

An initial analysis of the impact of formula funding and local management of schools

Key Points

Local Management of Schools (LMS) has led to a less centralised management structure, in some cases facilitated by the abolition of a vice-principal post and the devolution of responsibilities to middle managers - this has been seen as beneficial.

The introduction of formula funding and LMS, along with the aspects of educational reform, has necessitated the development of new skills. Schools have complemented training by outside agencies with in-house activity. 40% of schools provided some in-house management training.

LMS has provided the opportunity for the more effective use of classroom teachers, but has reduced the teaching time available for those with managerial positions.

Two areas in which schools perceive that the external financial environment is not fully compatible with LMS are responsibility points for teachers and budgetary deficits and surpluses. However the external constraints under which the Department and Area Boards operate are not always appreciated by schools.

Some 67% of schools reported an increase in spending on premises.

About half of schools had attracted funding outside the 'core' areas of the formula, mainly from DENI initiatives, Area Board initiatives and parental contributions.

Many principals were critical of the formula used for allocating funds for educational and social disadvantage.

More than three quarters of schools believed they were facing direct competition for pupils. Substantial (especially human) resources are being devoted by schools to this issue.

Some principals would wish for greater autonomy within current levels of delegation, but a clear majority of schools do not wish for any further delegation (except for the monies retained centrally by Area Boards for the provision of advice and support).

A majority of principals believe formula-funding and LMS have facilitated the improvement of teaching and learning; but secondary principals are significantly less convinced of this.

1. Introduction

The research had four main objectives:-

- a. To identify the extent to which the introduction of the Local Management of Schools (LMS) and formula-funding have affected the internal organisation and management of schools.
- b. To identify the effect of formula-funding on schools' budgets and, in particular, to determine the implications of this in terms of the internal deployment of resources within schools.

c. To ascertain whether schools believe that the extent of delegation is at an appropriate level to enable them to meet their educational objectives and to satisfy the stated aims of LMS.

d. To gauge the opinions of schools as to the value and level of support and monitoring arrangements provided by the administrative tier to assist them in executing their delegated responsibilities.

Two aspects of the research programme should be noted:

a. There is a focus on the evaluation of LMS and formula-funding from the perspective of schools.

b. Given that LMS and formula-funding were part of a package of educational reforms, it has not always been possible to isolate the impact of these aspects of the reforms from other parts of the package of educational reform, for example, open enrolment and the common curriculum. Hence, frequent reference is made to other parts of the package of educational reforms, especially when these were highlighted by schools.

2. Main Findings

2.1 Management Structures and Key Management Roles

Within a formula-funded/LMS framework the Board of Governors is seen as performing a key management role. The governing body can be viewed as the Board of Directors, with the Principal performing the role of Chief Executive.

Whilst the relationship between principals and governing bodies is, almost universally, a harmonious one in schools in Northern Ireland, the governing body tends to play a passive, rather than active role. Significantly, key aspects of school activity, such as curriculum, for which governors have a statutory responsibility, remain the preserve of teachers. When a new principal is being appointed governing bodies have an opportunity to influence the future direction of the school, and there is evidence that a more active role is played at such a time. But having selected the 'steward', governing bodies tend to leave stewardship to their chosen candidate.

Typically, school principals now spend a greater proportion of their time on management issues and, as a result, their role is no longer simply that of the leading professional within the school. In this management role school principals are generally supported by a senior management team (SMT) comprising the vice-principal(s) and senior teachers. As a group, the SMT tends to focus on strategic and financial issues. The SMT is frequently supported by a middle management group and much of the detail of issues relating to the curriculum is dealt with at this level. Members of SMTs are involved in curriculum issues, but this tends to be via individual involvement with middle management groups. Thus, in general, the introduction of LMS has led to a less centralised management structure, and in some cases this has been facilitated by the abolition of a vice-principal level post and the disposal of responsibilities to middle managers. This has been seen to be beneficial, not only in terms of creating an effective management structure, but also in terms of providing greater opportunities for career progression for teachers.

