



House of Commons
Committee of Public Accounts

**Local Management of
Schools**

**Eleventh Report of
Session 2005–06**

*Report, together with formal minutes,
oral and written evidence*

*Ordered by The House of Commons
to be printed 17 October 2005*

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Mr Edward Leigh MP (*Conservative, Gainsborough*) (Chairman)
Mr Richard Bacon MP (*Conservative, South Norfolk*)
Angela Browning MP (*Conservative, Tiverton and Honiton*)
Mr Alistair Carmichael MP (*Liberal Democrat, Orkney and Shetland*)
Mr Greg Clark MP (*Conservative, Tunbridge Wells*)
Rt Hon David Curry MP (*Conservative, Skipton and Ripon*)
Mr Ian Davidson MP (*Labour, Glasgow South West*)
Helen Goodman MP (*Labour, Bishop Auckland*)
Mr John Healey MP (*Labour, Wentworth*)
Diana R Johnson MP (*Labour, Hull North*)
Mr Sadiq Khan MP (*Labour, Tooting*)
Sarah McCarthy-Fry MP (*Labour, Portsmouth North*)
Jon Trickett MP (*Labour, Hemsworth*)
Kitty Ussher MP (*Labour, Burnley*)
Rt Hon Alan Williams MP (*Labour, Swansea West*)
Mr Stephen Williams MP (*Liberal Democrat, Bristol West*)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Emma Sawyer (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccom@parliament.uk.

Contents

Report	<i>Page</i>
Summary	3
The role of Boards of Governors needs to be clarified and supported	3
Falling school numbers and surplus places may undermine LMS	3
Financial management in schools needs to be enhanced	4
Action is needed to control budget deficits and surplus balances in schools	4
Delay in technological improvements has impeded budget monitoring	4
Boards need to engage more with schools on financial management issues	4
The cost-effectiveness of LMS decision-making needs to be reviewed	4
Conclusions and recommendations	5
1 The delegation of financial responsibility to schools	7
2 Financial planning and management	9
3 Evaluation and achievement of objectives	12
Formal minutes	13
Witnesses	14
List of written evidence	14
List of Reports from the Committee of Public Accounts Session 2005–06	15

Summary

The introduction of Local Management of Schools (LMS) in 1990 changed the way in which schools in Northern Ireland are funded and managed by allowing Boards of Governors and school principals the autonomy to make decisions on resource allocation and priorities. Under LMS, recurrent resources are allocated to schools either by the five Education and Library Boards (similar organisations to local authorities in England and Wales) or directly by the Department of Education. Over £1 billion will be spent during 2004–05 on educating around 340,000 children in Northern Ireland. School Boards of Governors and principals now control 70% of all money spent on school children. The amount of public money involved and the value placed on education makes it vital that this money is spent wisely.

On the basis of a Report by the Comptroller and Auditor General for Northern Ireland,¹ the Committee took evidence from the Department of Education on three main issues:

- the effectiveness of the delegation of financial responsibility to schools;
- the exercise of control over financial planning and management in schools; and
- the extent to which the management of resources by schools has been subject to evaluation and has achieved its objectives.

As a result of our examination, we drew the following main conclusions:

The role of Boards of Governors needs to be clarified and supported

LMS has dramatically changed the role and status of school Boards of Governors. They play a key role in financial and staffing decision-making, curriculum planning and school-level development. While there is much to praise about the contribution they make to the life of schools in Northern Ireland, there is also a need for more focused training, additional support and greater clarification of their role in relation to principals so that they may contribute more to the effective implementation of LMS.

Falling school numbers and surplus places may undermine LMS

Currently there are 45,000 surplus school places in Northern Ireland and it is expected that this could rise to around 75,000 by 2010. Having more school places than necessary ties up delegated resources that could be better used to improve the overall quality of education. Rationalisation of school places is needed to free resources for redistribution across the school sector.

¹ C&AG's Report, *Local Management of Schools* (HC 297, Session 2003–04)

Financial management in schools needs to be enhanced

The Department is aware of the need to enhance the financial management skills of principals and governors. In particular, there needs to be a greater focus on strategic resource management, linking budgets to school development plans and managing deficit and surplus balances.

Action is needed to control budget deficits and surplus balances in schools

Funding locked up in school balances has been significant while at the same time deficits are also increasing. This represents an inefficient use of scarce resources which needs to be addressed as quickly as possible.

Delay in technological improvements has impeded budget monitoring

The delay in implementing an interface between the financial management systems of schools and the Education and Library Boards remains unacceptable. Better automated information needs to be a priority and will facilitate early intervention in schools with deficit and surplus funding problems.

Boards need to engage more with schools on financial management issues

We recognise that, in monitoring and challenging schools' resource management decisions, the Education and Library Boards are guided by the principle that their involvement should be inversely related to the success of schools in managing their resources. Given the accumulating deficit and surplus balances within schools, we consider that the Boards have not struck the right balance and, in our view, this has also contributed to the serious budgetary control problems experienced at Board level.

The cost-effectiveness of LMS decision-making needs to be reviewed

It is rarely possible to show a direct and precise relationship between pupil performance and a particular decision on the use of resources. However, decisions on the deployment of resources are central to the management of educational processes and their effectiveness needs to be evaluated.

Conclusions and recommendations

The delegation of financial responsibility to schools

1. It is encouraging that schools appear to be coping well with many of the demands placed on them by LMS. However, we are disappointed that, after 15 years operating this policy, so much remains to be done in terms of maximising the benefits that should arise from the financial flexibility and community participation afforded by well managed LMS practices.
2. We see as a priority the need to ensure that Boards of Governors, while performing a valuable public service, have the capacity to carry out their duties as effectively as possible. Towards this end the Department, the Education and Library Boards and schools need to ensure that sufficient numbers of Governors are in place in schools; that they have a range of relevant skills and, most importantly, that they perform a challenge role in schools and do not succumb to merely “rubber-stamping” the decisions of school principals.
3. The Department needs to do more to ensure that delegated resources are used as effectively as possible. At present there are 45,000 surplus places in Northern Ireland schools and with falling pupil rolls it is anticipated that this could rise to 75,000 by 2010 if action is not taken to tackle the problem. Removing surplus places provides the opportunity to make better use of the money that is delegated to schools. While acknowledging that this can be a difficult task, the Department needs to keep a close eye on surplus capacity in schools and take all the steps necessary to ensure that delegated funds are not spent on maintaining vacant places when they could be more usefully directed to supporting the education service.

Financial planning and management

4. We note the Department’s acknowledgement that more needs to be done to ensure that school principals and governors are adequately prepared to engage in shared decision-making. LMS requires a more sophisticated approach to financial management and it is essential that schools receive the support necessary to enable them to link financial planning to improvement priorities and to monitor the use of resources against these priorities.
5. We were surprised to learn that deficits among schools, in 2002–03 totalled £11 million, while at the same time others held surplus balances amounting to £31 million. Although the Department has assured us that school recovery plans are now in place to remedy this situation, we have the clear expectation that should schools fail to comply with these and fail to manage their budgets in a prudent manner then the Education and Library Boards will need to consider removing delegated powers from schools.
6. The financial system in schools and the system operating in the Education and Library Boards do not communicate properly. This problem was first identified by the C&AG over ten years ago but the promised interface has still not been put in place. The Department’s failure to intervene in a more timely way has, in our view,

added to the inability of Education and Library Boards and schools to manage the problem of deficit and surplus balances more efficiently. Consequently, the failure to properly manage the application of resources may have negatively affected pupil learning. Further delay is unacceptable and we want to see the development of an electronic interface between schools and Education and Library Boards as a priority². Moreover, in relation to the general issue of promoting self-management and improving value for money in school spending, the Department should establish a reporting framework, similar to that operating in England, which would allow schools to benchmark their performance so as to allow them to make better use of their resources and to have a positive impact on education outcomes.³

Evaluation and achievement of objectives

7. One of the downsides we identified in our consideration of LMS was a general lack of accountability for performance. Accountability matters, and unless delegated school management is held accountable for results, the probability that it will substantially improve performance is low. The Education and Library Boards are best placed to monitor and challenge resource management and financial decision-making in schools. However, by largely limiting their focus to schools that have amassed large surpluses or ran into excessive deficits, they appear to have relinquished effective stewardship over the resources held and delegated to schools. There is a clear need for the development of evidence-informed guidance on how schools can make best use of their available resources.⁴
8. It is also important not to lose sight of the need to draw parents more fully into the school decision-making process. The Department should, therefore, explore ways of giving them an effective say in the education of their children.

2 C&AG's Report, para 3.23

3 *ibid*, para 3.52

4 *ibid*, para 4.25

1 The delegation of financial responsibility to schools

1. The introduction of LMS in 1990 heralded a significant change in roles and relationships, not only between schools and the Education and Library Boards, but also within schools. Since that time, there has been a significant increase in the devolution of resource and financial management responsibilities to schools which have been accompanied by changes in the roles of Boards of Governors and school principals. Boards of Governors, rather than the Education and Library Boards decide how to spend a school's delegated budget, including determining the staffing complement, making decisions on staff pay and purchasing goods and services. The school principal, in turn, is responsible to the governing body for ensuring sound systems of internal control and that the Education and Library Boards'/Department's financial requirements are implemented.

