

Finance Sub-Committee

23 November 2016

Present: Councillor A McMullen (Chair)
Councillors D Cox, S Day, J O'Shea, J Wallace (Sub),
F Weetman

F33/11/16 Apologies

Apologies were received from Councillors K Lee and L Miller.

F34/11/16 Substitute Members

The following substitute Members were reported:

Councillor J Wallace for Councillor L Miller

F35/11/16 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported for this meeting.

F36/11/16 Minutes

Resolved that the Minutes of the meeting held on 19 October 2016 be confirmed and signed by the Chair.

F37/11/16 Financial Management Report to 30 September 2016

The Sub-Committee considered the report which set out the budget monitoring position as at 30 September 2016, including the forecast outturn positions for 2016/17 for the General Fund, the Housing Revenue Account, School finances and the Investment Plan, including a summary of projects to be delivered during 2016/17.

The Sub-committee noted that, in relation to the General fund, the forecast pressure has reduced slightly to £4.744m from £4.987m reported in July's report. It was also noted that there has been some underlying improvement in the risks associated with the delivery of the 2016/17 budget, however, the headline pressure is only marginally improved. The sub-committee was informed that all services continue to develop and deliver actions to mitigate these financial pressures and it is expected that the out-turn forecast will improve as we move through the year.

The Sub-committee were advised that, as set out in point 1.10 of Annex 1, the Authority received a dividend of £2.697m from the Airport as part of the Airport refinancing. At this stage it is proposed to hold this in a reserve until the position at year-end is confirmed.

Members raised the following matters in relation to the report:

Para 2.1 - In relation to the £4.7m pressure on the general fund, whether this is likely to be overcome over the next four months. It was highlighted that a number of actions were being taken to improve the position, including challenges around Adult Social Care and Children's Social Care demand pressures and how assumptions have been derived.

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Para 2.4 – Commercial and Business Redesign – Members requested a copy of the full analysis referred to as Appendix C which was not included in the papers.

Table 2 – how the budget for Looked After Children is set? It was noted that the budget is set based on knowledge of children in the system and those that social workers expect to join, and the predicted impact of service changes.

Para 5.5b – Investment fund – Northumberland Square – It was noted that this project relates to the development of former legal services offices on Northumberland Square for sale, including affordable housing. Preparatory work is underway but development of the site won't start until 2017/18.

Para 5.5 J – Swan Hunters Regeneration – it was noted that the wet berth costs were above expected levels and the team were discussing with grant providers how the grant could be diverted to other elements that would deliver what is required from the site. Discussions are on-going with the LEP in relation to this. Members requested a more detailed briefing on this, including timescales.

Para 6 – Treasure Management – impact of the Brexit and Trump votes– it was noted that although these developments are adding uncertainty to the markets, there has been uncertainty since 2007/08 and the authority is constantly looking at the impact changes may have on investments and watching for trends. It was noted that the authority take both internal and external advise on this.

Appendix C – ICT cost pressures – It was noted that for ICT overspends there can sometimes be an element of payback through improvements in other areas, but the Council may have to fund the introduction of new technology that is outside of the contract with Engie.

Appendix D – marketing – it was noted that this pressure appears to be against costs but is actually against income because of the way the Capita savings are recorded in the books during the year. This will be resolved for the year end statements.

Appendix E – Contribution to the Combined Authority – Officers to provide a written explanation of this.

Appendix I – Procurement variance – it was noted that this related to rebate income.

Appendix J – Mouth of the Tyne Festival – officers to provide a more detailed explanation of the variance.

Appendix J – Planning – it was noted that there is no benefit to the council of reduced planning applications due to the impact on the Capita savings target which the Council needs them to deliver.

P71 – St Mary's Lighthouse and Visitor Centre – It was confirmed that the project has first stage approval only for the Heritage Lottery Fund Grant.

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

F38/11/16 Fees and Charges

The Sub-committee considered the report which provided an outline of the approach to fees and charges being set across the authority and the current schedule of 2016-17 fees and charges.

The Sub-committee noted that guiding principles for fees and charges had been set in 2012 and these principles were reviewed on an annual basis to ensure they remain relevant and appropriate.

Members asked whether market testing against the private sector and neighbouring authorities was undertaken when reviewing fees and charges. The sub-group was advised that this did happen and in addition it was important to take account of the client group for each service and to ensure pricing is right to maximise income.

The Sub-committee **AGREED** to note the report.

F39/11/16 Schools Finance

The Sub-committee considered the report which provided an update on the financial position of North Tyneside schools as at 31 March 2016, an update on the 2016/17 position and provided an overview of the approach to the Authority's Local Funding Formula for Schools for the financial year 2017/18.

It was noted that it had been anticipated that a new national funding formula would be in place by 2017/18 but this has been delayed and therefore no changes are expected to the formula that was applied for the current financial year. It was also noted that the total maintained school balances set out in the report do not include those of academies in the borough.

The Sub-committee was advised that the slight decrease in overall maintained school balances reverses the long term trend of rising balances in North Tyneside for over ten years, but this is in line with the budget planning for 2015/16 which had identified an expected reduction in balances.

There was some discussion about the Council's statutory duties in relation to schools finance. It was noted that the authority has a range of statutory responsibilities linked to schools, although not many are directly around school finance. However, the authority has a role in brokering deficit agreements, and has a statutory responsibility to report on schools finance and can step in if there are concerns that finances are not being managed correctly.

There was some discussion about the role of the Authority in relation to schools in deficit. It was noted that the Authority works with such schools to offer challenge and support. It was highlighted that eight schools have been granted deficit approval for 2016/17, and there was a particular concern about the value of these deficits as this has increased significantly.

Officers highlighted that the authority wanted to ensure the educational and financial viability and sustainability of all schools and both aspects are of importance.

It was noted that the Authority has had a school excess surplus balances policy since 2007 and that the schools forum had agreed to maintain this policy although it is no longer

mandatory. At the current time there are no schools in North Tyneside considered as having an excess surplus balance.

The Sub-committee **AGREED** to note the report.

F40/11/16 Training

It was noted that the Head of Finance was looking to provide some targeted training for members of the Sub-committee on local government finance. Members were asked to consider areas that they would like this training to cover and email any suggestions directly to the Head of Finance.

Members were reminded that general scrutiny training would take place on the evening of Monday 5 December and all Members were invited to attend.

Signed by: _____

Date: _____

Cllr A McMullen, Chair of the Finance Sub-committee