Management structures tend to be more centralised in the grammar school sector, and one reason for this may be that this sector has been less affected by LMS.

2.2 The Management Process

Within an LMS environment, the School Development Plan (SDP) is a key vehicle through which priorities are established and almost 80% of schools included in the questionnaire

reported the use of an SDP for this purpose. The extent to which teaching staff other than members of the SMT are involved in the formulation of the SDP may be taken as an indicator of the extent to which strategic responsibility is shared in practice. In line with the finding that management structures in grammar schools tend to be more centralised, only 76% of grammar schools involved non-SMT members in the formulation of the SDP, compared to 98% and 96% of primary and secondary schools respectively. However, the interview stage of the research revealed that non-SMT staff frequently play a relatively passive role in the formulation of the SDP. Stakeholders outside the group of school employees are rarely involved in this exercise.

The findings with respect to the formulation of the SDP are reinforced by those concerning school spending allocations. The administration of LMS tends to be more dispersed in secondary and primary schools, but again decision-making in grammar schools tends to be more centralised.

2.3 Advice and Support for School Managers

The introduction of formula funding and LMS, along with other aspects of education reform, has necessitated the acquisition of new skills and knowledge by those involved in school management.

Schools have complemented training offered by outside agencies with in-house activity, sometimes externally facilitated. The largest group of these schools organised such training for activities related to curriculum, assessment and IT, although 40% of schools did provide some in-house management training.

With respect to training provided by external agencies, there was generally a high level of satisfaction over the consultation with schools about training needs. Levels of schools' satisfaction with the training provided varied according to the source of provision. Almost three quarters of principals were satisfied with training provided by the Education and Library Boards (ELBs), much of it school-based, but just under half reported satisfaction with Regional Training Unit provision.

2.4 Use and Usefulness of CLASS/CLASPS

The CLASS/CLASPS project involved the provision of training, hardware and software for schools through a number of modules, covering aspects of school management and administration.

At the time of the survey 76% of responding schools were using CLASS/CLASPS systems, and responses with respect to the service provided by these systems tended to indicate that they were both useful and user-friendly. Of particular relevance to schools was information pertaining to financial management, pupil records and personnel records. Significantly, a main concern of many schools related to the limited number of work stations available to meet their needs.

2.5 Deployment of Resources

One of the principal benefits of LMS is the flexibility that it provides for schools to manage their budgets but effective budget management involves more than priority setting; it requires planning, monitoring and the creation of appropriate systems and processes to deliver the budget plan.

Within LMS, the SDP is the key vehicle through which priorities are established and almost 80% of schools included in the questionnaire reported the use of an SDP for this purpose. The proportion of schools using an SDP is higher for primary and secondary schools than it is for grammar schools. Voluntary grammar schools enjoyed budget delegation prior to the introduction of LMS, and thus have not experienced the same quantum of change. This is not

to say, however, that they should not be encouraged to establish an SDP and to re-assess and make explicit their priorities.

The use of SDPs is still in a developmental stage in most schools. In particular, relatively few SDPs are costed, although some schools are making progress in this respect.

The introduction of LMS has resulted not only in the delegation of budgets and decision-making to schools, but a delegation of budgets and decision-making within schools. It is now typical for teachers outside the SMT to be responsible for some aspect of the budget, eg decisions over textbooks and minor items of capital equipment.

There is also evidence that the flexibility introduced by LMS has resulted in the more effective use of teaching resources. Support staff are being employed to release teaching staff from routine preparation and administrative duties. However, whilst this applies to teachers with non-managerial positions, others now spend more time in the activity of management. To some extent, though, these managerial tasks have been lightened by the greater use of clerical and secretarial staff.

The period since the introduction of LMS has also witnessed the more widespread use of more flexible forms of teacher contracts, in particular short-term contracts.

2.6 Management of the Budget

There are areas in which schools perceive that the external financial environment which the Department and the Boards have had to impose is not fully compatible with LMS. Two areas mentioned frequently are responsibility points for teachers and budgetary deficits and surpluses.

