

**MINUTES OF PROCEEDINGS OF THE FINANCE AND GENERAL PURPOSES COMMITTEE OF THE EDUCATION AUTHORITY HELD ON 5 MARCH 2019 AT 2.00 PM IN ANTRIM**

**1. PRESENT**

Mrs P Carville	Sir Gerry Loughran
Mr J Craig	Mr N McCausland
Mr G Doran	Ms S O'Connor
Rev R Herron	Mr R Pollock

**2. IN ATTENDANCE**

Ms S Long, Mrs C Duffield, Mr D Hanna, Mrs K Scott, Mr S Wade, Mrs S McCartan, Mr R Sayers, and Ms L McCall.

**3. ACTING CHAIR**

On the proposal of Mrs Carville, seconded by Rev Herron, Mr G Doran was elected Chair for the meeting.

**4. APOLOGIES**

Apologies had been received from Mrs M Culbert and Dr I McMorris.

**5. DECLARATIONS OF INTEREST**

The Chair reminded Members of the requirement to declare interests during the course of the meeting.

Mrs Carville declared an interest in agenda item 8.4 (emergency funding for Voluntary Grammar and Grant Maintained Integrated Schools).

**6. MINUTES OF MEETING HELD ON 5 FEBRUARY 2019**

A Member referred to a point of accuracy within the minute relating to the post consultation report on the Equality Action Plan 2019-22 and the Disability Action Plan 2019-22.

Subject to this amendment, the Committee agreed the minutes\* (FGP/3/19/4) of the meeting held on 5 February 2019 on the proposal of Mr Craig and seconded by Mr McCausland.

**7. MATTERS ARISING FROM THE MINUTES**

**7.1 ORGANISATIONAL DEVELOPMENT AND LEARNING STRATEGY (11.1)**

The Committee noted that a workshop on the draft Organisational Development and Learning Strategy would be held on 2 April 2019.

**7.2 EQUALITY ACTION PLAN AND DISABILITY ACTION PLAN - POST CONSULTATION REPORT (11.2)**

Mrs Duffield said that the information requested had been forwarded to the Member. She also said that she had contacted the Council for Catholic Maintained Schools to ascertain its position with regard to joining the Diversity Champions Programme. She reported that CCMS had been interested to hear about EA's work in this area and would be giving consideration to this matter at its next Council meeting.

The Member said that the document he had received had made reference to a number of attachments. However, the information in these attachments had been redacted. While redaction was necessary when releasing personal or sensitive information, he queried the need for a range of information to be redacted which made it impossible for him to understand the document. He said he had raised further queries with the Chief Executive and was awaiting a response.

**Action:** Ms Long to follow up on the Member's comments.

*Mr Pollock entered the meeting at 2.10 pm.*

## **8. CHAIR'S BUSINESS**

### **8.1 RETIREMENT OF CHIEF EXECUTIVE**

The Chair paid tribute to Mr Boyd for his support to the work of the Committee and extended the Committee's best wishes to him in his retirement.

### **8.2 END OF BOARD TERM**

The Chair thanked all Members for their support to the work of the Committee and to the work of the three Directorates. He also paid tribute to Dr McMorris in his role as Chair of the Committee over the past four years.

### **8.3 CONGRATULATIONS**

The Chair congratulated the following officers in their new roles: Mr D Hanna, Acting Director of Operations and Estates, and Mr S Wade, Acting Director of Finance and ICT.

## **9. OPERATIONS AND ESTATES**

### **9.1 MAJOR CAPITAL WORKS - TRACKER REPORT**

Mr Sayers presented the bi-annual tracker report\* (FGP/3/19/7.1) setting out the status of all controlled and non-controlled major capital works (projects with a value greater than £500k). Since the last presentation of the report to Members, a further 16 schools had been included as part of the School Enhancement Programme announcement in January 2019. These schools were at feasibility study stage.

The Committee noted the report.

### **9.2 CONTROLLED CAPITAL PROGRAMMES 2018/19 - YEAR END SUMMARY REPORT**

Mr Sayers presented the report\* (FGP/3/19/7.2) giving an overview of the expected year end position across all controlled sector capital programmes. During the year, EA had progressed:

- 28 projects with a capital value of £18.1m in the Major Works programme;
- 271 projects with a capital value of £19.3m in the Minor Works Programme and various projects with a capital value of £22.2m within Other Capital;
- All but one project announced under the first call for School Enhancement Programme projects to a value of £3.6m; and
- 90 projects with a capital value of £5m in the Youth programme.

The Committee noted the report.