2. The Department told us that, in general, it regarded the overall strategy of delegating decision-making to school Governors and principals a success.⁵ It afforded schools increased flexibility to identify local priorities and to allocate resources to meet these needs. However, it accepted that there is still much to be done so that the involvement of Governors can be made as effective as possible.⁶ For instance, the Department told the Committee that more coherent support is needed for Governors; difficulties with recruitment must be solved; training should be improved; Governors and school principals need to have a clearer idea of their respective roles;⁷ and parent governors need to be involved more in decision-making.⁸ It is particularly important, also, to ensure that schools in poorer areas are not disadvantaged.⁹ The Department recognised that there is scope for improvement and told us that it was revamping its training programme for Governors. It is also encouraging better advertising to get a broader range of individuals involved and to promote their role as "critical friends".¹⁰

3. It was clear to the Committee that the effective use of delegated resources is threatened by the difficult issue of falling pupil numbers and surplus school places. There are currently 45,000 surplus places in Northern Ireland and it is projected that this will rise to a massive 75,000 by 2010. Funding for pupils is largely linked to pupil numbers. Without addressing the problem, hard won funds for pupils' education will be spent on places and buildings surplus to requirements, diluting the quality of education that can be offered.¹¹ In 2002, the Public Accounts Committee of the devolved Northern Ireland Assembly raised the issue of school occupancy levels with the Department and expressed its expectation that the high

5 Q 2

6 Q 3

7 Qq 11–12

8 Q 60

9 Q 65

10 Q 12

11 Qq 73–88

level of surplus places should be substantially reduced and called on the Department to monitor this.¹² This Committee expects the Department to give the issue of surplus places in its schools early attention and to draw up a strategy to handle this difficult problem.

12 Northern Ireland Assembly Public Accounts Committee Report, *Indicators of educational performance and provision* (June 2002).

2 Financial planning and management

4. Governors and school principals can be responsible for very significant sums of money. While Education and Library Boards provide general training on financial management, the Department accepted that the support provided to them requires strengthening. It told us that, from September 2005, it intends to introduce regulations to make the link between LMS and school development planning more effective and that this will also involve training to enhance the skills of governors and principals in linking budgets to school development plans and monitoring school expenditure.¹³

5. Against a background of weak budget monitoring, we were disturbed to find that schools' unspent revenue balances and deficits are both substantial and growing.¹⁴ The C&AG's Report records that, in 2001–02, 10% of schools were in deficit by 5% or more¹⁵ and that other schools had combined revenue surpluses amounting to nearly £27 million.¹⁶ Figures supplied to the Committee by the Department show that the position has deteriorated: in 2002–03 schools in deficit by 5% or more had increased to 18% (210 schools amounting to £11 million) and 37% of schools (422) were holding surpluses in excess of 5%, amounting to £31 million. We also note that almost £1 million of school deficits in the Belfast area contributed to the Belfast Education and Library Board's own overspend of £5.4 million in 2003–04.¹⁷

6. We find it particularly alarming that 38 schools had deficits greater than 20%.¹⁸ Moreover, we find it hard to believe that schools with large surpluses could not be making better use of money simply held in bank accounts. In addition, we were disturbed to learn that teachers in some schools have been made redundant to make ends meet.¹⁹ The Department agreed with us that it is neither morally nor educationally justifiable that teaching resources should be denied to pupils in some schools to save money while other schools had large reserves.²⁰

7. By allowing surpluses and deficits to escalate, the message has been given to schools that working within a budget is not a priority. The Department accepted that the situation reflected in these figures represents a failure of proper financial management.²¹ It told us that the situation was unacceptable and that it now has recovery plans from all schools with deficits and surpluses greater than 5%. These plans will be monitored to ensure that those

13 Qq 13–14

14 Qq 6–10

15 C&AG's Report, para 3.26, Figure 3

16 *ibid*, para 4.18, Figure 6

17 Q 5

18 Qq 37–39

19 Qq 24–29

20 Qq 91–92

21 Q 41

schools involved reduce their deficit or surplus below the 5% threshold by 2007–08.²² We cautioned the Department on the need to ensure that where surpluses are to be reduced it must guard against the danger of these funds being spent frivolously. The Department told us that the scrutiny of school plans by the Boards was aimed at ensuring that plans for school spending are sensible.²³ The implementation of recovery plans is an important step in the right direction and we look forward to seeing how they work out in practice. Education and Library Boards have powers to intervene or to direct funding where surpluses and deficits are excessive, but the Department told us, while such action has been threatened, these powers have not been exercised.²⁴

8. The problem of poor monitoring of school budgets has been compounded by the fact that the necessary electronic interface between school and Education and Library Board financial systems has failed to materialise.²⁵ A previous report on Local Management of Schools by the C&AG in 1995²⁶ drew attention to this deficiency and eight years later the problem still has not been rectified. It is unacceptable that after such a lengthy period of time the technological improvements needed to support the monitoring of school budgets have not been implemented. In our view, the failure to enhance the systems for controlling budgets has meant that children currently in schools with deficits and surpluses have been let down and disadvantaged as a result of resources not being used effectively to influence teaching and learning.²⁷

9. It is the Committee's view that ensuring all schools continue to be in a position to manage their budgets effectively remains a key issue for the Department and the Education and Library Boards. For instance, the C&AG's Report draws attention to the need to improve the management information that is available to schools to assist in budget management.²⁸ In our view, school expenditure is monitored and evaluated with too narrow a focus. The Education and Library Boards have distanced themselves from monitoring and challenging school budgets other than to deal with critical incidents. As the C&AG's Report points out,²⁹ they concentrate their efforts on those schools with excessive surpluses and deficits. While such involvement provides a safeguard against the worst sorts of financial mismanagement, it does little to promote good management. The Boards' responsibilities are not confined to the minority of schools giving a clear cause for concern. Given the very large sums of public money involved, early intervention securing even modest improvements across the majority of schools can be well worth the investment involved. As reported at paragraph 5 above, in 2003–04, almost one in five of all schools had deficits in excess of five percent of their budgets. It is likely that this figure would have been significantly lower if schools had been subject to more stringent

22 Qq 36, 53

23 Q 97

24 Qq 55–56

25 Qq 30–35, 42

26 C&AG's Report, *Implementation of the Local Management of Schools initiative* (HC 329, March 1995)

27 Q 33

28 C&AG's Report, para 3.52

29 *ibid*, para 3.26

monitoring and challenge. Moreover, such action could have helped to ease some of the budgetary control problems which have recently emerged in the Education and Library Board sector (paragraph 5).

3 Evaluation and achievement of objectives

10. Over £800 million was delegated to schools in Northern Ireland in 2003–04. Clearly the application of such resources must be justified and schools, Education and Library Boards and the Department held accountable for their use. We acknowledge the views of school principals and teachers who believe that LMS has enabled them to meet local needs and that there have been more resources spent in the classroom.³⁰ However, we were concerned that this did not square with other data in the C&AG’s Report which shows that expenditure on non-teaching staff had increased to a much greater degree than expenditure on teaching staff.³¹ The Department told us that, while this was the case, it was important to understand that a substantial element of non-teaching costs relates to classroom assistants who play an important role in dealing with pupils’ special education needs and helping in areas of social disadvantage.

11. In general, our view is that resource deployment by Boards and schools is less effective than it might be because it remains focussed on inputs rather than outputs. We were disappointed that the Department was unable to provide us with any concrete evidence on whether the investment of resources by schools under LMS actually added value or delivered intended educational improvements.³² In addition, the Committee is disappointed that there is no evidence that LMS has increased the involvement of parents in schools and we note the Department’s view that it needs to do much more to have parents fully engaged in schools.

30 C&AG’s Report, para 4.17

31 Qq 89–90; C&AG’s Report, para 4.16 and Figure 5

32 Qq 57–58

Formal minutes

Monday 17 October 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon

Jon Trickett

Mr Greg Clark

Kitty Ussher

Ms Diana R Johnson

Draft Report (Local Management of Schools), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 11 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Eleventh Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned until Wednesday 19 October at 3.30 pm]

Witnesses

Wednesday 2 March 2005

Page

Mr Gerry McGinn, and Ms Katrina Godfrey, Department of Education, Northern Ireland

Ev 1

List of written evidence

Department of Education, Northern Ireland

Ev 13

List of Reports from the Committee of Public Accounts Session 2005–06

First Report	Managing National Lottery Distribution Fund balances	HC 408
Second Report	The regeneration of the Millennium Dome and associated land	HC 409
Third Report	Ministry of Defence: Major Projects Report 2004	HC 410
Fourth Report	Fraud and error in benefit expenditure	HC 411
Fifth Report	Inland Revenue: Tax Credits and deleted tax cases	HC 412
Sixth Report	Department of Trade and Industry: Renewable energy	HC 413
Seventh Report	The use of operating theatres in the Northern Ireland Health and Personal Social Services	HC 414
Eighth Report	Navan Centre	HC 415
Ninth Report	Foot and Mouth Disease: applying the lessons	HC 563
Tenth Report	Jobskills	HC 564
Eleventh Report	Local Management of Schools	HC 565

Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 2 March 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Ian Davidson
Mr Brian Jenkins
Mr Gerry Steinberg

Jon Trickett
Mr Alan Williams

Mr John Dowdall CB, Northern Ireland Comptroller and Auditor General, further examined.

