

7.2 PERMANENT SECRETARY'S LETTER DATED 4 MAY 2018 - DE INTERNAL AUDIT RECOMMENDATION RELATING TO SCHOOLS WITH DEFICITS

The Chair said that the Board, at its meeting on 31 May 2018, had tasked the Finance and General Purposes Committee to put in place a procedure whereby the Committee, or a sub-committee of the Committee, could examine action plans drawn up by the executive and Boards of Governors to address school deficits. It was noted that a report on this matter would be presented to the Committee in due course.

The Chair of the Board said that, at the GAR meeting held earlier in the day, DE officials had expressed interest in schools which had accumulated significant surpluses.

Mr Boyd referred to the approach being taken in the current year in respect of schools' budgets. Officers were prioritising engagement with schools to process as many school plans as possible by the end of June 2018. This exercise would seek to establish the scale of financial challenge across schools. It was noted that, to date, LMS officers had held individual meetings with 446 schools to discuss school plans, arrangements were in place to meet a further 487 schools, and contact was still required with 150 schools. Approximately 24 schools to date had indicated that they did not require support in this area and 34 schools had been supported by telephone. Miss Bill said that officers in the Education Directorate were supporting Finance officers in this exercise. DE would be updated on the schools' position at the end of June.

Miss Bill provided a report on the positive impact of school stock counts in 2017/18. She said that officers continued to encourage further schools to undertake stock counts in 2018/19 to further enhance financial planning.

Mr Boyd said that an update on the schools' position would be provided to the Board at its meeting on 9 August 2018. The Chair said that a report on schools' surpluses and deficits should also be provided to the Committee at its September meeting. He commended officers for their work in supporting schools.

Action: *Report on schools' financial position to be provided to the Board at its meeting on 9 August and to the Committee at its meeting on 4 September.*

8. FINANCE

8.1 PROVISIONAL OUTTURN 2017/18

Miss Bill presented the report* (FGP/6/18/6.1) setting out EA's approach to its financial strategy for 2017/18 and the provisional outturn for recurrent, capital and Annually Managed Expenditure (AME). She outlined the position regarding school stock counts. Once these were finalised, schools' financial plans would be updated.

Miss Bill said that the imminent receipt of an additional Earmarked allocation from DE would reduce EA's overspend to £17.85m (representing less than 1%). She outlined the main reasons for the overspend. These included pressures within special educational needs including transport (£12.9m), the Apprenticeship Levy (£5.4m) which was a new statutory requirement, decline in music and book stock (£0.6m), free school meals and the loss of income due to school closures as a result of adverse weather (£2.6m). Miss Bill referred to other smaller easements including an underspend of £1m on Voluntary Grammar / Grant Maintained Integrated Schools (VG / GMI) excepted items.

Miss Bill said that the final EA Block Grant allocation was only sufficient to meet 2016/17 costs rolling forward into 2017/18. The budget was not sufficient to meet the impact of unavoidable demands for policy, statute and contract based services, reduction in the

spending power of budgets, declines in schools' finances, and new unavoidable costs such as the Apprenticeship Levy. She said that some areas funded from the Block Grant were increasing at above inflation rates, for example SEN statements including SEN related transport had increased by over 4%.

Miss Bill said that the ongoing decline in schools' financial positions had been impacted by broadly cash flat allocations. At the end of the financial year, the number of schools in deficit had increased from 314 to 396 and the number of schools in surplus had fallen from 712 to 622. School deficits had increased by £4m from 2016/17 and had reached their highest single in-year increase of £15.6m, even after allowing for the impact of stock. Schools had exceeded their initial allocations by £22.5m, after stock, £6.9m for surplus drawdown and £15.6m for increasing deficits. She pointed out that the overall figure had been reduced by £2.9m as a result of contingency funding allocated to schools.

Miss Bill said that £29.8m savings (estimated) had been achieved in 2017/18. This figure included £15m for one off savings. Around 70% of savings had been rated as amber and above on a RAG rating for deliverability. It was noted that savings had been delivered as a result of service reviews, reducing contract spend in C2k, the voluntary exit scheme, and introducing stock for the first time into schools.

Miss Bill reported that the provisional outturn for capital was an underspend of £118k (representing a variance of 0.17%).

Miss Bill reported that the provisional outturn for AME was an underspend of £77m (representing a variance of 31%). She outlined the process to revalue the education estate every five years using indices provided by LPS. An underspend had arisen in the current year due to this major revaluation exercise. EA forecasts had used historical trends from similar LPS valuations in March 2013 and March 2008 where significant impairments had been realised.

