

regarding child protection matters in respect of taxi operators providing home to school transport.

The Directors confirmed that these matters would be brought to the Committee for consideration at its meeting on 6 June 2017.

Action: Reports to be provided to the Committee in June on the two matters referred from the Audit and Risk Assurance Committee.

8. FINANCE

8.1 2016/17 PROVISIONAL OUTTURN - RECURRENT

In a presentation, Miss Bill provided an overview of the DE allocation at the start of the 2016/17 financial year, the anticipated funding gap (£59.5m) and the DE approach - reallocations (£25.1m) and budget reductions (£35.5m).

Miss Bill said the final 2016/17 Block Grant budget of £498.1m was after a £22m cash reduction. She outlined the cost drivers during the year; pay and price increases, changes in National Insurance contributions, increasing school deficits, increases in demand for special educational needs and free school meals. She said that, when faced with a potential funding gap of between £40m - £50m in the Block Grant, the Board had agreed a financial strategy comprising savings and bids. This had included a range of innovative measures and one off savings with over 70% rated as amber / red on a traffic lights system in terms of deliverability. Miss Bill outlined the developments in savings including the development of further measures as risk in the August savings had begun to crystallise. Savings measures had included bearing down on all costs, monitoring schools' spending, progressing actions in respect of savings including PPP / PFI and year end processes.

Miss Bill said that the February MEMR, prepared on 15 March 2017, had reported a recurrent outturn shortfall of £23.240m. This comprised an estimated overspend of £7.773m in the Block Grant, an estimated pressure of £4.222m in the Aggregated Schools' Budget and an estimated pressure of £11.176m in the Earmarked budget after the application of £31m of estimated savings. She advised that the pressure within the Earmarked budget was expected to reduce by £8.5m as DE had indicated that it would meet the costs associated with the voluntary exit scheme. This would therefore reduce the estimated overspend to £14.740m.

Miss Bill provided an overview of the initial provisional outturn figures. Based on the information and assumptions available, the overall DE recurrent budget was projecting an overspend of 1.3% (£19.279m), of which 3.2% related to the Block Grant, 0.2% related to the Aggregated Schools' Budget, and 2.7% related to the Earmarked budget. The projected outturn position for DE Youth was an underspend of 2.1% (£716k).

Miss Bill drew attention to the higher than forecast outturn position of the Aggregated Schools' Budget, school deficits, significant movements from the previous year, the updated position on savings, the voluntary exit scheme, and the more appropriate use of capital. She also reported on improving financial processes and the extension of stock counts into schools. She outlined the key pressure areas in respect of SEN, Transport, FSM and school deficits.

Members acknowledged the significant challenges with regard to increasing demands within the special education budget and rising school deficits. They considered that the unanticipated school spend in recent months was a key factor in contributing to the overall budgetary pressure at centre. Miss Bill said that school deficits had risen in 2016/17 from £5m to £12m and that, overall, schools had exceeded CFF allocations.

The Committee noted that the overall DE recurrent budget was projecting an overspend of £19.279m.

Miss Bill outlined the amounts which EA had submitted for consideration in January monitoring. This covered £29.4m in total with £15m related to areas in the Block Grant and £5m for surplus drawdown. She provided a report on the DE bids.

The Committee highlighted that the bid submitted to DE in January monitoring for pressures amounting to £29.4m had not been taken forward by DE in full. The Committee considered that had the outstanding bids been taken forward by DE in January monitoring and been successful, the recurrent outturn position would be projecting a slight underspend (0.6%).

It was pointed out that the NIAO representative, at the Audit and Risk Assurance Committee held on 11 April 2017, had indicated that the NIAO would qualify Departmental Resource Accounts where overspends occurred even if these were as a consequence of unapproved bids due to the collapse of the NI Assembly.

Miss Bill said that DE had discussed the underspend and had asked for options to reduce. She said she was engaging with DE on this and on a previous savings option for the treatment of deficits as advances. However, this was complex and unlikely to be resolved in time. She said that a further review of accruals was still to be completed.

(Ms O'Connor left the meeting temporarily at 2.28 pm and re-entered at 2.29 pm.)

Members considered that a communications strategy to inform schools of the serious budgetary pressures facing the Education sector was necessary, including the consequences of decisions taken at school level. Members discussed governance in schools, particularly financial management and the respective roles and responsibilities of a Board of Governors and the Principal. They also highlighted the need for officers to discuss with DE appropriate sanctions in cases where a school's spend was not compliant with DE's prescribed financial targets.

The Committee agreed to recommend that a letter should issue to Boards of Governors which would set out clearly the financial context and the roles and responsibilities of a Board of Governors and the Principal with regard to financial propriety. The letter would also provide a link to information placed on the EA website on the legal responsibilities of a Board of Governors.

Mr Boyd said that officers would engage with DE on sanctions which could be imposed on Boards of Governors where schools were not compliant with DE's prescribed financial targets. The issue of treatment of surpluses and deficits would also be discussed with DE.

A Member commented that the school inspection framework did not take account of financial management in a school.

A Member referred to the Action Plan developed by the Working Group on School Surpluses and Deficits and queried its progress. Miss Bill confirmed that all actions due for completion in the current year were being progressed. The matter relating to school bursars would take longer as would the issue of delegating spend to schools.

The Committee considered the range of structural matters impacting the future financial position of the EA and the need for a transformation programme with appropriate funding.

The Chair of the Board advised that she was meeting the Permanent Secretary later in the week and would discuss Members' concerns at that meeting.

The Chair expressed his appreciation to DE officials on the recent structural engagement with EA officers. He advised Members that the Committee, at its next meeting, would give consideration to the transformation programme.

Mr Boyd referred to the composition of the EA Board, nominated by all the major stakeholders in Education, and urged Members to support work as it progressed in developing a transformation programme.