Mr David Thomson, Northern Ireland Treasury Officer of Accounts, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Local Management of Schools (HC 297)

Witnesses: **Mr Gerry McGinn**, Permanent Secretary, and **Ms Katrina Godfrey**, Head of Resource Allocation, Department of Education, Northern Ireland, examined.

Q1 Chairman: Good afternoon. Welcome to the second part of our inquiry this afternoon into Northern Ireland affairs. We are now looking at Local Management of Schools with the Northern Ireland Department of Education and we are joined by Mr Gerry McGinn who is the Permanent Secretary. Would you like to introduce your colleague please?

Mr McGinn: Thank you, Chairman. To my right is my colleague, Ms Katrina Godfrey, who is Head of Resource Allocation.

Q2 Chairman: Perhaps you could start by looking at paragraph 4.23 in the Comptroller and Auditor General's Report on page 55. We see that Local Management has been in place since 1990. The paragraph has comments from schools welcoming it. Has it been a success?

Mr McGinn: LMS is a developing reform. Yes, I think it has been a success but there is still much to do.

Q3 Chairman: Do you want to amplify on that?

Mr McGinn: You have picked on paragraph 4.23. Principals and schools have welcomed this reform. They believe that it has enabled them to identify local priorities and allocate resources to those local priorities and needs. The Report also points out that there is still much more that we need to do to ensure that we get the full benefits from LMS.

Q4 Chairman: If you now look at page 37, paragraph 3.31, I understand that since this Report came out last year, two of your education and library boards have revealed serious financial deficits. Is that right?

Mr McGinn: That is right, Chairman. Belfast education and library board has revealed an overspend of £5.4 million and South Eastern education and library board an overspend of £5.6 million.

Q5 Chairman: Has Local Management of Schools been a factor in this?

Mr McGinn: In relation to the Belfast education and library board it accounts for £800,000 of the £5.4 million.

Q6 Chairman: If we look at paragraph 3.31 we will see that schools have accumulated significant surplus and deficit balances, so have these contributed to the boards' problems?

Mr McGinn: The deficits, as I stated, have contributed to the Belfast board's problems but in relation to the other four not as yet. Obviously, a feature of LMS is surplus and deficit and that is flexibility and, as you can see from the Report as well, net surpluses but also there are a number of parameters that we are particularly sensitive to in terms of surpluses or deficits beyond a certain figure.

Q7 Chairman: I am worried about this because if we try and look for some more detail, if we look at figures 2 and 3 on page 35 of the Report, we see there that a quarter of schools were in deficit in 2001–02. Is that right?

Mr McGinn: Yes.

Q8 Chairman: 10% of these were in deficit by 5% or more, which is quite significant; is that right?

Mr McGinn: Yes.

Q9 Chairman: But if you turn to figure 6 on page 53, other schools have revenue surpluses amounting to nearly £26 million. Is that right?

Mr McGinn: That is right.

Q10 Chairman: So how can you explain to the Committee why such imbalances on this scale have been allowed to develop?

Mr McGinn: Obviously there are a couple of dynamics. One is that there have been five different formulae. Each education and library board has had

 Department of Education, Northern Ireland

its own formula, although that will change with effect from 1 April this year when we will have a common funding formula. The second, and it relates to the particular sets of circumstances in each board, is that in some of the boards they have put more money out to schools. With the uncertainty around the common funding formula I know some schools have been holding funds. Nevertheless, there is an issue in terms of the scale of surpluses and deficits. There is flexibility in LMS, which one would expect, but it is important that that flexibility is not abused.

Q11 Chairman: I want to deal with the balance now between principals and governors and this is dealt with at paragraphs 2.9 and 2.10. We can see in those paragraphs that more and more power seems to be passed to the school principals rather than the governors. Is that right?

Mr McGinn: There is evidence throughout the Report that firstly schools have welcomed it and I think that they have responded well and they believe that it has made a positive impact. Equally, what we see in the Report is governors involved in different ways. There is much more to be done in terms of monitoring and the role that governors can play in that regard.

Q12 Chairman: I wonder whether you have been sufficiently proactive in defining the dividing line between principals and governors.

Mr McGinn: What we have done is to provide training and there is an annual training audit. We have for these schools 11,270 governors but we offer training to them all and a governor handbook to support them. There is reconstitution with effect from this summer. We are trying to do two things there: revamp our training and also advertise and ensure that we get a broader range of governors so that the role of critical friend is one that is more significantly promoted.

Q13 Mr Steinberg: Mr McGinn, I have to say that the Tories did not have a very successful education policy in the eighties but the one thing that they did introduce when I was a headteacher was LMS. It was excellent—do not write that down! As the head of a school I found that if I ever wanted to buy a drawing pin I had to go to the contractor to get that, fill an order form out and then wait probably six months for the contractor to deliver. If I had a broken window I could never just get it mended. I used to have to put it out to the county authority who would then send a workman (or probably 10 workmen) to repair it, so LMS to me was a great innovation. In paragraph 2.3 it says that the functions of boards of governors are set out in legislation. How many governing bodies and heads take this seriously: “In general, to manage and control the school; to appoint teachers and other staff; to draw up admission criteria; to determine the curriculum policy”, etc, etc. I can tell you again that when I was a head and had governors’ meetings the governors thought they were doing that but in fact I was doing it and I used to get them to rubber-stamp it, which they always did. How many schools in Northern

Ireland take that seriously, or do the heads run the schools and get the governors to rubber-stamp what they do?

Mr McGinn: There are a number of statistics in the Report which illustrate the role that governors are playing. The stronger data in this Report are around being involved in the approval process. The less strong data are around monitoring. We believe progress has been made but more has to be made. We are introducing in September this year the regulations relating to the school development plan which I think will give us a better chance of getting that balance right.

Q14 Mr Steinberg: Do you know, for example, how every school in Northern Ireland operates?

Mr McGinn: What I do know is that something like 79% are using the school development plan and that is seen as important. We have got inspection evidence as well which shows the terms of involvement of boards of governors and particular governors and also the use of the school development plan. There is still scope for improvement and by putting that as mandatory and supporting it through training we believe we have a better prospect of getting that balance right.

Q15 Mr Steinberg: Very often it is a very onerous job now being a school governor. I have got plenty of friends who are on governing bodies back in the constituency and some who are chairmen of governors. It is a time-consuming activity now and a very onerous job, particularly if they are making decisions on the finances of the school. School governing bodies in the main in my view are far too big to make the decisions because they are going to be called in on a very regular basis. In England what appears to happen is that finance committees are set up as a sub-committee of the governing body. Does this happen in Northern Ireland?

Mr McGinn: It is reflected in the Report as well in terms of finance committees being popular.

Q16 Mr Steinberg: It says in paragraph 2.4, “The schemes of management allow for the establishment of sub-committees of Governors but indicate that the financial functions of the full Board of Governors may not be delegated to a committee, other than to a finance committee”. I would not have thought you would delegate it to the rugby committee. How many take that option and do delegate to a finance committee?

Mr McGinn: 67% is the figure quoted in the Report which reflects that a significant number use the finance committee. We have about 14,000 governors in Northern Ireland. I would like to place on record the point you were making in terms of the fact that they give freely of their time .

Q17 Mr Steinberg: So you are putting up for election somewhere as well, are you?

Mr McGinn: No. I am kept busy with this job.

 Department of Education, Northern Ireland

Q18 Mr Steinberg: If you have a finance committee, on that finance committee you can get in expertise, somebody who might have some financial experience. You are saying that 67% of the schools actually have a finance committee. How often do those finance committees meet?

Mr McGinn: There is evidence in the Report that the vast majority meet regularly. They are supposed to meet at least four times a year and they do that. We have a lot of small schools in Northern Ireland and therefore in terms of the formality around the finance committee that is something that may not be quite as large a feature. Over a third of our primary schools, for example, have less than a hundred pupils.

Q19 Mr Steinberg: Out of the rest that is 23% who do not have a finance committee. What percentage of those would be the small primary schools? All I am getting at basically is how many of the big secondary schools do not have a finance committee?

Mr McGinn: 37% of primary schools have less than a hundred pupils, so it is a very significant number. We are confident that the vast majority of the post-primary schools have both finance committees and the mechanisms in place, given that their budgets are significantly greater as well, given the pupil numbers.

Q20 Mr Steinberg: I am not sure you answered the question. How many secondary schools do not have a finance committee?

Mr McGinn: Out of the 233 I cannot give you a precise answer in terms of how many do not.

Q21 Mr Steinberg: I think it is important because in my view as an ex-head those who do not have a finance committee cannot do the job properly or the head is doing what I did: he is running the finance budget, and then of course you get the problems of running into deficit or surplus. I would be grateful if you could find out and tell us in a note how many secondary schools do not have a finance committee.¹ Also, I do not particularly believe that there should be financial experts on a finance committee but clearly they have to have some idea. What provision do you give heads (because heads are becoming managers or accountants these days rather than teachers) or governors who are on finance committees to train in the necessary accountancy skills?

