

# Funding of Schools – The Way Ahead.

## A Discussion Paper

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Organisation  
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## AIM OF THIS DOCUMENT

Over the past year INTO has carefully examined the process for funding schools and education both in Northern Ireland and other parts of the United Kingdom. Two documents have been prepared as a consequence of this analysis –*LMS – Time for a Rethink –An Analysis of Differing Funding for Schools* –May 2007 and *INTO Guidance on Devolved School Management (DSM)* - November 2007. Both these documents examined existing models of school funding. Copies of these reports are also available for download from the INTO website [www.into.ie/NI](http://www.into.ie/NI). /The aim of this paper is to examine and collate the findings of these two reports and to provide a discussion paper on the development of a suitable funding model for schools and educational establishments in Northern Ireland.

## INTRODUCTION

### 1. LOCAL MANAGEMENT OF SCHOOLS

When New Labour was elected into government in 1997 it changed aspects of NPM as it sought to improve the output performance of public sector organisations in the UK. Education, as other public services, was not left to market forces but became subject to the ideas of the “third way” and “modernisation”. Both terms, though unclear, involved a balance between regulation and deregulation, with the continuation of government decentralising certain activities combined with more government involvement through target setting and directing. Under direct rule in Northern Ireland similar principals and philosophies were applied to education funding though the process of LMS.

Much has been written about New Public Management (NPM) in the UK public sector. In particular the decentralisation of resources to front line service providers away from bureaucratic organisations is well researched. Within the UK schools sector the decentralising effects of NPM on the management of schools was achieved through the Education Reform Act and Orders

It suggested that the relationship between the Employing Authorities (EA`s), who manage school funding and schools had started to change as a result of school self management. In a more recent times as a result of this change argue that EAs have sought to retain their status as dominant players in the education organisational field with relationships between EAs and schools remaining strong. It has been concluded that by 1997 the EAs appeared to have maintained their dominant position by reconstructing new roles for themselves as advisers and support for schools in respect of LMS funding.

Regulations specified four named functions for which EAs could devolve funding and for which their performance would be measured. The four functions included strategic management, school improvement, and access to education, and special education needs.

·**Strategic management** included the strategic planning for the education service as a whole; allocating funding to schools by developing a funding formula; administering grants and monitoring and auditing expenditures.

·**School improvement** involved setting and meeting performance targets to encourage school performance. This requirement for performance target –setting showed the continued focus on output based management and an encouragement of planning to enable the targets to be met

·**Access to education** described managing the supply of school places, administering an admissions system and the authority’s capital programme.

·**Special education** needs provision was concerned with assessing and securing education for children with special educational needs.

Furthermore within Northern Ireland the above functions were duplicated and replicated to reflect the sectoral and religious make up of the education system. As a result of this claims arose frequently relating to inequalities in education and devolution of resources was frequently challenged as being sectarian.

Furthermore EAs frequently tried to influence change to suit the direction of the EA rather than the school. Influences comprised several complex manoeuvres. The primary objective was to move schools decision making in the direction the officers required. In effect it was a steering process that had to be achieved subtly. An element of the “influence” process was suggesting alternative solutions to problems. The intended outcome was for the schools to understand these, and following the EA reasoning shift towards the directions the officers suggested. However the schools needed to feel that the decisions they took was theirs.

The Department of Education (DE) through its regulatory processes appears to favour decentralised schools taking their own decisions to meet the needs of educational consumers; that is parents and schoolchildren. However studies seem to show that the EAs support schools in ways that may not be commensurate with the societal requirements as depicted by the DE. They continue to direct schools all be it in more subtle ways. Yet arguably, that schools continue to engage with the EAs, could be suggestive of school preference to focus on pedagogical rather than managerial approach to financial matters. The EA steering arguably makes this possible for them.

In our report of LMS, INTO concluded

Consequently LMS limits the ability of schools to:

- ◆ respond to innovation and change;
- ◆ prevents effective workforce planning in respect of leadership and teaching positions;
- ◆ promotes pay inequalities within and between teaching professionals in the primary and post primary sectors;
- ◆ may limit the scope of schools to respond to initiatives and legislation such as SENDO;
- ◆ does not reflect the issue of educational disadvantage and poverty effectively; and
- ◆ impacts on how the school responds to issues from its enrolment to exam success at all levels.

## **2. DEVOLVED MANAGEMENT OF SCHOOLS**

In contrast Devolved School Management which is used in Scotland aims to produce a more regulatory framework where school autonomy is recognised and valued and the entire financial, regulatory and educational processes are brought together under a single piece of legislation.