***Actions:** Letter to issue to Boards of Governors which would set out clearly the financial context and the roles and responsibilities of a Board of Governors and the Principal with regard to financial propriety; letter to provide a link to information placed on the EA website on the legal responsibilities of a Board of Governors; officers to engage with DE on sanctions which could be imposed on Boards of Governors where schools are not compliant with DE's prescribed financial targets. The treatment of surpluses and deficits also to be discussed with DE.*

8.2 2016/17 PROVISIONAL OUTTURN - CAPITAL

Miss Bill reported that, as at 31 March 2017, the overall DE capital budget was projecting an underspend of £60k out of a total budget of £92.556m.

The Committee commended officers on a balanced budget.

Miss Bill outlined potential overspend in AME amounting to £6.2m based on the figures currently available. She advised that the main change on the previous year had been a significant downward decline in asset indices (as provided by Land and Property Services) as a result of Brexit which was outside the control or influence of the EA. It was noted that all other areas tended to have fluctuations from year to year.

Members were reminded of a new provision to address an issue raised within the Extended Schools' Programme. Miss Bill said that she was engaging with Land and Property Services on movements in valuations and with DE on the financial implications of AME.

A Member suggested that the EA should write to DE on this matter highlighting the impact of Brexit.

8.3 2016/17 STATEMENT OF LOSSES

This report would be considered by the Committee at its June meeting.

9. BUDGET 2017/18

A Board Member budget workshop had been held on 27 April 2017 to discuss DE's letter of 15 March 2017 on financial planning assumptions for 2017/18. At the workshop, Board Members had considered all estimated financial pressures in the context of the EA's statutory, legal, contractual and policy duties and increasing demand and had concluded that it would not be possible for the EA to address the potential budget reductions to its Block Grant in 2017/18 for various reasons. Taking into account the serious and immediate budgetary pressures facing the Education sector, Members had considered that, in order to ensure the effective and efficient delivery of appropriate services to pupils in a network of sustainable schools, a programme of transformation was necessary over a period of 3-5 years. Such a programme would require transitional funding and resources to enable the EA to work through change in a measured way whilst maintaining services to children and young people and financial support to enable day to day services to be delivered in the interim.

Miss Bill said that she had met DE's Director of Finance on 28 April 2017 to discuss the paper and transformation matters. She advised that Board Members would be kept informed of developments in this area.

10. HUMAN RESOURCES

10.1 REVIEW OF JOINT NEGOTIATING COUNCIL (JNC)

Mr McGreevy said that both Management Side and Trade Union Side had agreed in principle to changes to the existing JNC Constitution and Rules of Procedure. In presenting the paper* (FGP/5/17/8.1) which set out the proposed enduring structure of the JNC, Mr McGreevy drew particular attention to new provisions within the framework.

The Committee noted that the JNC Constitution and Rules of Procedure would be amended to reflect the agreed changes and once fully implemented, the JNC arrangements would be reviewed within one year to ensure they were operating efficiently and effectively.

10.2 CRUMLIN INTEGRATED COLLEGE

Mrs Duffield outlined the nature of this issue. She advised that a report would be presented to the Committee at its June meeting on this matter.

11. OPERATIONS AND ESTATES SERVICES

11.1 TENDERS

On the proposal of Ms O'Connor, seconded by Mr Pollock, it was agreed to discuss the tender report in committee.

The Committee considered the tender report* (FGP/5/17/9.1).

On the proposal of Mr Pollock, seconded by Ms O'Connor, it was agreed to resume the meeting.

While in committee, the following tenders had been approved on the proposal of Rev Herron, seconded by Mr Doran:

- Goods and Services: T70209; T70228; T70270.

11.2 CONTRACT DOCUMENTS

The Committee noted the paper* (FGP/5/17/9.2) containing information in respect of contracts signed and sealed.

11.3 LAND AND PROPERTY TRANSACTIONS

Granting / Renewal of Leases: Ballymoney Music Workshop – Dalriada Voluntary Grammar School; Walker Memorial Primary School; Stewartstown Primary School; Sughnacloy College.

Wayleave Agreements: Silverstream Primary School; Clounagh Centre / Clounagh Junior High School; Killicomaine Junior High School; Walker Memorial Primary School; Stewartstown Primary School; Aughnacloy College.

Asset Disposal: former Collone Primary School (plot of land to rear of former teacher's residence).

Granting / Renewal of Licence Agreements: Lurgan Junior High School; Craigavon Senior High School (Portadown Campus); Rosetta Primary School; Clandeboye Primary School.

Acquisitions: King's Park Primary School (adjacent property).

Ms Long detailed the recommendations set out in the report* (FGP/5/17/9.3).

The Chair of the Board referred to the proposal in respect of a private organisation renting accommodation at Rosetta Primary School. She queried whether the arrangement involved a rental or lease agreement. Ms Long undertook to respond to this query at the Committee's next meeting.

A Member queried the health and safety considerations given to the proposed sustainable urban drainage system at Clandeboye Primary School. Ms Long said that EA health and safety officers had raised concerns with NI Water over the proposed design. In order to address these concerns, NI Water had commissioned a report with input from the Royal Society for the Prevention of Accidents. This report had highlighted actions to mitigate the risks which included the provision of fencing and gates to control access, regular maintenance of the pond and completion of risk assessments by the school.

On the proposal of Mr Pollock, seconded by Ms O'Connor, the Committee agreed to recommend that the Board should progress all the transactions as set out in the report.

Action: *Provide clarity on the terminology of the agreement to be entered into with the private organisation at Rosetta Primary School.*

12. DATE OF NEXT MEETING

The next meeting would be held on 6 June 2017.

The meeting ended at 3.25 pm.

Chair

Date

* Paper circulated