Mr McGinn: The Report points out that 66% have a business background and that is helpful in terms of having that finance background and skill. What we are trying to get is a balance between the governor as a critical friend, both supporting and challenging, and equally equipping the principal for the future. With the Professional Qualification for Headship we have 355 who graduated from that. The pattern in the last two years has been 200 per annum. For the next three years we expect that to continue with 200 for each year. We have a two-year induction programme for principals and vice-principals which

has been well attended and we have a course linked in with Business in the Community and we put 300 teachers through that.

Q22 Mr Steinberg: That is good. When I read the Report I got the impression that there were many schools where governors did not get involved in the budget setting. If you look at paragraph 3.20, the second bullet point, it says, “When asked specifically about budgetary matters and who was responsible for budget monitoring within schools, 34% of schools said that governors were responsible”. That means that 66% did not. That is rather worrying because it seems to me that those governors are just letting the head get on with it.

Mr McGinn: There is no doubt that the stronger evidence in this Report is in terms of approval. Monitoring has been highlighted as an issue and we believe that in terms of the role of the school development plan, where the regulations make it mandatory, it should be setting out very clearly the expectations on both parties.

Q23 Mr Steinberg: So is it surprising that there are large surpluses and deficits within Northern Ireland if you have 66% of governors saying they do not think it is their responsibility to monitor the school budget where they are supposedly running the school?

Mr McGinn: Yes, it is. In terms of the support that we have provided it obviously has not been sufficient to deal with that and that is something that we continue to assess each year.

Q24 Mr Steinberg: We all know that staff costs are the biggest cost in any school. If a school, by the fact that the governors have not done their job properly, run into huge deficits, the easiest way to get rid of that deficit is to sack staff. Have you any record or evidence that this has happened in Northern Ireland?

Mr McGinn: Staff costs account for 80%; you are absolutely right. When we look at where the deficits are occurring a significant number are in schools with less than a hundred pupils.

Q25 Mr Steinberg: So if they are making staff redundant that is desperate.

Mr McGinn: Those are three or four-teacher schools, so there is no doubt that that is an issue. There are two dimensions, as you know. One is pupils and the expectation for the future: is it going up, steady or going down? You are absolutely right in terms of a situation where—

Q26 Mr Steinberg: Has anybody been made redundant?

Mr McGinn: Yes, they have.

Q27 Mr Steinberg: Could you give us a note on how many redundancies have been made, in which schools, showing us, if those schools have made teachers redundant, where there has been a deficit in the budget?

¹ Ev 13

 Department of Education, Northern Ireland

Mr McGinn: I know that there were about 300 redundancies last year and we will relate that across.²

Q28 Mr Steinberg: How many teachers are there in Northern Ireland altogether?

Mr McGinn: Just over 20,000.

Mr Steinberg: So what is that as a percentage?

Jon Trickett: One and a half.

Q29 Mr Steinberg: That is quite high, is it not?

Mr McGinn: There has been a significant number of closures and amalgamations in the period.

Q30 Jon Trickett: I think these figures tell a number of stories which we might go on to if we get time. One of the stories they tell is that you have let down the system. In 1995 you were going to bring in the C2K. I have been trying to work out what C2K is. I think even I can see that that means the year 2000. It is now 2005, so we are five years further on. That was a target, as you said yourself, five years before C2K. Why on earth have you not got a system in place which allows you to monitor the spending?

Mr McGinn: We have a system in place for monitoring, but you are absolutely right in that the automated interface between the C2K system and the Oracle system for the boards is something that ought to be in place. This was tasked to the education and library boards in 1999 with the introduction of resource accounts. The project itself was scaled down with reduced scope and reduced costs.

Q31 Jon Trickett: You are responsible, so when you say it was scaled down that is an impersonal way of expressing that someone decided to scale it down. You say you have a system of monitoring. What it means is that you have to do the job twice and manually. Why did it take until 1999 to implement the system that you said you agreed would be done in 1995 and why in 2005 has it still not been implemented?

Mr McGinn: It is obviously unacceptable that it has not been implemented.

Q32 Jon Trickett: But why has it not been implemented?

Mr McGinn: Two things were happening at the same time. With C2K, which I know is a bit of a misnomer in that it is classroom 2000, the expectation was that that the system for classrooms in terms of supporting education would not be implemented until last year, and that was implemented on schedule in June 2004. That is ICT for the classroom and that is all the schools in Northern Ireland now networked. The second strand was Oracle and the resource accounting project for the boards. The piece that needed to happen was the interface in terms of data going between the two systems and that was not put in place.

Q33 Jon Trickett: We know that from the Report. Why has it not been done? People have been made redundant. You only get one chance at adulthood but, even more importantly, you only get one chance at childhood. We are letting down generations of children because teachers are being made redundant and schools are not totally in control of budgets. I conclude that children's lives are being affected, real, living human beings. There is nothing more precious than childhood and there is nothing more important in childhood than your education at school. You are letting people down. Why? Because you are just describing something; you are not analysing it. I want you to tell me why you have not put the interface in place which allows proper budgetary control at school level.

Mr McGinn: I totally accept that this recommendation is one that should have been implemented. What I am trying to explain is that in terms of within the classroom and within schools in Northern Ireland the priority from 1999 right through to 2004 was the ICT infrastructure for the children and supporting their learning in the classroom. What we have been doing is operating a manual work-around in terms of the data and using that for monitoring.

Q34 Jon Trickett: That is the old model of it. In paragraph 3.18 it says that 65% of schools do some reconciliation of the C2K business. That means a third of the schools do not even bother. You have not really answered the question, have you, on why you have failed to implement this recommendation?

Mr McGinn: I tried to explain why it has not been done and what we are doing with manual work-around. We expect to receive a business case later this month which will put that electronic interface in place and we expect, with the plans done by the end of this month, to get that put in place over the next couple of years. We are calling it the e-schools project.

Q35 Jon Trickett: I am sorry you are not prepared to answer the question. I am not going to repeat the question over and again as to why the decision was taken not to do it. I want to move on because you have provided us with a supplementary document which updates the figures in the document, and actually the situation is getting worse, is it not, and not just slightly worse but disastrously worse? If you look at the percentage of schools in deficit in 2001–02, it was appalling. A quarter of all schools were in deficit, 26.2%, but in 2002–03, the document you have now provided, well over a third of all schools, almost two out of five, are in deficit. What on earth is happening? Would it not have been remedied if you had implemented the decision which I was referring to a few moments ago since you could have moved more quickly to see where the deficits were occurring?

Mr McGinn: I think that the automated information would have brought this to our notice more quickly and I accept that point.

² Ev 13

 Department of Education, Northern Ireland

Q36 Jon Trickett: Sorry to interrupt, but the number of schools in deficit by more than 5% is now almost one in five. It is double in a year.

Mr McGinn: The situation which is reflected in these figures is unacceptable. If I may tell the Committee what it is we have done, we received the outturn statements for 2002–03 about this time last year. The surpluses and deficits have been an item on the meetings that I hold with the education and library boards in which we hold them to account, and what we then did during these outturns was to call the boards in, go through the information, request that those schools with a deficit or surplus in excess of 20% have their plans in by the end of September, those between 5% and 20% by the end of December. The Minister wrote to all 1,300 schools in Northern Ireland drawing attention to the need to ensure that we have the proper disciplines in place. We now have plans in for all of those schools that are in surplus or deficit outside those parameters and action plans for them and we are now monitoring those specifically to ensure that what is an unacceptable situation is—

Q37 Jon Trickett: These are revelations to the Committee, that some of them are 20% in deficit. That is a revelation and it is extraordinary, frankly. What proportion of schools are more than 20% in deficit?

Mr McGinn: I will have to ask my colleague the precise number in terms of those with deficits greater than 20%. I know that—

Q38 Jon Trickett: Perhaps you could give us a note.
Ms Godfrey: It is 38 schools.

Q39 Jon Trickett: Thirty eight schools are more than 20% in deficit?

Mr McGinn: Yes. The figure I had in my mind was that there are 210 schools in excess of 5%.

Q40 Jon Trickett: Would I be right in surmising that there is a correlation between the political composition of the boards and the amount of deficits?

Mr McGinn: I do not think that is one that I would necessarily accept. The boards are made up of three constituencies. I will ask my colleague to comment on that because we are reconstituting the boards in the summer of this year.

Ms Godfrey: By way of background for the Committee, the education and library boards each have 35 members and 40% of those are elected representatives from local councils. The balance is made up of public appointees through the normal public appointments process and representatives from the churches, from the transferors and trustees, so there is quite a heavy local political and elected representative input, but we do not have any evidence to suggest that local politics is determining the level of surpluses or deficits.

Q41 Jon Trickett: It is either somebody intervening politically to try to allow schools to overspend, which I personally think might be something one

would want to subscribe to as a political philosophy, or else it is incompetence, is it not, and failure to ensure proper financial management? Which is it?

Mr McGinn: It is certainly a failure in terms of proper financial management.

Q42 Jon Trickett: Which you have compounded by failing to introduce the C2K in time.