In the initial years of LMS it would have been expected that credit balances would increase, especially in the primary and secondary schools, where the impact of LMS has been the greatest. Also, the strategic management of schools is likely to result in the greater frequency of year-end deficits, which will be met through time either by expenditure reductions or the use of accumulated credit balances. Schools adapting successfully to the LMS environment will use year-end deficits and accumulated credit balances strategically as they implement plans which extend beyond a one-year time horizon. Schools perceive that the Department and the Boards have not fully adjusted to the LMS environment and assessed what it entails for their *modus operandi*. Effective auditing of LMS by the Department and the Boards should concentrate more on processes and procedures, and less on budget outcomes. For example, does a school have a costed SDP? Does a school have an internal procedure for securing the implementation and achievement of the SDP? Is the SDP viable given the external environment within which the school operates?

However, the Department and the Boards also operate within an environment over which they have little or no control. These external constraints imposed on the Department and the Boards are not always appreciated by schools. For example, the Boards are not allowed to carry over more than 2% of their annual budgets. This 'macro constraint' might restrict the ELBs' ability to grant full budgetary freedom to schools.

Some 67% of schools in the questionnaire reported an increase in spending on premises. Three factors seem to be at work here. First, release from bureaucratic control; second, the desire to improve the working environment and to provide a welcoming environment for parents and potential parents. Also, relatively minor activity in this area can demonstrate immediately, and visibly, the benefits of LMS.

2.7 Sources of Outside Funding

Almost 50% of the schools responding to the questionnaire had attracted funding outside the "core" areas of the formula in 1994/95. The main sources of such funding were: DENI initiatives, ELB initiatives, and parental contributions.

Some 53% of schools benefited from parental contributions, with almost three quarters of voluntary grammar schools asking for parental contributions. The amounts received in this way varied enormously. In interview, several principals of secondary schools reported the school tuck shop as providing the main source of non-formula funding.

2.8 Provision for Educational and Social Disadvantage

Typically, schools reported with confidence that they spent monies allocated for pupils' special needs (social and educational) in this area. However, many principals of primary and secondary schools were critical of the formulae used for allocating these funds, and argued that more money should be allocated in this area. Without further detailed analysis it is not clear that an increase in the total quantum of money allocated for special pupil needs is required. A more effective outcome might be achieved by targeting the available funds more specifically, for example, with a greater concentration in primary schools. Currently, the available funds may be spread too thinly across the sectors.

Whilst schools reported expenditure on pupils' special needs at least equal to the money allocated for this purpose, there is some evidence that when a school faces a budget cut, special needs support is one of the first areas that is threatened.

2.9 Open Enrolment and Increasing Competition

Taken together, open enrolment and formula funding, with school budgets being overwhelmingly determined by pupil numbers, impose a market framework on schools. In the Northern Ireland context, with a largely religiously segregated system of schooling and with academic selection in the post-primary sector, there is a system of (at least) partially separate and distinct markets.

More than three quarters of schools responding to the survey believed themselves to face direct competition from other schools for pupils: proportionately more post-primary schools believed this to be the case and despite selection at age 11+ there is evidence of competition between grammar and secondary schools, especially in localities in which pupil numbers are declining. In such competition grammar schools have an inbuilt advantage with respect to student enrolment. In localities where pupil numbers are declining, or in which grammar school places were over-provided, grammar schools have been obliged to admit some pupils who have not achieved higher grades in the Transfer Procedure. This may be difficult to justify on educational grounds. Perhaps arising from this, some secondary school principals indicated that they were being asked to admit into Years Ten and Eleven a number of pupils from grammar schools. On educational grounds there may be a case for regulating the post-primary market, with a grammar stream (or group) being defined in terms of performance in the 11+ examination (grades A and B only?). Grammar schools would then be allowed to admit only pupils who perform at the required level.

