

Finance Sub-Committee

22 February 2017

Present: Councillor A McMullen (Chair)
Councillors D Cox, L Miller, M Thirlaway

F49/02/17 Apologies

Apologies were received from Councillors K Lee, J O'Shea and F Weetman.

F50/02/17 Substitute Members

The following substitute Members were reported:

Councillor M Thirlaway for Councillor J O'Shea

F51/02/17 Declarations of Interest and Dispensations

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

F52/02/17 Minutes

Resolved that the Minutes of the meeting held on 25 January 2017 be confirmed and signed by the Chair.

F53/02/17 The Financial Implications of School Academisation

The Sub-Committee considered a report which provided information on the potential financial impact on the Council of the academisation of schools and how the Council is managing this risk.

The Sub-committee noted the explanation of what an academy school is and the different types of academies. It was noted that recent changes in government direction have slowed the programme of change and the need for all schools to become academies.

The Sub-committee was provided with information on the current mix of Schools in North Tyneside, and noted the four main areas of potential financial impact which are:

- External Funding to North Tyneside Council Education Services Grant (ESG);
- Funding from Schools to the Authority by way of Service Level Agreements;
- Deficit and Surplus Balances of Schools at the point of transfer;
- Schools Business Rates.

There was some discussion about the ESG and the forecast grant reduction to 2018/19. Members noted the potential impact on the reduction of this grant for any schools that became academies in future. This equated to £15 per pupil or approximately £6,300 per two form entry primary school or £13,500 per secondary school. It was noted that expected grant reductions are factored in to the budget setting process, but any in-year changes to school status would be a pressure on the budget.

It was noted that the Council was currently successful in providing services to schools and the 2016/17 forecast level of income from the portfolio of Services was just over £8m. Currently three Academies within the borough continue to purchase a high number of services.

In relation to the Deficit and Surplus Balances of Schools at the point of transfer, it was noted that where a school is underperforming and treated as a sponsored academy, any deficit remains with the Local Authority. It was noted that there was currently one secondary school in the borough in this position and this deficit will transfer to the Local Authority at the point of transfer. It was however noted that over 96% of pupils in North Tyneside are attending a good or outstanding school and this continued high performance mitigates the risk of interventions towards sponsored academies.

In relation to business rates, it was noted that the potential impact has been minimised as the majority of schools in North Tyneside are already covered by Charitable Status either as part of the Learning Trust, voluntary aided schools as part of Diocesan arrangements or Special Schools.

There was some discussion about the 5 schools in North Shields who are currently considering a move to academy status in the form of a multi-academy chain, but that it was not clear at the current time whether this will happen given the change in government policy since the process was initiated.

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

F54/02/17 Section 106 Payments

The Sub-committee considered a quarterly update on unspent Section 106 monies and anticipated future grant receipts. It was noted that the version of the report that was attached to the agenda had some information missing. An amended version of the report was distributed at the meeting.

A question was raised about the ward information in relation to the development south of Burdon Main Row which was listed as Collingwood Ward. Officers agreed to check whether the ward information in relation to the project.

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

F55/02/17 Training Item: Introduction to Business Rates

This item was intended to be a short training item to provide background information to the Sub-committee in relation to Business Rates and to add some context for the subsequent report to be considered on Collection Fund Reporting.

The Sub-committee considered a presentation which explained the business rates revaluation 2017 and the impact on businesses in the borough. The presentation provided some information on the businesses paying the 10 highest amounts of business rates in the borough and a comparison with the 2010 revaluation. The presentation also covered a breakdown of business rate income by sector, together with comparisons with neighbouring authorities.

The sub-committee noted that the general mix of business rate income by category in North Tyneside hasn't changed greatly since the 2010 revaluation, but there has been a slight reduction in the overall level of income due to successful appeals in 2014 in relation to office accommodation. It was also noted that there was a good spread of sectors across the borough which reduced the risk of significant impacts resulting from a sudden shift in a particular area such as retail.

It was noted that business rate appeals remained a risk for the Council.

The Chair thanked officers for the presentation.

F56/02/17 Collection Fund Reporting

The Sub-committee considered a report which provided an outline of the current monitoring of the Collection Fund and recommendations for future reporting to Cabinet.

It was noted that the Collection Fund is the statutory name for the ring-fenced account for Council Tax and Business Rates and forms a separate statement in the statutory accounts at the year end.

The sub-committee was advised of the following key elements of monitoring undertaken throughout the financial year as set out below:

- Monthly Statistics completed for both Council Tax and Non-Domestic Rates (NNDR) setting out the position in terms of the debit raised and cash collected. The collection is also monitored as part of the Business Partnership KPIs and reported to the Partnership OPB and SLT Corporate Score Card.
- Monthly Review of NNDR position against the NNDR1
- Annual Review of the Council Tax base.

The Sub-committee was advised to consider making a recommendation to Cabinet in relation to reporting updates on the forecast outturn for Council Tax and Business Rates on a bi-annual basis as part of the Financial Monitoring Report.

It was **AGREED** that the following recommendation be agreed and submitted to Cabinet:

That as part of the Financial Monitoring report to Cabinet for the September position and the outturn position, an update is included on the forecast outturn for Council Tax and Business Rates.

Signed by: _____

Date: _____

Cllr A McMullen, Chair of the Finance Sub-committee

22 February 2017