Mr McGinn: I think in terms of electronic exchange we could have intervened on a more timely basis. What we now have in place is a monitoring mechanism twice a year on those 210 schools that are in excess of 5% deficit, and there are 422 in terms of surpluses and that remains an issue as well.

Q43 Jon Trickett: That is just as bad if you are not spending money on teachers and kids are being untaught for one reason or another.

Mr McGinn: I totally agree.

Jon Trickett: I just think you are culpable as a Department for failing to introduce a proper electronic system which would allow you to intervene at an early enough stage and you have failed, frankly, to explain to me why that decision was not implemented.

Q44 Mr Jenkins: Before you came in did your Minister wish you good luck?

Mr McGinn: I have not talked to him today.

Q45 Mr Jenkins: As a former member of this Committee I thought maybe he had wished you good luck and given you an insight into what you were going to face. I know over the years school governors have had a difficult task to pick and they have picked it up very well in the vast majority of cases, and I have been involved in schools where they have had the odd pick-up with the school governors and I have seen a set of school governors replaced. Have you ever replaced a set of school governors?

Mr McGinn: They have been replaced, normally under discussion with the boards in terms of an unacceptable situation. In terms of numbers I am not sure whether I could give you a precise number on that.

Ms Godfrey: We do not have them. The other thing we have done is augmented boards of governors and there have been some concerns about vested interests and getting the balance right. One particular school comes to mind where we put in an additional number of governors to try and make sure that the balance in terms of skills and expertise was adjusted so that there would be much more of the critical friend role that we were talking about earlier.

Q46 Mr Jenkins: Have you ever replaced a board of governors for failing to agree a budget or financial incompetence in that they are not capable of running the school?

Mr McGinn: Boards of governors have been changed. What has not happened, although I know it has been threatened, is the withdrawal of delegation of the budget. That threat has been used

 Department of Education, Northern Ireland

effectively to bring about the changes locally that the education and library boards believed were necessary.

Q47 Mr Jenkins: So when a school sets its budget, albeit maybe rubber-stamping the head's or principal's work, it is submitted to the board, is it not?

Mr McGinn: Yes. Every single school has to submit a budget. It is part of a three-year plan and that is signed by the chair of the board of governors. It goes to the education and library boards and their LMS section reviews the plan.

Q48 Mr Jenkins: It is agreed by the board, is it?

Mr McGinn: Yes, it is.

Q49 Mr Jenkins: So if it is not electronically done it is done on a paper basis. Is it a monthly report?

Mr McGinn: There is a monthly report which is reviewed by the LMS section and then by exception what they are doing is following that up with the particular schools.

Q50 Mr Jenkins: So we are saying that once the budget report is agreed it is then monitored and adhered to?

Mr McGinn: It is monitored. It patently is not adhered to when we look at the numbers I have provided to the Committee, hence the action that was taken a year ago, which was to insist that the plans for those in excess of 5%, surplus and deficit, were monitored twice a year with letters to each school, so that was raising awareness of the need to stay within budget.

Q51 Mr Jenkins: Let us get one thing clear. We have got two scenarios here. One is that the budget was poorly set in the first place and there was no possibility of it being adhered to, or, secondly, that the budget was set, albeit that the school is in deficit because of a particular problem, like a large number of pupils may suddenly disappear off the scene and you cannot run your overheads down, etc, or the school is going into surplus. I would like to know how a school can go into a surplus situation when the budget has been agreed with the board. Can you explain the three scenarios please?

Mr McGinn: The first in terms of the approval process is one whereby the budget is approved by the board. The next piece is that in terms of being surplus or deficit they are not supposed to have it signed off in deficit unless that has the prior approval of the education and library board. The point of this, and putting it in a three-year plan so that there is a budget in years two and three, is that there may be reasons why it is acceptable to have a surplus or a deficit in year one. In the case of a surplus it may well be that numbers could be falling and what you are trying to do is ease that down in terms of teachers or there is a piece of expenditure which you expect. Deficits also could be where there is a temporary blip but you expect numbers to go back up. The difficulty though is in terms of deficits approved where numbers are falling, and in fact numbers are falling

very significantly right across the five boards, Belfast being the most significant, 19% from 1997–98 to 2003–04, projected to fall by a further 36% by 2015, so we are seeing in Northern Ireland a very significant demographic decline. That is something that needs to be addressed.

Q52 Mr Jenkins: That is something which can be managed, can it not, by taking schools out or mothballing a classroom, etc? I understand that is a difficulty and I can deal with that. With regard to the schools planning for a surplus, if it requires an additional piece of equipment it is saving for or planned expenditure in the future, I can understand that, but in some instances these surpluses seem to be accruing for no purpose other than a surplus.

Mr McGinn: I totally accept that. There are 422 schools that have a surplus in excess of 5%. We believe that that is not a satisfactory state of affairs. We have plans for the majority of those 400 schools which we are monitoring twice a year and therefore we do expect them to use that money which has been allocated for this generation as they go through school, and therefore it is something that we are determined to see a significant improvement in.

Q53 Mr Jenkins: When?

Mr McGinn: What we have said is that they have got to get themselves back into 5% surplus or deficit by 2007–08. That was part of the communication last year, so that in the three years up to 2007–08 they have all got to be back into that 5% surplus or deficit and there would need to be very good reasons if they were not. This will also highlight—and we are seeing it as we go through the plans—situations where the pupil rolls are falling and there is no prospect of them coming back and therefore we are facing something much more serious maybe as a result of that.

Q54 Mr Jenkins: I understand those two. Can I go back to the first part of the question where you have set about it in a school, you have agreed a budget with the board, and then as the year develops you find that the budget is going off due to (a) poor budgetary setting in the first place or (b) poor budgetary control? What power or authority does the board have to step in and put the school back on the right budgetary track?

Mr McGinn: First of all it has approved that budget, it is monitoring it monthly and you see even from the Report evidence that they have ten governors' meetings in some cases. What takes place is a dialogue through the year. The issue that we are monitoring because of the level of surpluses and deficits over 5% is that the outcome has not been acceptable and therefore it is why we have requested the plans, which is why we are monitoring those specific plans with the boards because obviously what was in place was not working sufficiently well. This is about 600 plans and it certainly gives us a much firmer grasp of what are the underlying reasons and are there difficult decisions that may need to be taken.

 Department of Education, Northern Ireland

Q55 Mr Jenkins: Yes, there are difficult decisions and I have been struggling to get to it and I will tell you what it is if you like. We have sat down with the headteacher, the governors have all agreed that they cannot meet their financial targets but they will submit a budget with no intention of keeping to it and they are going to run into deficit over the year. You will see when the monthly report comes in that they are now off budget and you are going to go and talk to them. You can talk to them until you are blue in the face and they will still have a deficit. What power do you have to stop that school running into deficit and do you use it? It is as simple as that.

Mr McGinn: There is a power under which the boards have the power to vary or remove the delegated power. I should also draw your attention to the fact that there have been, through that monitoring mechanism between boards and schools, a significant number of schools closed and amalgamated where the financial situation warranted that, and those difficult decisions have been made.

Q56 Mr Jenkins: How many times have you had to step in and say to a school or a board of governors, "I am sorry. What you are doing is not allowed. We are now going to remove the power from you to set, monitor and maintain this budget because it is obvious to us, either because of your capability or contrivance, that you are going to have a deficit situation"?

Mr McGinn: In terms of actually exercising that power, I do not think that has ever been done but I know that the discussions in terms of the threat to remove it is one that has often been used to bring an issue to a head.

Q57 Mr Davidson: Can we ask whether or not education in Northern Ireland is any better as a result of the introduction of Local Management of Schools?

Mr McGinn: It has always been difficult with the various strands, LMS and the curriculum reform which was introduced at the same time as LMS. But I can say to you specifically that it is a combination of LMS, curriculum and good teachers in terms of examination results, participation, truancy, those sorts of issues which gets reflected in terms of outcomes.

Q58 Mr Davidson: A lot of work goes into this. I am just wondering whether there is any evidence at all that this actually adds value and is worthwhile and, unless I am mistaken, you are saying no, there is not.

Mr McGinn: The Report draws attention to a number of important elements and the statistics are in the Report in terms of principals and teachers and how they have welcomed it, how they believe that it has enabled them to meet local needs and also that there have been more resources spent in the classroom. What we are seeing here as well is that things like pupil/teacher ratios have improved during the term of this Report.

Q59 Mr Davidson: If pupil/teacher ratio is improving during the course of the Report it is because of more money. It is nothing to do with local management.

Mr McGinn: That in part and also in terms of schools themselves deciding they would invest that in teachers, for example.

Q60 Mr Davidson: I was going to ask you, once you had clarified your view, how you knew. Looking at LMS it seems to me there are two bits there. One is the decentralisation of finance and the other is the involvement of parents through boards and similar structures. Looking at the involvement of parents, is there any evidence that local management of schools has increased the involvement of parents? Do you have parents' nights, homework, curricular activities or anything similar?

Mr McGinn: The first thing is parents and parents are elected as governors; that is one dimension. The second is that through the chief inspector's report attention has been drawn in particular in primary schools to the relationships between parents, teachers and governors. There have been significant favourable comments on those. In terms of this particular report I think there are some mixed messages around in terms of yes, there has been some improvement but there is also much more that we need to do to have parents more fully engaged in schools.

