

Finance Sub-Committee

18 November 2015

Present: Councillor A McMullen (In the Chair)
Councillors S Day, SL Cox, S Graham, F Lott and JA Wallace.

F30/11/15 Apologies

Apologies were received from Councillor J O'Shea.

F31/11/15 Substitute Members

Pursuant to the Council's Constitution the appointment of the following substitute member was reported:-

Councillor S Graham for Councillor J O'Shea

F32/11/15 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

F33/11/15 Minutes

Resolved that the Minutes of the meeting held on 21 October 2015, be confirmed and signed by the Chair.

F34/11/15 2015/16 Financial Management Report to 30 September 2015

The Sub-Committee considered a report detailing the budget monitoring position as at 30 September 2015, including forecast outturn positions for 2015/16 for the General Fund, the Housing Revenue Account (HRA), School Finances and the Investment Plan, including a summary of projects to be delivered in 2015/16. The report also provided an update on the Authority's 'Creating A Brighter Future' Programme. In addition, it also gave the current position in respect of Treasury Management and Prudential Indicators. The report had been considered by Cabinet at its meeting on 9 November 2015.

As at 30 September 2015, the forecast year-end position for the General Fund Revenue Account was a pressure of £1.570m, which reflected an improvement of £0.431m since the report considered at the 14 September 2015 meeting.

The HRA was forecast to have year-end balances at 31 March 2016 of £3.285m, which was £0.615m higher than budget. The higher than forecast balances were mainly as a result of higher opening balances due to the impact of previous years' financial performance (£0.422m). The forecast in-year surplus was an estimated £0.193m.

The report included an update in respect of work in progress with regard to 2015/16 school funding.

The Investment Plan for 2015-19, adjusted for reprogramming and variations approved by Cabinet, was £251.715m. Reprogramming of £19.836m for 2015/16 and variations of £2.175m credit in 2015/16 and £0.680m in 2016/17 were proposed in the report. The report also set out planned delivery for 2015/16.

Members were given the opportunity to ask questions which were responded to appropriately. Officers undertook to provide responses to a number of the questions in writing.

It was **Agreed** that the report be noted.

F35/11/15 Schools Finance

The Sub-Committee considered a report which detailed the financial position of North Tyneside's schools and provided an overview of the variations to the Authority's Local Funding Formula for Schools for the financial year 2016/17. The report had been considered by Cabinet at its meeting on 9 November 2015.

During 2014/15 overall maintained school balances in North Tyneside had increased from £6.647m at 31 March 2014 to £7.637m at 31 March 2015.

Total maintained school balances did not include those of Academy schools. In addition, Moorbridge Pupil Referral Unit was now classified as a school and had appeared for the first time in the March 2015 balances.

The balances reported nationally included committed balances, i.e. amounts the school had committed to spend on specific projects. The actual balances for forward planning purposes were normally lower, as they included elements that the school planned to spend in future periods. Details were given in Appendix 2 of the report as Uncommitted Balances. However, unless stated otherwise in the report, the balances referred to in the report were the total school balances.

The increase in overall maintained school balances continued the long term trend of rising balances in North Tyneside for over ten years. Up to 2013 balances as a percentage of planned budgets remained lower in North Tyneside compared to both the regional and national comparator groups, but with the long term trend demonstrating a narrowing of the gap. Details were given in Appendix 1 of the report, with the last two years of data for North Tyneside schools added.

Whilst the increased level of balances in North Tyneside schools was positive in terms of financial sustainability, this position was significantly different to that predicted at the start of the financial year when schools submitted their budget plans. In the May 2014 budget submission, balances had been forecast to be in the region of £2m. Schools had been reminded of the need to forecast as accurately as possible, so that decisions were taken in light of accurate budget projections.

As at 31 March 2015 there were four schools in deficit. This compared with five schools with deficits at 31 March 2014, seven schools at March 2013, five schools at March 2012, 11 schools at March 2011 and 16 schools at March 2010. Although the number of schools with a deficit had fallen, the total balance of those schools with deficits had increased to £0.580m.

The Authority had held a school excess surplus balances policy since March 2007. Whilst it was no longer a mandatory requirement of the DfE, in September 2012 the School Forum had agreed to maintain the excess surplus balances policy, with minor updates agreed at its meeting in September 2015.

Excess balances were those uncommitted balances over 5% for middle and secondary schools and over 8% for first, primary and special schools. As at 31 March 2015 there were no schools in North Tyneside considered as having an excess surplus balance.

In consultation with the School Forum it had been agreed that there would be no claw back of funds from schools in 2015/16.

An extract of the Section 251 return detailing individual North Tyneside maintained school balances at 31 March 2015 had been included as Appendix 2 of the report.

Maintained mainstream schools had received their individual budget share (delegated budget) from the Local Authority by the 31 January 2015 deadline and had submitted their three year revenue budget plans (starting with 2015/16) by 31 May 2015 as required.