### **9.3 INTERIM ASSET MANAGEMENT PLAN 2017/18**

Mr Sayers presented EA's interim Asset Management Plan\* (FGP/3/19/7.3) which set out the approach to managing the diverse portfolio of assets within the EA estate relating to land and buildings. He said that the portfolio would continue to evolve and would in future years incorporate assets relating to fleet, IT network, and equipment. He advised that EA would continue to work in parallel with DE to contribute to DE's Asset Management Plan.

Mr Sayers responded to Members' queries as follows. EA's Asset Management Plan captured controlled sector assets only. Work continued in conjunction with the Strategic Investment Board to consider refinancing opportunities across school PFI projects. The typical duration of a PFI project was 25 years. In addition, officers continued to work to address challenges around identifying the owners of small land folios.

The Chair of the Board sought an update on spatial mapping. Mr Sayers said that Land and Property Services was carrying out an exercise on spatial mapping. It was intended that, in future, an electronic overview of all portfolios within Northern Ireland would be captured into one comprehensive portfolio. Members acknowledged the considerable benefits of such a portfolio in supporting community planning.

The Committee noted the interim Asset Management Plan.

### **9.4 TENDERS**

The Committee considered tender reports\* (FGP/3/19/7.4.1 and 7.4.2).

On the proposal of Mrs Carville, seconded by Ms O'Connor, the Committee agreed to recommend that the following tenders should be approved:

- Construction Works - Controlled Sector Above Threshold Minor Capital Programme: CfT 1925524 EANI-1512.
- Goods and Services - Above Threshold: BSF-18-010; BSF-18-012; CAT-18-007.

The following tenders were noted:

- Construction Works - Controlled Sector Minor Capital Programme (within approved delegated limits): CfT 1928447 EANI-1514; CfT 1934185 EANI-1520; CfT 1937655 EANI-1524; CfT 1941265 EANI-1525; CfT 1945680 EANI-1531; CfT 1950674 EANI-1536; and CfT 1954225 EANI-1540.
- Goods and Services - Under Threshold: BSF-18-013.
- Goods and Services - Awarded from Collaborative Contract: ID 1032027 - Lot 8 Procurement Law.

### **9.5 CONTRACT DOCUMENT**

The Committee noted the paper\* (FGP/3/19/7.5) containing information on contracts which had been signed and sealed.

### **9.6 LAND AND PROPERTY TRANSACTION RELEASE FROM COVENANT / ACQUISITION OF FREEHOLD - MULLAVILLY PRIMARY SCHOOL, PORTADOWN**

Mr Hanna detailed the recommendation set out in the report\* (FGP/3/19/7.6).

On the proposal of Mrs Carville, seconded by Ms O'Connor, the Committee agreed to recommend that the transaction detailed in the report should be approved.

## 10. FINANCE

### 10.1 2018/19 FINANCIAL POSITION

#### RECURRENT REPORT : TEN MONTHS TO 31 JANUARY 2019

Mrs McCartan presented the financial forecasts based on information available as set out in the paper\* (FGP/3/19/8.2), including the MEMR\* (Appendix 1). The total 2018/19 budget for the Schools' Delegated Budget was £1,171,279m (including £276.72m for Voluntary Grammar and Grant Maintained Integrated schools) with a Block Grant allocation of £637.135m.

Mrs McCartan said the recurrent budget allocation had increased by £31.32m as a result of additional allocations for Earmarked budgets (£17.042m), additional ASB (£0.06m), and the outcome of January monitoring (£14.25m). This also took into account a reduction in the Youth budget (£0.03m).

Mrs McCartan said that the January MEMR showed an overall estimated funding gap of £16.51m (excluding Earmarked and Youth) and an estimated Block Grant funding gap of £12.88m after estimated savings of £14.92m. The estimated funding gap had decreased by £5.68m (£2.13m ASB and £3.546m Block Grant). The estimated Block Grant funding gap had decreased by £3.546m due to additional budget allocations (£14.25m January monitoring and £4.27m LMS reclassification). She referred to a number of other factors impacting on the Block Grant. These related to increasing school deficits (£9.957m estimated pressure), rates (£0.251m estimated pressure), transport (£1.04m estimated pressure), school meals (£0.425m estimated easement), and Voluntary Grammar / Grant Maintained Integrated Schools excepted items (£1.25m new expenditure). It was noted that EA had received additional funding of £1.25m through January monitoring to address cash shortfalls for VG / GMI schools and that the costs associated with the allocation of emergency funding were reflected in the January MEMR. Mrs McCartan said that forecast contingency expenditure was currently estimated at £5.830m which was an increase of £1.952m.