Q61 Mr Davidson: That to some extent is a different issue. I understand the question that they need to get parents involved, and I understand the merits of decentralising budgets. What I am not clear about is whether or not having school boards in charge of the budgets adds any value at all. Just as Gerry was indicating, in my experience as a chair of education in Strathclyde, frequently the boards were used by headteachers to bash the authority and the things that the headteacher could not say publicly because of their contract they just wound up the parents to do and they went off to the press and put pressure on us, and it was not adding anything to the process at all. In many cases you had the headteachers manipulating the board members, bamboozling them with science and all the rest of it, and it was not adding any value at all to the school. What evidence have you got to the contrary?

Mr McGinn: The Report draws attention in paragraph 2.20 to a number of positive features. 90% of schools provide regular written information, for example.

Q62 Mr Davidson: Which paragraph was that?

Mr McGinn: It is at 2.20. Equally, what I recognise—and this is why we are making the school development plan mandatory—is that—

Q63 Mr Davidson: Sorry. If you are referring to paragraph 2.20: regular written information for parents, parent-teacher meetings, regular parents' meetings and all the rest of it, none of that flows

 Department of Education, Northern Ireland

directly from having a few parents and a board managing finances, does it? That should be good practice anyway.

Mr McGinn: I agree with you.

Q64 Mr Davidson: It seems to me there is not a connect and the case for board involvement in finance is not proven on the basis of this evidence.

Mr McGinn: There is evidence here which shows that for some best practice is not sufficient. The two things we are doing to try to ensure that there is improvement are, first, what we are doing around the school development plan which is mandatory and everything revolves around that. The second is in terms of the three-year plan that we will be putting in place for the education sector in Northern Ireland. There is a very specific component within that in terms of involvement of parents and identifying that as something which is—

Q65 Mr Davidson: I think we are both in favour of involving parents. It is just that I am not clear what is the connection here. Can I ask about the Local Management of Schools, whether or not there is a difference between what could be described as rich areas or poor areas? It is certainly my experience that in the well-off areas where you have lots of articulate middle-class, pushy parents the system could be made to work, and in working-class areas by and large they defer to any middle-class, pushy parents that are on the boards or, failing that, to the church representatives. Is the pattern different in Northern Ireland?

Mr McGinn: It is a feature. What we are trying to do is two things: first, in terms of governors from outside the locality perhaps encouraging those within the local community, and also, can we draw some other governors in to provide support? Yes, it is an issue and what we are trying to do through the education and library boards is identify those schools that need that support as part of the school plan that is built into it as well.

Q66 Mr Davidson: It is coming back to this question of whether or not the boards add any merit. My understanding, certainly in my own location, was that lots of parents who wanted to be involved in the life of the school were put off by fear of going onto the board because they thought it was too complicated for them. They did not want to get bogged down in meetings. They would have been quite happy running after-school clubs or coming in to help in some way, and in that context LMS was a positive problem in a sense in involving parents. Has that been your experience, particularly in the poorer areas?

Ms Godfrey: Yes. We know, for example, that in terms of the vacancies on boards of governors it has proved much more difficult to fill vacancies in areas of disadvantage and also in rural areas. That is one of the things about the reconstitution exercise that we are getting under way at the moment, that we have been looking to find ways of working with people on the ground, with communities, with trades unions, with people like that, to find ways of getting

the right representatives on those boards, but you are right: in those particular areas it is a harder job to fill the vacancies.

Q67 Mr Davidson: It would be helpful, I think, if we had some indication of the scale of under-representation on boards when you cannot fill them. If you are bringing in businessmen or trades unions, I can understand that has got merit but it is not local control, is it? It is not being controlled by the parents if you bring other people in, who then get wound up by the headteacher or may manage the headteacher, depending on the interplay.

Ms Godfrey: We have a balance to strike on boards of governors, and obviously one of the things we are keen to avoid is over-representation of parents because then you get a level of subjectivity that perhaps is not good as well. It is trying to get that balance between parents' representatives and the other bodies that for various reasons have a right to nominate themselves (and that includes the churches) and then getting that outside objectivity onto a board.

Q68 Mr Davidson: I understand that. Can I ask about the extent to which fund-raising, in particular by schools in well-off areas, overcomes any financial difficulties that they might have because of the funding from the authority, and that then disadvantages working-class schools? How do you deal with that?

Mr McGinn: If I can go back to one point in your last question, governor vacancies are about 4%; they have been averaging about one and a half per school. We need to give you the dispersal and we will come back to you on that. In terms of income you will see in the tables that income has increased significantly and that is largely through letting of sports halls, etc. There is little doubt in terms of that being even and we need to come back to you with support in terms of how you use that across Northern Ireland.³

Q69 Mr Davidson: Sorry—letting of sports halls will be uneven, depending on whether or not schools have sports halls. That, with respect, was not the point I was asking about. I was asking in terms of social class whether or not the more prosperous schools were able to raise more money, do more and possibly overcome a deficit unless there is a class correlation between the prevalence of sports halls and the class origin of pupils so that the middle-class schools have the sports halls and the working-class ones do not.

Mr McGinn: A number of schools are not covered in this Report, such as the voluntary grammar schools who, in terms of having fund-raising capability, would be more significant. What is reflected in the Report is that schools through the five boards have increased their income. What I cannot give you is the breakdown geographically but I could come back to you on that.

³ Ev 13

 Department of Education, Northern Ireland

Q70 Mr Davidson: What I most want is a correlation with poverty. You have poverty indicators, I presume, free school meals and so on.

Mr McGinn: Yes.

Q71 Mr Davidson: So is there a clear correlation between funds raised and the number of free school meals?

Mr McGinn: We need to map that out for you.

Ms Godfrey: What we do know is that an active parent/teacher association will raise more funds. What we have seen, and certainly what I have seen in schools, is that in areas, including one we were in with the Minister no more than a couple of weeks ago, is that in areas of disadvantage there are many schools with very active parent/teacher associations who are doing a lot of fund-raising and purchasing things for the school. I do not think it is necessarily clear-cut but we can certainly look and do some clarifying if that would be helpful.

Mr Davidson: It would be helpful, Chairman, if we could get a note back to clarify that.⁴

Q72 Mr Williams: Can I turn to your own figures? I am sorry I have not had the chance to look at them before. Let us take figure 5. If we look at total resources over the period covered, which is a five-year period, the total resource has gone up by 4% a year. If we look at teaching costs, they have gone up by 2.5% a year. Net expenditure has gone up by 2% a year. Why have we got so many people in deficit? There is plenty of money in the system, is there not?

Mr McGinn: Yes, you are right. A lot of resource has been invested in the system and it has been invested in a number of ways. The rationale behind the deficits I do not think is to do with the quantum of resource. I think that the dynamic that plays a big part in it is the rate at which population is declining, particularly in certain areas.

Q73 Mr Williams: That is where I am going next. Looked at as a system there is no financial problem on those figures in the global picture, but in answer to some of my colleagues you referred to demographic changes which, of course, we get in Wales, and England is having the same experience of falling school populations, and you referred to a number of three- and four-teacher schools. They are all non-viable, are they not? We have the same problem in Wales.

Mr McGinn: They are probably not all non-viable but a significant percentage have challenges.

Q74 Mr Williams: So how much of the trouble is carrying surplus places?

Mr McGinn: There is a significant number of surplus places. Surplus places would be of the order of about 45,000. It is a significant issue for us.

Q75 Mr Williams: 45,000 out of how many?

Mr McGinn: In terms of school population of approximately 340,000 in broad terms, so it is a significant percentage of the overall system. That is both primary and post-primary.

Q76 Mr Williams: I know it is a delicate thing to say because in my own authority we are having arguments about it, but part of the trouble is that because the extra money has been coming in no-one has really had to face the problem of the surplus places, have they? They have been able to subsidise it with the money that was intended to go to make a more effective system, so what we have managed to do is sustain an inefficient system. Would that be broadly right?

Mr McGinn: When we look at comparisons between Northern Ireland and England for example on the percentage of small schools, it is a very strong characteristic in Northern Ireland.

Q77 Mr Williams: Of course, the same with us.

Mr McGinn: There is a rural dimension to it and there is also a denominational aspect to it which just complicates it a little further.

Q78 Mr Williams: I missed that one, stupid of me, yes.

Mr McGinn: That is another dynamic which makes it more difficult when the issue of school closure is raised because, as you probably appreciate, it becomes a community issue particularly where in Northern Ireland one community may feel that giving up a primary school is the end of that part of the community. Those are difficult issues. Nevertheless, there have been a number of closures and amalgamations in the course of the last six years, for example, and therefore a number of difficult decisions have been made. Yet given the rate of demographic decline there is no doubt that the scale of challenge over the next five or six years is really significant.

Q79 Mr Williams: Yes, you are talking about 45,000 at the moment. Certainly the District Auditor in Wales has been doing projections forward to 2010 for the local authorities showing significant increases in surplus places. Have you had a similar exercise looking forward to 2010?