Miss Bill referred to the communications strategy which was being developed on EA's financial position. This strategy had been discussed at the GAR meeting held earlier in the day.

Members commented on the number of concerns reported to them at the present time from principals in respect of the scale of financial challenges in schools.

Mr Boyd said that transformation was necessary to address structural issues. DE's Transformation Programme Board had been established and would give consideration to a programme of delivery.

The Chair of the Board referred to an uplift provided to schools in England to meet inflationary costs. It was agreed that information on relevant funding mechanisms would be provided to the Committee.

The Committee noted the provisional outturn figures and the basis for the £17.85m overspend against DE schools. It noted the position was within the minimum and maximum estimated funding gap which was the basis of EA's forecasts and took account of variables such as SEN including transport. It also noted that EA had met the full cost of the Apprenticeship Levy, increasing school deficits and unavoidable costs experienced with adverse weather.

Action: *Information on relevant funding mechanisms to be provided to the Committee.*

8.2 ANNUAL REPORT AND ACCOUNTS 2017/18

The Audit and Risk Assurance Committee (ARAC) had considered the Annual Report and Accounts at its meeting on 30 May 2018 and had agreed to submit the document to NIAO and DE on 1 June 2017 in accordance with the timeframe. Miss Bill said that ARAC had noted that the Financial Statements would be updated to reflect final outturn figures. It had also noted that the Governance Statement was being revised following suggested amendments from DE. In addition, Miss Bill said that ARAC had requested officers to review the Performance Report to give sharper focus to EA's key performance outcomes.

Miss Bill said that EA's Financial Statements for 2016/17 had not been qualified. Instead, the Comptroller and Auditor General (C&AG) had issued a public interest report on EA's overspend which reflected many of the structural issues faced in the sector. It was noted that the C&AG would again give consideration to EA's overspend for 2017/18.

Miss Bill said that a presentation on the final position of the Financial Statements would be provided to Members in September.

The Committee noted the Annual Report and Accounts for 2017/18* (FGP/6/18/6.2) and the summary paper*.

Action: *Presentation on the final position of the Financial Statements to be provided to the Committee in September.*

8.3 INITIAL CAPITAL ALLOCATION 2018/19

The Committee noted the paper* (FGP/6/18/6.3) which set out the initial capital allocation for schools and youth totalling £55.47m. This was a preliminary allocation that could be reduced or increased and would be updated as part of the capital monthly monitoring cycle. The breakdown of the total capital allocation across the various budget areas was noted.

Particular focus was given to budget allocations for ICT Corporate Services which included provision for replacement Financial / Human Resources / Payroll systems. The Chair queried the allocation for C2K. Miss Bill said that the ongoing current C2K contract was funded from recurrent spend. EA had realised approximately £8.5m savings in this area. The provision of £1.7m, as set out in the paper, would support the approach to buy the C2K equipment outright. The use of any further allocations received for ICT equipment would be considered in year.

Reports on spend against the preliminary provisional capital budget would be presented to the Committee on a monthly basis.

8.4 INITIAL CASH ALLOCATION 2018/19

The Committee noted the paper* (FGP/6/18/6.4) which set out EA's indicative cash allocation of £1,145m for the period 1 April 2018 to 31 March 2019. This amount included a cash allocation of £266m for VG / GMI schools.

It was noted that the funding for 2018/19 was a flat allocation based on the 2017/18 year with no allowance for pay or price inflation, funding to meet financial pressures, and an identified estimated pressure of approximately £4m on the finances of VG / GMI schools.

The Committee noted that EA would continue to monitor and review the actual cash drawdown and requirements and would keep DE informed of any variances in spend.

8.5 PROFESSIONAL QUALIFICATIONS OF FINANCE AND AUDIT STAFF

The Committee noted the report* (FGP/6/18/6.5) setting out the professional qualifications of staff employed in the Finance Directorate and Internal Audit.

Miss Bill said that the information collated would be used to inform a training and development strategy within EA. A Member received clarification on current arrangements to support officers to attain professional qualifications.

9 OPERATIONS AND ESTATES

9.1 EA BUSINESS PLAN 2018/19

Ms Long presented the draft Business Plan for 2018/19* (FGP/6/18/7.1). She advised that the Business Plan already reflected DE's comments.

A Member queried if the Business Plan was also shared with EA's education partners for comment. Ms Long advised that the purpose of the document was to outline EA's operational objectives for the year. Further detailed information on operational activities was contained within each Directorate Business Plan.

A Member queried the arrangements around the objective to enhance EA's Integrated Governance and Accountability Framework. Ms Long said that this related to enhancing arrangements through which EA's performance would be measured and reported to DE.