Schools have devised various practices for promoting themselves in the new market environment. Such practices include the refinement of admissions criteria; the establishment of links with feeder schools and the provision of information to the parents of potential pupils. In interview, almost all principals of post-primary schools reported an increase in the number of primary schools from which they take pupils. Also, many secondary schools have been active in competing at sixth form level. Further, there is some evidence that the publication of entry grades for post-primary schools has resulted in volatility in the number and quality of applications for Year 8 placement in grammar schools.

In promoting their schools, principals tended to concentrate on three aspects: caring atmosphere, academic success and high standards of discipline.

For many schools the market environment in which they operate is complex and this is especially so for most post-primary schools in the larger urban areas. Substantial resources, especially human resources, are being used in order to seek to manage this market.

2.10 Links with Local Industry and Commerce

Traditionally, schools have developed links with local industry and commerce as part of their careers education programmes. There is little evidence of systematic and structured involvement of the local private sector in schools beyond help with careers programmes and the sponsorship of projects or events. Having said this, there are individual examples of imaginative partnership schemes between schools and the private sector, especially at the post-primary school level.

Overall, the period since the introduction of LMS appears to have witnessed an increasing awareness of the potential benefits of structured links with the local private sector, but relatively few new forms of partnership have been developed.

2.11 Perceptions on the operation of LMS/Formula Funding

It is quite clear that most principals and governors accept in principle the concepts of formula funding and delegated management; what is at issue is the current mode of application. Views are not unanimous; they are clearly linked to the size and type of the school.

In relation to the operation of current formulae principals make invidious comparisons about Age-Weighted Pupil Unit (AWPU) weightings, about varying methods for defining and targeting educational disadvantage, about relatively inequitable treatment of schools of different management type and in different ELB areas. A key issue in all schools is the current arrangement for funding of teachers' salaries which makes no provision for schools with high proportions of long-serving staff, earning higher than average salaries. While the rationale behind this policy is understood, in practice it causes great difficulties financially for some schools and greatly impedes the labour market mobility of older teachers, thus creating a vicious circle.

In respect of LMS, hardly any principals would wish to see its abolition. In spite of many real difficulties in balancing budgets, most principals welcome their freedom to determine priorities locally. Some would wish for greater autonomy within current levels of delegation. However, with the exception of the monies retained centrally by ELBs for the provision of advice and support, a clear majority of schools do not wish for any further delegation.

In terms of the extent to which formula-funding and LMS have facilitated the improvement of teaching and learning, whilst a majority of principals believe that this is the case, there are clear differences between the responses from schools in different sectors. In particular, secondary school principals are significantly less convinced that the learning experience of their pupils has been improved. But many of these schools suffer particular problems whose origins lie with the combination of formula funding and open enrolment, and with the transfer of monies away from this sector. The financial situation of some of these schools appears to be critical.

3. Methodology

The research was carried out in two phases. Firstly, a postal questionnaire was prepared and issued to all schools in Northern Ireland with full delegation under LMS at September 1993. The objective of this part of the research was to provide a general overview of practice and opinions on the implementation of LMS and to highlight issues for further exploration. A total of 409 questionnaires was returned, representing a response rate of 68%.

Secondly, an interview programme was conducted with a sample of 48 schools, representative of school type, size and Education and Library Board area. The objective of

this part of the research was to explore in detail issues highlighted during the survey phase and to examine in greater depth aspects of resource deployment, management structures and processes. The interviews were conducted on school premises and interviewees included school principals, members of the school senior management team and school governors.

4. The Project

The project was undertaken for DENI by the School of Public Policy, Economics and Law at the University of Ulster. The cost of the project was £50,519.

5. Full report

The full report, entitled "An Initial Analysis of the Impact of Formula Funding and Local Management of Schools on the Management of Northern Ireland Schools: A Schools' Perspective" by Penny McKeown, Grainne Byrne and Richard Barnett with Ruth Fee and Helen Leith, DENI Research Report Series No 5 1997, is available free of charge from DENI.

This paper is a summary of the research report and as such any views it contains are not necessarily those of DENI.

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