Mr McGinn: What we have done is two things. Looking at 2015, for example, Belfast is down by 36% and Derry is down by 23%. You have a birth rate in Northern Ireland of 1.8%, the replacement rate is 2.1% (and we would not be having any significant level of immigration although we have some now) so therefore the issue around needs for the future is a significant issue. What we are doing is looking at an investment strategy for Northern Ireland schools. We believe that that allied to the work that we have been doing around surpluses and deficits will get a match where we can put a footprint for the future.

⁴ Ev 14

 Department of Education, Northern Ireland

Q80 Mr Williams: If the problem with surplus places is not addressed then by your figures of 2015 there must be an assessment—and I understand you cannot remember it off the top of your head because it is not part of the Report—of what the figure of 45,000 will rise to. On the basis of figures and looking that far ahead, it could it double.

Mr McGinn: The fall in the school population, which I know we shared with you, will give you an indicator of the scale of problem. Katrina, if you want to share the figures.

Ms Godfrey: I have it by education and library board area from 1997–98 to 2003–04.

Q81 Mr Williams: I am sorry, I cannot quite hear.

Ms Godfrey: By education and library board area. If you take the primary section where we have been seeing clearly the major impact, it has already fallen by nearly 20% in Belfast, by over 10% in the West, 6% in the North East, 6% in the South East, and 7% in Southern.

Q82 Mr Williams: So looking ahead?

Mr McGinn: It is 8% between now and 2010.

Q83 Mr Williams: 8%.

Mr McGinn: In total.

Q84 Mr Williams: So that would be—

Mr McGinn: There would only be certain areas where it is particularly sharp. There are 26 district councils going out and it varies between a 1% fall and a 36% fall by 2015.

Q85 Mr Williams: On the basis of 340,000 places that will be another 30,000 surplus places so it will go up to 75,000. That is massive.

Mr McGinn: We have a really significant challenge around dealing with that change and what we envisage is within the next couple of months we anticipate having our investment strategy for Northern Ireland articulated and there will be a matching. What we have done as part of that is look at two dimensions. One is the overall dimension and the second is specifically small rural schools and how we can deal with that. That may well be not just about looking at federations and other ways of meeting the needs of the community—and I think we are going to have to be creative in trying to do that—but it is a very significant challenge, one of the biggest strategic challenges we have.

Q86 Mr Williams: Is it a superficial assessment on my part having looked at your one table of figures to say that a significant part of the extra money that is being pumped in to improve education has gone to sustaining what we all know is eventually going to be non-viability?

Mr McGinn: I do not think I could agree to the extent that a significant part of LMS is created by pupil numbers. As pupil numbers fall, particularly in small schools when you go from three teachers to two, that is the sharp end of this. LMS is funding per pupil so the issue which this Committee is considering around deficits—and it is why it is so

important in terms of going through all of those plans—is that in a number of those there are serious issues which we will need to address. In others where pupil numbers are steady, *et cetera*, it may not be quite the same issue.

Q87 Mr Williams: Really what we have been looking at are movements in statistics in our Report, which is understandable, but nowhere have we really tried to identify the underlying changes that have taken place which if they are not addressed will mean that these financial problems are actually going to get worse because the money is now going to the wrong places.

Mr McGinn: What I share with you is we have been putting enormous efforts into planning and accountability and performance and there is a three-year plan which will be published at the end of this month which we have got the whole sector involved in creating and that identifies a number of these challenges where we need to work together effectively to deal with. The issue that you have raised is one that does have a challenge and I know that in each of those local communities where the school is under threat inevitably there is a lot of emotion which comes out because the communities value their schools. So that is an issue. But we also have the overall investment strategy for Northern Ireland which we have been working on which is looking at where should we be investing in those schools, whether new or refurbished and what does it mean in terms of others who may be affected by that investment. That really needs to deal with the surplus places issue that you have raised.

Q88 Mr Williams: So our problem in assessing this Report is going to be in fact—and I do not mean this critically because it is only because I had no questions and you made the mistake of drawing my attention to the fact you could supply some figures that I could play around with—I come to the conclusion that we have been considering a Report which is well produced and precise in what it is saying but which is not identifying the underlying issues. They are policy issues—and that is not the C&AG's job—and the underlying policy issues are not being brought out and therefore we are likely to produce a report that is somewhat superficial in its conclusions. That is all I am trying to say. I do not ask you to comment on that; you are better keeping quiet on that!

Mr McGinn: I will live dangerously, if I may, and make one brief comment. The linkage between strategy and what we have been considering today is one that is important. The challenge that you identified is a very significant one and we are going to have to try to reconcile the local need and local dimension with the cross Northern Ireland aspect. The common funding formula as well, which we are introducing from 1 April 2005, means that we will have a level playing field for the first time. I think that is important in terms of being able to produce finance in a particular way, ie strategically to schools in terms of determining the quantum and shifting in

 Department of Education, Northern Ireland

terms of supporting priorities. I think that is an important lever which we will have available to us for the future.

Chairman: All I can say is I do not envy you the task that you have got ahead (and other parts of the country will be facing the same thing) but it is helpful that we get the issues out in front so people understand what are the underlying factors. Thank you. It has been a very interesting session. There are a couple of supplementary questions from Mr Jenkins and Mr Steinberg.

Q89 Mr Jenkins: It is on figure 5 and if you take it from the book rather than the new hand-out you gave us. As Mr Williams points out, we have a tremendous increase in real terms of 20% over this period. The expenditure on teaching staff is only 9.5%. I would have thought that teaching staff was the most important asset of a school but expenditure on non-teaching staff is 26% in real terms and expenditure on non-staff items is 41%. That is quite a major jump. Capital equipment is outside these figures, is it not, so it is not capital equipment. So although you have applauded the efforts being made to increase from 2.25 to 5.5 million, in the global view it is very, very small indeed, so what exactly would a school be doing and spending on the non-staff items to increase its expenditure by 41% in real terms? I expect that the non-teaching staff are maybe classroom assistants and those type of people. Could you give us a note please?

Mr McGinn: I can give you a couple of figures which will illustrate it. In the last two years alone there have been 1,100 more classroom assistants. That takes it up to 4,500. That is a critical component and that is on special educational need and also we have a policy on making a good start in providing additional classroom assistants in areas of disadvantage where teachers and pupils needed additional support, so that is a major driver, although interestingly our ratio would be 0.19 in comparison to 0.31 in England so the balance would be slightly different. The pupil/teacher ratio is slightly lower which suggests the proportion of teachers is slightly higher in Northern Ireland compared to classroom assistants perhaps in England.

Q90 Mr Jenkins: That is the first part. On this note could you identify the costs of the classroom assistants insofar as it is teacher support and others and non-teaching support and also the expenditure on non-staff items. I presume this might be computers interactive wipe boards. Could you tell us exactly what sort of expenditure is? Do bear in mind that if I was at a school that might be under threat due to surplus places—not that I would do this of course—I may try and invest all the money I can in my school and say, “Look guv, if one school is going to shut do not make it mine because it is a lovely place, make it his down there?” How much of this is being traded? How much is going to be salvageable if that school is going to shut in the near future?

Mr McGinn: I do not think it is being traded. There are two statistics that may be of use to you. The all-in cost of a teacher is about £36,000 and of a teaching assistant is about £16,500. That is something that the school is looking at in terms of how it uses its resource. I do not think the behaviour that you suggest is taking place but—and the “but “is—as we look at the plans that we have, we are looking at all of those in terms of deficits and surpluses.

Mr Jenkins: I would like to make sure also that we are not enhancing sports halls for letting rather than having that money spent on children. We are not running a business here. It is a side issue rather than main issue and that is the sort of expenditure we should be looking at.⁵

Q91 Mr Steinberg: We have concentrated on a lot on the deficits but surpluses also cause headaches and we have had the information given that a considerable number of redundancies have taken place. On the other hand, there are huge surpluses in some areas. You can see where I can go from here. Why on earth should teachers be made redundant when other schools are hanging on to considerable surpluses? Has this solution been looked at?

Mr McGinn: Yes in terms of now looking at Northern Ireland in totality—and I know this was an issue that you raised the last time I was with you—we have been looking at a number of steps to try to address that and get the matching, particularly in a period where the demographic decline is going to apply particular pressure. I think there are solutions that we are taking forward to try to address that particular issue.

Q92 Mr Steinberg: It is quite outrageous, is it not, that teachers are being paid off in one school which could be 100 or 200 or 300 yards away from a school where they are sitting with huge balances. That is not morally right or educationally right, is it?

Mr McGinn: That is absolutely right.

Q93 Mr Steinberg: The money has been provided, after all, for the education of children by the government via yourselves I presume.

Mr McGinn: What has been happening is that the board have a responsibility for the five geographical areas and obviously it is joining all of this up. What we have done in looking at the plans that we have received because (we have requested and received the plans for those surpluses in excess of 5%, so we have 400 plans with us as well) is matching these to make sure that appropriate behaviour in terms of use of resource and use of public money is happening

Q94 Mr Steinberg: Why are the surpluses so big when in fact the money that is provided by central government is based on what is assumed to be the amount needed to be provided to give a decent education? So why are the surpluses so big? Why are they there? What are they being used for? Just as a matter of interest, on figure 6, page 53 I notice, for

⁵ Ev 14

 Department of Education, Northern Ireland

example (and I do not even know where it is, to be quite honest) but South Eastern has huge surpluses. Why particularly have they got such big surpluses?

