funds. The information also includes encumbrances (committed expenditure) and requisitions information for each school. Also included are Detailed Transaction Reports and Staffing reports. Schools are emailed after period close each month and told to run their financial reports. The format of these reports is the same for all Special Schools.

Work has been ongoing to development a formula for the establishment of a consistent Article 60 budget for all Special Schools. Work has been completed to streamline the definition of Article 60 "Delegated" expenditure across all Special Schools. This will align with the establishment of proposals for a formula to determine an Article 60 budget for each school. Proposals for a formula have been put forward to CYPS senior management. These proposals are being further developed. An engagement session will be held with Special Schools on 27 November 2018 followed by further engagement sessions. This is a complex exercise but it is hoped that progress can be made on this before the beginning of the 2019/20 financial year.

The EA have in place a Staffing formula (Teaching and Non-Teaching staff) for Special Schools (non-Article 60). Annual meetings are held with the Principal and Chair of the Board of Governors to ensure that schools align to the proposals set out by EA.

The proposals for a consistent formula currently being considered relate to existing legislation. If full delegation to Special Schools were to be considered, this would require legislative change. The EA does not consider that there is an immediate imperative to move towards full delegation at this time.

In relation to the requirements under Article 67 of the Education Order (NI) 1998, EA is currently seeking clarification from DE on the legislative requirement to publish financial reports.

Recommendation 15: The funding arrangements for Alternative Education Providers (AEP) should be reviewed. Arrangements to remove funding from mainstream schools following transfer should be assiduously followed (involving not only AWPU funding, but also Special Educational Needs and social deprivation funding), with transfer of this funding to EOTAS budgets.

Minister's agreed position: Department will incorporate this into new guidance on the provision of education otherwise than at school (EOTAS) which it is currently preparing.

Current Position: EOTAS guidance was published on 18 September 2014 to take effect from the beginning of the 2015/16 academic year. Section 10 of the guidance clarifies where the EA places a pupil in EOTAS, they will recoup from the pupil's school, the Age Weighted Pupil Unit (AWPU) funding proportionate to that element of the school year when the pupil will not be present.

Where a pupil remains on the register of a school, the EA will repay a percentage of the recovered AWPU funding. Where a pupil has a statement the EA will continue to fund the provision outlined in the statement and all other additional pupil payments should follow the child, such as those provided for children of travellers, looked after children and newcomer allowances.

The EOTAS Guidance recognised that EA could use external EOTAS provision (such as AEP providers) but was not obliged to do so where sufficient in-house capacity existed. Where external provision is used, the guidance requires that this is purchased by means of a public procurement compliant tendering process.

EA has not yet issued any tender for external EOTAS provision (this was due before 31 March 2016). Latest EA advice is that in moving towards a single regional EOTAS service they need to review all internal EOTAS provision/capacity and then issue a single regional tender where there will be a medium-to-long-term need for supplementary external provision.

The EA has also stated its intention to focus on building capability within mainstream schools to support challenging pupils, which should over time lead to reducing numbers of pupils requiring full-time EOTAS placements.

Recommendations 16 and 17: (16) 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.

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

Minister's agreed position: 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.

Status: Complete. These recommendations were implemented within the changes to the Common Funding Formula from 2014/15 onwards.

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.

Minister’s agreed position: 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.

Status: Complete

Recommendation 21: Ongoing investigation into an alternative, or adjunct measures to Free School Meals, as a measure of deprivation, should continue.

Minister’s agreed position: The Department 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.

Status: Complete.

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.

Minister’s agreed position: 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.

Status: Complete.

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.

Minister's agreed position: The Department accepts this recommendation which is in line with its focus on putting pupils first.

Status: Complete

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.

Minister's agreed position: 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.

Status: Complete

Recommendation 28: The balance of funding between primary and post-primary should be kept under review.

Minister's agreed position: 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.

Status: Complete – since 2014/15, the Common Funding Scheme has incorporated separate funding streams, one for primary and nursery schools; and one for post-primary schools.

Appendix 3 Other Recommendations

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.

Minister's agreed position: 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.

Current Position: The Department engaged with schools in the autumn of 2016 to seek the views of schools in relation to their appetite for increased financial delegation. The response rate was very low (just under 18%) and the interest expressed by schools which did respond was mixed.

It should however be noted that this recommendation was put forward in a different financial context. Since the Independent Review, one Voluntary Grammar School has been compelled to change its status to controlled as a result of financial difficulty.

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.

Minister's agreed position: 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.