Six schools had requested deficit approval for 2015/16 budgets, an increase of two schools and requesting significantly higher balances (£2.621m compared to £1.480m in the previous year). The Finance Team, supported by School Improvement and the North Tyneside School Forum, had met with these schools from June to August, providing both challenge and support to each of their budget plans, in order to determine if they could be granted a deficit budget for 2015/16. Deficit approval did not constitute a commitment to provide additional funding over the school's individual budget share, only a recognition that the school needed to temporarily enter into deficit, whilst continuing to balance its financial position over the longer period.

Following this process, four schools had received deficit approval for 2015/16 and two schools had received provisional approval, subject to additional work that had been requested and should be concluded later in the current term. The current level of approved and provisional deficits was £2.518m.

In view of the significant increase in the overall value of the deficits approved, several of the schools, as part of their deficit approval agreement, would be subject to additional scrutiny from Finance, Schools Improvement and Schools Forum.

Five of the six schools seeking formal deficit approval for the current financial year were secondary schools. The work progressed as part of the Education Review had identified that as a consequence of the current surplus capacity and, in the case of specific post-16 pressures, some secondary schools would face a deficit position that would become unsustainable unless action was taken. The challenge in going forward was to find a sustainable solution that worked across the Borough.

Members had been kept informed regarding the position on 2015/16 schools funding through the Financial Management reports to Cabinet every two months.

Officers had been in discussion with North Tyneside Schools Forum regarding the 2016/17 mainstream funding formula. Following a consultation with all schools in North Tyneside, and further discussion with the Schools Forum, the factors to be used in the funding formula for 2016/17 had been confirmed and would be notified to the Education Funding Agency (EFA) by the end of October.

Consultation was underway for early years and high needs funding allocations. Whilst there were changes proposed to refine the allocation of funding, there were no significant changes to the basis of funding across the Borough.

The Schools Forum would also be considering certain elements of funding that were held centrally within the funding allocations which would be applied to benefit pupils across the Borough.

The key dates which had to be met in setting 2016/17 school budgets were detailed in the report. Members would be updated through the Financial Management reports to Cabinet.

Members were given the opportunity to ask questions which were responded to accordingly.

It was **Agreed** that the report be noted.

F36/11/15 Section 106 Agreements (Previous Minute F14/07/15)

The Sub-Committee considered a report which provided an update on unspent Section 106 monies and anticipated future Section 106 grant receipts.

It was explained that the schedules detailing monies received and not yet sent had been omitted from the Agenda papers. A copy of the schedule would be circulated to the Sub-Committee.

Members were given the opportunity to ask questions which were responded to appropriately.

It was **Agreed** that the report be noted.

F37/11/15 Section 38 and Section 278 Payments

The Sub-Committee considered a report which provided an update on unspent Section 38 and 278 inspection income. This followed a request from the Sub-Committee at its meeting on 22 July 2015 (Minute F14/07/15 refers).

The report also provided an explanation of each payment as follows:

S38 Inspection Income - When developers built new estates, they also built roads, streetlights and footpaths that they then wished the authority to adopt. The authority levied an inspection fee based on 7 ½% of the highway costs, with a £1,500 minimum charge to check that these works were adoptable. A proportion of the money was paid to SSE for their role in checking any new street lights.

The developer was also responsible for maintenance of the works through the 12 month warranty period and Capita performed a final check on the authority's behalf after the 12 months had expired to confirm that the authority was happy to adopt the works.

S278 Inspection Income - When developers built new estates they also needed to make changes to existing roads and footpaths that they wished the authority to then continue to maintain. The authority levied an inspection fee based on 7 ½% of the highway costs, with a £1,500 minimum charge, to check that these works are adoptable.

The developer was also responsible for maintenance through the 12 month warranty period and a final check was done after the 12 months had expired to confirm that the authority was happy to adopt the works.

In 2015/16 North Tyneside Council was also currently holding two amounts on behalf of Newcastle Traffic Signals who had entered into a s278 agreement with developers. The authority would pay the money received from the developers to Newcastle Traffic Signals on receipt of an appropriate invoice.

During the year the transactions were collected in a holding account for both s38 and s278 and once a year at year end an exercise was done to ensure that the monies in hand at the end of the year were sufficient to cover the expected costs to perform the outstanding inspection works.

Expenditure in year would relate to Capita recharges for the staff responsible for inspections, SSE charges for street light inspections and general administration costs of the schemes.

Unlike the s106 monies, which must be spent exactly as agreed within the s106 agreement, both s38 and s278 monies were not refundable to developers if not used specifically on the site that generated the income.

As can be seen from the appendices attached there is sufficient monies within the holding accounts to more than cover the anticipated future costs.

Members were given the opportunity to ask questions which were responded to appropriately.

It was **Agreed** that the report be noted.