On the proposal of Mr Pollock, seconded by Ms O'Connor, the Committee agreed to recommend the adoption of the draft Business Plan for 2018/19. The Business Plan would be presented to the Board, at its meeting on 28 June 2018, for approval.

9.2 CENTRE OF PROCUREMENT EXPERTISE (CoPE) RE-ACCREDITATION PROCESS

The Committee noted the report* (FGP/6/18/7.2) setting out the findings of the independent internal review carried out in 2017, the establishment of an oversight group to monitor progress against a programme of work, and the outcome of the CoPE accreditation process held in March 2018.

Ms Long advised that the oversight group continued to meet and progress work to address identified issues. Through this group, assurance was being given to DE of EA's continued effective application of procurement policy, best practice guidance and compliance with NI Public Procurement Policy.

The Committee noted the options available to the Procurement Board in respect of considering EA's future CoPE status. It also noted that EA continued to take forward the programme of change with appropriate governance provided by DE.

9.3 VACANT PROPERTIES

Ms Long presented a paper* (FGP/6/18/7.3) detailing properties that had been disposed of in 2017/18 and properties that were being actively pursued for disposal at the current time. The paper also set out properties that were under consideration for future educational use and where the disposal process had yet to commence for the reasons identified in the paper.

In response to a Member's query, Ms Long advised that officers were engaging with DE on the proportion of receipts that could be made available to EA from disposal of property. The Member also queried arrangements to lease properties. Ms Long said that if the requirements of the lessee were compatible with the needs of the education sector,

a property could be leased. Otherwise, EA would seek to actively dispose of a vacant property in line with current guidance from LPS's Central Advisory Unit.

The Committee welcomed progress in disposing of vacant properties within the EA estate in 2017/18.

9.4 APPEALING FOR TRANSPORT ON THE GROUNDS OF EXCEPTIONAL CIRCUMSTANCES

Ms Long said that EA had discretion to provide transport assistance on the grounds of exceptional circumstances as outlined in DE's Circular 1996/41 - School Transport (18 September 2009). She presented a paper* (FGP/6/18/7.4) which set out the scope for establishing a consistent process to consider applications for transport on the grounds of exceptional circumstances and an appeals mechanism.

While it was acknowledged that it was not possible to provide an exhaustive list of circumstances which EA considered to be exceptional, a Member commented on a process which set precedents.

On the proposal of Sir Gerry Loughran, seconded by Mr Doran, the Committee agreed to recommend the process to consider applications for transport on the grounds of exceptional circumstances, as set out in the paper, subject to the process giving regard to precedents.

A Member queried the approach being taken across the region in respect of payments to parents in lieu of bus passes. Ms Long advised that a report on harmonising payments to parents would be presented to the Committee for consideration in due course.

***Action:** Process to consider applications for transport on the grounds of exceptional circumstances agreed subject to the process giving regard to precedents.*

9.5 MINOR CAPITAL WORK PROJECTS - UPDATE

Ms Long said that in June 2017 a new call for expressions of interest in minor capital works had been issued to all schools for the two year period 2018/19 to 2019/20. This call had been issued jointly by EA, on behalf of controlled schools, and DE, on behalf of maintained, VG and GMI schools, to ensure uniformity of treatment across the sectors. Schools had been advised that, due to budget constraints, only those applications meeting the most recent Ministerial priorities would be considered and prioritised.

Ms Long said that over 6,500 minor works applications had been received and reviewed within the ranking process. Plans were in place to advance approximately 500 projects in line with the Minor / Other Capital allocation of £25m received from DE on 16 May 2018.

The Committee noted the progress report* (FGP/6/18/7.5).

9.6 SCHOOL ENHANCEMENT PROGRAMME - SECOND CALL

Ms Long said that on 8 May 2018 the Permanent Secretary had announced that 25 schools had been successful in the second call. EA was now commencing work on business cases, design and planning for the successful 7 special and 5 mainstream controlled schools.

The Committee noted the report* (FGP/6/18/7.6).

9.7 STRATEGIC REVIEW AND RENEWAL / EXTENSION OF TERM SERVICE CONTRACTS

Ms Long presented a paper* (FGP/6/18/7.7) setting out the rationale for a strategic review of the current governance, procurement and delivery arrangements for Maintenance services in schools. She advised that a Project Board was being established to take forward the review, comprising representation from DE and schools, and would give oversight to an internal steering group comprising senior EA officers.