Mrs McCartan said that the January MEMR reflected for the first time schools' projections based on current expenditure trends whereas previous MEMR returns had reflected the profiled position based on schools' financial plans in final and draft format. The January MEMR was showing that, based on current spending patterns, school spend could increase by an estimated £10.5m more than financial plan profiles. She said that this had resulted in an increase in the estimated deficit position from £7.286m in December to an estimated £17.24m, and a decrease in the surplus draw down requirement from £5.76m in December to £3.18m in January. This was after adjusting for increased contingency (£5.8m estimated), reduced LMS capital spend (£0.5m estimated), and stock savings for schools choosing to count and value stock for the first time (£7m estimated).

Mrs McCartan reported that to date 970 (94%) schools plans were in final format and 36 plans were in draft format. Letters had issued to those 36 schools urging submission of a signed financial plan. She provided a brief report on the small number of schools which had not yet submitted a financial plan, including details of a recent meeting with representatives from one school.

The Committee noted Appendix 2\* on Earmarked allocations (total budget £70.433m), which included the receipt of additional Earmarked allocations of £17.042m. While some Earmarked allocations were still awaited, it was anticipated that there would be no overspend in this area once all allocations had been received from DE.

The DE Youth budget was £35.141m. While a pressure of £750k related to VES funding, an allocation was expected. It was noted that Youth expenditure was anticipated to come in on target at year end.

Mrs McCartan said that the January MEMR reflected updated estimated savings of £14.92m. She said that the reduction in the estimated total savings to be delivered by year end of £1m related to actions not proceeding in 2018/19 to deliver rates savings. The estimated RAG rating now showed that 57% of the £14.92m estimated savings were rated amber and above. The Committee noted that an estimated £5.6m savings had been delivered to date in the Block Grant which equated to 38% of the total proposed savings to be delivered in 2018/19.

Mrs McCartan said that, on the basis of the January outturn, total emerging risks were estimated at £4.801m. Should the identified emerging risks crystallise, this could increase the estimated recurrent funding gap to £21.31m. She said that officers continued to engage with DE on the financial position.

The Committee noted that EA continued to manage significant financial risk. Should EA's assessment of the financial impacts of the emerging risks crystallise, EA was unlikely to live within its present budget allocations based on latest information and assumptions.

The Chair of the Board referred to recent correspondence from DE which set out concerns around EA's review of schools' financial plans on the basis of profiled expenditure. She said that as this matter would be discussed at the Governance and Accountability Review meeting on 22 March 2019, she would welcome a position report on the matter for the GAR meeting.

Members discussed the schools' financial planning process. Mrs McCartan said that the process had identified a series of actions that schools needed to take and these actions would be monitored by EA. She drew attention to the use of benchmarks at financial planning meetings with schools to enable greater challenge. Approximately 200 schools were in categories 1a and 1b. She outlined the distinction between schools in categories 1a (schools in deficit over 5% of their CFF allocation (or £75k) and were failing the sustainable schools' criteria on enrolment numbers) and 1b (schools in deficit over 5% of their CFF allocation (or £75k) and were not failing the sustainable schools' criteria on enrolment numbers). She said that, as part of the schools' financial planning process in 2019/20, officers from HR, SDS and Finance would work collaboratively to support schools on wide ranging educational issues early in the financial year. Mrs Scott said that the cross-Directorate approach would enable EA to agree appropriate models of support for schools.

Members noted complexities around the extent of challenge for some of these schools in categories 1a and 1b. They noted that a number of schools in these categories had cash flat budgets, decreasing AWPU's, full enrolment and no opportunity for in year growth. Members said that, given the serious challenges facing schools to present balanced budgets, schools needed to have access to compulsory redundancy arrangements.

A Member referred to the last Ministerial direction given on area planning and he queried the potential impact of this on schools' financial positions. Mrs Scott said that the purpose of area planning was to improve educational outcomes for children and young people. As area planning was not intended to be finance driven, no calculation had been made around projected savings as part of an area planning process.

Mrs Duffield said EA continued to discuss with DE the need for compulsory redundancy arrangements for schools. She drew attention to two funded cost reduction programmes currently in place for schools. The first related to voluntary severance arrangements for schools, which was supported by Finance and HR officers, and the second was the Investing in the Teaching Workforce Scheme which sought to refresh the teaching workforce. She undertook to present a paper to the Committee on the out-workings of the two schemes.