Mr McGinn: There are two dynamics there. The first is that under their particular formula (because up until the end of March and through LMS there have been seven formulae in Northern Ireland but five for five boards, one each) they were putting more money out to the schools. Secondly, the expectation of the Southern Eastern board as to the common funding formula (although it is going to be in place from 1 April 2005 it has been talked about for a number of years and there was consultation in 2001) is that it would be a loser under the common funding formula.

Q95 Mr Steinberg: So they have been saving money?

Mr McGinn: They have been saving money. In the plans we have talked about that gives us the specifics. That has been the dynamic in play.

Q96 Mr Steinberg: So what will happen to these surpluses not just in South Eastern but elsewhere? What will they use these surpluses for and how quickly will they spend them?

Mr McGinn: In terms of being able to answer your question we have the plans which we have received. Those are under constant review now normally twice a year at the meetings at which the boards' chief executives meet to talk about accountability and we are monitoring those so we want to ensure that the money that is there is being properly used. If I go through those 400 and odd school plans—

Q97 Mr Steinberg: The big danger is that, frankly, they should not be allowed to keep huge surpluses because they do not need them, unless they are having a big project they are saving for but even then it should be spent more quickly than perhaps it is. What worries me also is if you have a situation where a school has a huge surplus they might decide to get rid of it frivolously because it may well be taken off them. That is a danger as well.

Mr McGinn: They cannot spend it on capital in Northern Ireland.

Ms Godfrey: No, that was precisely the point of the plans because certainly we had thought rather than just focusing on deficits we ought to focus on surpluses as well and requirements in plans to make sure that did not happen. The last thing that anybody wanted was a warning shot about surpluses which would result in silly spending. That is why we replaced the three-year plans which have to be scrutinised and approved by the relevant board to make sure that there is a sensible plan.

Q98 Mr Steinberg: At the end of financial year you have not bought a new carpet or an easy chair for your office, have you?

Ms Godfrey: Absolutely not.

Mr Steinberg: You are the only one who has not then!

Q99 Mr Davidson: Can I come back to this question of how the boards behave and how they manage the discretion they have got. To what extent is the spending that the boards control following the educational objectives of the school and to what extent does the debate in the boards mirror those sorts of objectives? I was in an educational authority where people were capable of spending hours discussing a change of name but would let a curriculum change go through in two minutes. I want to try and identify how the boards work and the extent to which they are able to have a genuine discussion about these issues?

Mr McGinn: There are a number of dimensions. Obviously the key link mechanism is school to board to school development plans. Then there is the mechanism between boards and the Department. Katrina may want to comment about the resource allocation plans and that process and the way they work.

Ms Godfrey: One of the things that we do when we are giving the financial allocation to the educational boards each year is to make them conditional upon production of the resource allocation plans that will match wider Government policy in terms of education and wider priorities. That is to make sure that the focus is in the areas where it ought to be. When it gets into boards I know that they take these issues seriously. They have education committees, they have finance committees, they have committees for special needs, they have a range of committees and certainly looking through the minutes and talking to board members there seems genuinely to be a fairly serious level of discussion at those and fairly in-depth discussion on a range of issues. Some of the things that I know take up a lot of the time are issues around surplus places, demographic decline, and also around the financial aspects as well.

Q100 Mr Davidson: There were some studies done in Scotland about, as I understand it, the extent to which different groupings on boards were contributing to the debate. I can accept from what you are saying that the money follows the policy. To what extent are parents left on one side of that because in most areas they do not feel they have got the expertise to contribute? Which then in a sense leads me on to another issue which is whether or not you have looked at other ways in which we can better involve parents. Coming back to the question of what is happening in Scotland, a recent announcement about changing boards to have a much broader based parental involvement; have you been looking at any of that?

Mr McGinn: If I could comment first and perhaps Katrina would want to answer as well. As we have been going through the strategic planning process, which has involved everyone, one of the major issues has been around the voice of the parent and the voice of the child and how they get reflected in what it is you put in place. Certainly that is an issue where we have been looking at a number of options which we have to conclude because yes we have parents obviously involved through schools but we would not have a formal mechanism in Northern Ireland,

 Department of Education, Northern Ireland

for example which I know the Republic of Ireland would have, which gives parents a particular voice. There are a number of ways that that could be dealt with. It is an issue that we recognised and reflected in our plan and I think the other one is certainly around the children and young people themselves and how that voice gets reflected. Did you want to say something?

Ms Godfrey: Just to add that the other mechanisms obviously are through the boards of governors and many schools also have parents' councils which provide a channel of communication in from parents to parent reps on the board of governors. Education and library boards themselves—and 35 members is a lot of members for any public body—through the local elected representatives will be in contact on the ground with parents and with community interests and that provides a voice as well to feed up, but the difficulty with anything like this is getting the views of parents and getting the views of all parents, not just those who are able to contribute.

Q101 Mr Williams: Just one quick note, back to your table 5, the total resource figure at the top; could you let us have what the 1997 figure was per head of pupil and what the latest figure is?

Mr McGinn: In fact, I might be able to give that to you now.⁶

Ms Godfrey: I could certainly give you 1999–2000 if that would be helpful. This is for the pot of money that is delegated to schools through LMS and that is £1,978 per pupil in 1999–2000 and 2004–05 it is £2,532.

Q102 Mr Williams: Is that real or cash?

Ms Godfrey: That is cash and at a 28% *per capita* uplift.

Mr Williams: Thank you, that is very helpful. If I may say so, Chairman, it is a day when we have had very good witnesses in this section of the inquiry.

Q103 Chairman: Yes I would echo that. Thank you very much for your competent performance in dealing with a difficult area where you are dealing with falling rolls. Thank you very much.

Ms Godfrey: Thank you very much.

⁶ Note by witness: The 1997–98 expenditure per pupil was £1,856.

 Supplementary memorandum submitted by the Department of Education, Northern Ireland

Question 21 (Mr Gerry Steinberg):

There are 235 post-primary schools in Northern Ireland and of these schools there are 10, which do not have Finance Committees. The Education and Library Boards are responsible for the funding of nine of the schools and the Department has already asked the Boards concerned to take action to ensure that appropriate arrangements for financial management operate in each of these nine schools. The remaining school, which is in the Grant-Maintained Integrated Sector funded by the Department, has chosen to appoint one of its governors as a designated “Responsible Officer” for its finance and audit systems and controls. This action is in accordance with the Department’s Financial Memoranda for the Voluntary Grammar and the Grant-Maintained Integrated Schools Sector for which the Department is accountable.

Question 27 (Mr Gerry Steinberg):

The total number of redundancies in schools funded under Local Management of Schools arrangement sin 2003–04 was 255. Table 1 below shows the number and proportion of redundancies in schools with budget surpluses or deficits at the end of 2002–03:

Table 1

<i>2002–03 LMS outturn</i>	<i>Number of redundancies</i>	<i>Proportion</i>
Schools in surplus	133	52.2%
Schools in deficit	122	47.8%
Total	255	100.0%

This analysis shows, in broad terms, that where redundancies have taken place it is no more likely that they are being effected in a school in a deficit position than in a school in a surplus budget position.

Question 68 (Mr Ian Davidson):

We are currently in the process of a major reconstitution exercise for school governors. We are using this exercise to encourage people with relevant skills (particularly in the areas of financial management) to come forward and to ensure that, as far as possible, all schools have their full quota of governors.

School governor vacancies

BELB	2 schools with vacancies out of a total of 173	(43%)
WELB	34 schools with vacancies out of a total of 261	(13%)
NEELB	84 schools with vacancies out of a total of 271	(31%)
SEELB	38 schools with vacancies out of a total of 216	(18%)
SELB	57 schools with vacancies out of a total of 390	(15%)

Question 71 (Mr Ian Davidson):

The Department has carried out an analysis to determine if there is any correlation between the proportion of pupils in a school who are receiving Free School Meals and the income generated by schools. Based on analysis of the 2003–04 published Outturn Statement for all Education and Library Boards the Department has concluded that there is no direct relationship between the two factors. The amount of income generated by schools and recorded in Outturn Statements in 2003–04 amounted to £4.8 million and is considered to be small in comparison to the overall level of funding provided to schools under Local Management of Schools (LMS) arrangements. Funds generated by Parent Teacher Associations (PTA) are held by the committee concerned and will only show as income within LMS where a PTA has made a specific grant to the school through the Education and Library Board.

Questions 89 and 90 (Mr Brian Jenkins):

The real terms increases in Figure 5 of the NIAO Report show that expenditure on non-teaching staff and on non-staff items has risen much faster than expenditure on teaching staff. Figure 5 of the Report covers both expenditure delegated to schools under LMS arrangements and expenditure held centrally by Education and Library Boards for school services. The Department has analysed the expenditure delegated to schools in 1997–98 and in 2003–04 across the three expenditure headings, teaching, non-teaching staff and non-staff. The analysis shows that in 1997–98 and in 2003–04 that there has only been a marginal change in the proportion of resources expended by schools on the three expenditure headings.