The level of dissatisfaction within schools in respect of the current arrangements to deliver Maintenance works was acknowledged. A Member queried the timeframe to complete the review. Ms Long said that focused engagement with schools would commence in the Autumn. The review would consider lessons learned as well alternative delivery models used within Northern Ireland and within other jurisdictions. Members welcomed the framework which would allow for extensive engagement with principals.

Ms Long said that, in order to provide continuity of Maintenance services to schools prior to the out-workings of the review, it was recommended that the existing Term Service Contracts should be renewed and extended as detailed in the paper.

On the proposal of Mr Pollock, seconded by Ms O'Connor, the Committee agreed to recommend the renewal and extension of the 24 Term Service Contracts in accordance with the terms as set out in the paper.

9.8 NON-OPERATION OF SERVICES

Ms Long presented a paper* (FGP/6/18/7.8) setting out progress to date to bring consistency to legacy arrangements relating to non-operational days arising from bank holidays, and the transfer of responsibility to the Education Directorate to approve school holiday closures and closures for optional days.

The Committee noted progress to establish a set of consistent non-operational dates for Transport and Catering Services for the academic year 2019/20.

9.9 REPORT ON PLASTICS

Ms Long said that all schools and EA sites had recycling bins to collect plastics. She also advised that all schools in NI were registered on the Eco-Schools programme. This programme was currently giving focus to reducing the use of plastics by removing plastic straws from school milk. She said that EA Procurement would shortly commence work with schools to determine their use of plastics, the associated costs, and potential areas for improvement.

A Member welcomed this partnership approach with schools. He considered that a communications strategy should be devised to address the use of plastics in schools.

Ms Long said that sustainable considerations were embedded into EA's procurement strategy. It was intended that the use of plastic in schools would be brought to the next meeting of the Public Procurement Group in order to agree a collaborative way forward within procurement CoPEs.

The Committee noted the report* (FGP/6/18/7.9).

9.10 TENDERS

The Committee considered Tender reports* (FGP/6/18/7.10.1 and 7.10.2).

On the proposal of Ms O'Connor, seconded by Mr Doran, the Committee approved the following tenders:

- Controlled Sector Construction Works - CfT 1343159 EANI 1178; and CfT 1503667 EANI 1259.
- Goods and Services (above threshold) - 70340; 70377; 70401; 70420; and 70444.

The following tenders were noted:

- Controlled Sector Construction Works (within approved delegated limits) - CfT 1375846 EANI 1194; CfT 1432138 EANI 1216; CfT 1535886 EAI 1275; and CfT 1252540 EANI 1094.
- Goods and Services (select tenders) - 70449.

9.11 CONTRACT DOCUMENT

The Committee noted the paper* (FGP/6/18/7.11) containing information on contracts which had been signed and sealed.

9.12 LAND AND PROPERTY TRANSACTIONS

Licence Agreements: Darkley Primary School; Down High School; Macosquin Primary School, Coleraine

Lease Agreement: the former Cullycapple Primary School, Aghadowey; former Vere Foster Primary School site

Wayleave Agreement: Academy Primary School, Saintfield

Memorandum of Understanding: Ballycastle High School

Ms Long detailed the recommendations set out in the report* (FGP/6/18/7.11).

A Member referred to the recommendation relating to the lease agreement for the former Vere Foster site and queried whether EA could stipulate, within the terms of that lease, provision for play facilities for disabled children. Ms Long said that Councils would be required to establish play parks in line with regulations which would give regard to disabilities. She undertook to ensure however that this stipulation was noted in the negotiations with the Council.

10. HUMAN RESOURCES

10.1 MANAGING SICKNESS ABSENCE

Mr McGreevy presented a paper* (FGP/6/18/8.1) providing information on absence levels in EA, issues around limitations to manage absence, and an action plan to more effectively manage the health and wellbeing of employees and reduce sickness absence.

In a presentation*, Mr McGreevy advised that the infrastructure of the HR / Payroll system was not equipped to provide management with absence data in the format required. Following a CIPD survey, he said that the most effective approaches to managing sickness absence were return to work interviews, trigger mechanisms for absence and provision of sickness information to line managers, training and equipping line managers to manage absenteeism, and invoking of disciplinary procedures. Mr McGreevy said more work was required to equip managers to undertake these responsibilities and to hold them to account where sickness absence was not being managed effectively.

Mr McMullan left the meeting at 3.50 pm and re-entered at 3.51 pm.