This authority to delegate was set out in **Section 8 of Standards in Scotland's Schools etc. Act 2000:**

### *Delegation schemes*

*(1) An education authority shall have a scheme for delegating to the headteacher of a school—*

*(a) managed by them; and*

*(b) of a category of school which is stated in the scheme to be covered by the scheme, management of that share of the authority's budget for a financial year which is available for allocation to individual schools and is appropriated for the school; or management of part of that share.*

*(2) The scheme—*

*(a) shall delegate to the headteacher the preparation of the school development plan; and*

*(b) may also so delegate such other management functions in relation to the school as the authority think fit.*

### **What is devolved school management?**

1. Devolved School Management (DSM) is the system whereby education authorities pass aspects of financial management responsibility on to individual schools. Each school receives an annual budget which allows them to purchase items such as furniture and equipment and to arrange minor repairs and maintenance. They may also have responsibility for management decisions on other financial issues such as staff related costs. At school level, decisions on DSM are taken by the headteacher in consultation with the School Board and parents.

2. Each education authority has developed its own scheme for devolving financial management to schools. The schemes vary from authority to authority in the extent of expenditure devolved - although all exceed the 80% identified in Scottish Office guidance, some significantly so - and the restrictions placed on financial practice. For instance, in some authorities, schools have the power to carry forward into the next year amounts of money not spent during the current year or, for some types of spend, to transfer money between budgets. This gives schools much more flexibility in dealing with their priorities.

One authority has a Devolved School Management scheme that allows schools to carry forward an underspend of up to 10% or an overspend of up to 5 % of the school budget into the next financial year.

4. DSM has been well received by headteachers and School Boards. It is fundamental to schools taking responsibility for their own improvement. Schools are able to respond quickly to changing needs and priorities and have increased control and responsibility over financial matters. This has a positive effect on morale and results in the more efficient use of resources.

The most significant difference between LMS and DMS is how the latter has been a part in a joined up process, impacting on all matters from employment of teachers, enrolments, curriculum to financial innovation and change. Within LMS the formula funds the school and central funding is delegated as and when required. The ETI and GTCNI play no part in the auditing or monitoring of the overall management of schools or Education and Library Boards within the scope or range of the LMS scheme.

In summary DMS aims to promote an integrated approach to education with decisions regarding education taken at a school level, within a defined scope as set out in the LEAs policy. Monitoring and evaluation of the scheme is centralised through the inspection process and the GTC. The ultimate aim is to provide joined up decision making targeted at the individual school. DMS was developed in partnership with stakeholders in Scotland.

## **WHICH SYSTEM IS RIGHT OF NORTHERN IRELAND SCHOOLS?**

Over the past number of years Northern Ireland schools have learnt to cope with the development of LMS and its tweaks and amendments to reflect changes in education. Some schools have become adept at the financial management of a school while others have struggled to balance a budget to meet the changing demands in education. The introduction of programmes by DE has been used to supplement school funding although not always on a full cost basis. Schools, in particular areas, have had funding to cope with deprivation while other schools that attract large numbers of immigrant children do not attract similar type support and funding.

## **DO WE NEED A NEW SYSTEM OF EDUCATIONAL FUNDING?**

Having spoken to those who are charged with leadership in our schools, the answer is regrettably “*Yes*”.

Many Principals report spending hours on the budget, yet recognising that they have little control or influence over the financial aspects of running a school. They continue to rely on the support of an EA LMS officer to advise on the finances of the school and often feel that their scope for decision making in strategic educational matters is limited by the advice of such officers.

Furthermore many of those involved in school leadership report that the current system restricts the school on what they can do for the educational community they serve. Rather they respond to initiatives from DE where they must prepare business cases for funding that may only partly be realised.

Overall the LMS system gives limited scope to schools to deliver effective educational management and fails to link in the other parties in the educational process to deliver a cohesive strategy for the future educational needs of children, schools and teachers in Northern Ireland. With the proposed changes suggested in the Review of Public Administration Papers, INTO now believes that the time is right to begin this review of educational funding arrangements.

## **RECOMMENDATIONS**

As a result of the examination of the funding systems INTO is now proposing the following:

- LMS to be critically reviewed to develop a process where schools and Boards of Governors have autonomy to plan and deliver on plans;
- An end to the dip feed approach to funding initiatives in school with agreed funding clearly set out in a programme from the outset;
- Removal of all salaries from LMS with employees being paid centrally ;
- Principals and Boards of Governors to have autonomy within the individual school development plan to take forward plans to reflect the local community and societal needs of the school;
- Agreed procedures on school funding to be developed with the recognised teachers` unions;
- Development of an integrated education process where funding, professional development, employment, inspection and planning are managed in a partnership basis involving INTO and other recognised teacher unions; and
- Funding arrangements to be critically examined to address equality concerns and ensure coherence with strategies to ensure elimination of child poverty in Northern Ireland.