The Committee noted a benchmarking table* for principal and vice principal sickness absence rates against the total teaching workforce in the controlled sector in NI, the total teaching workforce in the NI education sector, support staff in EA, the NI Civil Service and the public sector. The Committee also noted absence figures for particular categories of staff. Mr McGreevy said that HR was developing a Health and Wellbeing team to give greater focus to policy and strategy development, training and the development of toolkits to guide and support managers, health promotion, and supports with regard to complex disability related cases. He drew attention to targeted work within the CYPS and Operations and Estates Directorates to address sickness absence. Support would also be prioritised to schools where the highest levels of sickness absence had been identified.

Mr Pollock left the meeting at 3.59 pm and Mr McMullan left at 4.00 pm.

Mr McGreevy said that it was anticipated that better management information on absence would be made available to managers through ICT systems from September onwards.

Members commented that the analysis provided in the papers was useful. A Member referred to the high levels of sickness absence in schools. He requested that further information be presented to the Committee on strategies to effectively manage sickness absence and reduce costs in schools.

Mr McGreevy advised that, during recent school engagement sessions, principals had raised concerns on high levels of workload and their health and wellbeing generally. He said that Mr Collings was chairing a working group, comprising employer and teaching union representatives, which sought to address various issues in schools including workload and accountability.

Action: *Report on strategies to address sickness absence in schools to be presented to the Committee in the Autumn.*

10.2 JOINT DECLARATION OF PROTECTION FOR DIGNITY AT WORK AND INCLUSIVE WORKING ENVIRONMENT, EQUAL OPPORTUNITIES POLICY AND DIGNITY AT WORK POLICY

Mr McDermott presented the signed Joint Declaration of Protection* (FGP/6/18/8.2) which declared that everyone had the right to equality of opportunity in employment and the right to work in a harmonious and inclusive environment.

Mr McDermott said that the Model Workplace Policy* (FGP/6/18/8.2.1), which accompanied the Declaration, reaffirmed EA's legal obligations around equality and anti-discrimination in the workplace. The Declaration and the Model Workplace Policy had been endorsed by the Labour Relations Agency and the Equality Commission.

Mr McDermott advised that the Equal Opportunities Policy* (FGP/6/18/8.2.2) set out EA's commitment to promote equality of opportunity, fair participation and good relations and aligned to EA's Dignity at Work Policy* (FGP/6/18/8.2.3). He said that the Corporate Dignity at Work Policy had been approved by the Board in October 2017. This policy had been adapted to set out the framework of guidance for school based staff.

On the proposal of Rev Herron, seconded by Ms O'Connor, the Committee agreed to recommend the adoption of the Model Workplace Policy, the Equal Opportunities Policy, and the Dignity at Work Policy for non-teaching staff in schools.

10.3 RURAL NEEDS POLICY

Mr McDermott presented the draft Rural Needs Policy* (FGP/6/18/8.3) which set out the aims of the policy, the screening procedure and arrangements to publish screening reports, and the roles and responsibilities of Board Members and staff.

On the proposal of Sir Gerry Loughran, seconded by Ms O'Connor, the Committee agreed to recommend the adoption of the Rural Needs Policy.

10.4 INEQUALITIES WORKING GROUP - NOTE OF MEETING HELD ON 1 MAY 2018

Mr McDermott said that Members were welcome to engage with the Equality Unit on any aspect of its Business Plan for 2018/19. A copy of the Business Plan would be made available to Members.

On the proposal of Ms O'Connor, seconded by Mr Doran, the Committee approved the note of the meeting held on 1 May 2018.

Action: *A copy of the Equality Unit's Business Plan for 2018/19 to be made available to Members.*

10.5 CLAIMS AND LEGAL EXPENSES 2017/18

Mr O'Rawe said that the Claims and Insurance Unit was primarily responsible for the management and handling of public liability and employer's liability personal injury claims brought against EA in respect of all controlled and maintained schools. The Unit also dealt with claims relating to damage to vehicles and property. He said that, in order to provide greater assurance in terms of overall risk and governance, Health and Safety Officers were working with the Claims and Insurance Unit to identify the highest prevalence of claims and the best means of addressing such matters.

Members noted that EA fulfilled a self-insuring role for all controlled and maintained schools and that arrangements for self-insurance did not apply to VG and GMI schools.

A Member queried the process for settlement of cases. Mr O'Rawe outlined the terms of the Financial Management which enabled the Chief Executive to settle cases.

The Committee noted the report* (FGP/6/18/8.6) giving an overview of the type, volume and value of claims against EA in 2015/16, 2016/17 and 2017/18.

11 DATE OF NEXT MEETING

The next meeting would be held on 4 September 2018.

The meeting ended at 4.25 pm.

Chair

Date

* Paper circulated ** Paper tabled