**Action:** *Officers to provide a report to the Chair on the schools' financial planning process for the GAR meeting; and Mrs Duffield to present a paper to the Committee on the out-workings of the two funded cost reduction programmes.*

## **10.2 REPORT ON CONTINGENCY**

Mrs McCartan presented a report\* (FGP/3/19/8.1) which outlined the contingency requirements of the Common Funding Scheme, the allocation of contingency funding since EA's establishment in 2015/16, contingency funding available in 2018/19, and the current estimated requirement.

Mrs McCartan said that, as part of the school engagement events in March 2018, EA had advised schools that contingency funding would be provided to support schools where existing funding mechanisms did not meet the needs of schools for in year growth, agreed development proposals, dual site schools, or other contingency. She said that since EA's establishment, contingency funding amounting to £5.56m had been provided to schools. This included £1.027m for dual sites. She said EA continued to adhere to the principle established by DE in 2015/16 that contingency funding should be provided to schools which were in financial deficit only. She also said EA was required to consider the wider fiscal position when exercising discretion around levels of contingency funding.

Mrs McCartan provided a report on historical contingency funding provided for in year growth. She said that in 2016/17 contingency funding had not been allocated on account of the wider financial position in which EA had been operating. She advised that consideration was now being given to the implications of funding £1.241m in respect of unfunded prior year growth for controlled and maintained schools in 2016/17.

Mrs McCartan said that, following January monitoring, DE had agreed to allocate £5.6m to meet all schools' contingency requirements for 2018/19. This included £4m (estimated) for controlled and maintained schools, and £1.6m (estimated) for VG / GMI schools. Mrs McCartan said that EA would continue to monitor the position and would agree with DE actual amounts to be allocated based on schools' financial positions at year end.

Mrs McCartan said that some schools had queried the methodology around the allocation of dual site funding in 2015/16 and 2016/17. Officers were working to clarify how this funding should be allocated within the framework of the 2018/19 Common Funding Scheme. She also advised that officers were engaging with the schools concerned. She pointed out that EA's initial assessment for dual site schools in 2018/19, based on current contingency arrangements for schools in deficit, was £410k (estimated).

Members welcomed the clarity in the paper. They queried whether the potential developments in respect of contingency funding would regularise the position for schools which had raised challenges around dual site funding. Mrs McCartan said that this was the intention and that officers would be engaging with DE on those developments.

A Member asked for the Committee to receive a report, in due course, on the distribution of contingency funding across sectors and sub-regions. This was agreed.

The Committee noted the paper.

**Action:** *Committee to receive a report, in due course, on the distribution of contingency funding across sectors and sub-regions.*

### **10.3 CAPITAL REPORT : TEN MONTHS TO 31 JANUARY 2019**

Mrs McCartan presented the capital report\* (FGP/3/19/8.3) detailing spend as at 31 January 2019 (£41.103m) within the overall capital allocation (schools and youth) of £77.281m. This spend represented 53.2% of the overall budget. She said that while the report identified invoices paid at 31 January 2019, it did not reflect the value of work completed at that time. Mrs McCartan provided an overview of individual budget lines, advising where pressures and easements had been declared and approved by DE.

Indicative 2019/20 allocations had previously been provided by DE for Controlled Minor Works (£15m), school meals accommodation (£5m), and non-controlled Minor Works managed schemes (£15m). Indicative budgets were still to be received for Major Works, the School Enhancement Programme, and Fresh Start Schemes.

The Committee noted the capital position. It noted that all capital allocations and spend profiles were being carefully monitored and that EA was continuing to take necessary action to live within its overall budget allocation.

### **10.4 EMERGENCY FUNDING - VOLUNTARY GRAMMAR AND GRANT MAINTAINED INTEGRATED (VG / GMI) SCHOOLS**

*Mrs Carville, having declared an interest in this item at the start of the meeting, withdrew from the meeting.*

Mrs McCartan presented a paper\* (FGP/3/19/8.4) giving an overview of the financial health of VG / GMI schools. As reported previously, EA had identified an emerging funding issue crystallising in 2018/19 for a number of VG / GMI schools resulting from cash shortfalls. Mrs McCartan said that EA had received an allocation of £1.3m from January monitoring to address financial viability issues in VG / GMI schools. She drew attention to the proposed funding scheme, including the proposed conditions of grant as set out in the paper, which would enable VG / GMI schools with identified cash shortfalls to have access to emergency funding in 2018/19.

Members queried the conditions of the emergency grant, including the use of claw back. Mrs McCartan explained the rationale for a grant as opposed to a loan. She said that the grant would be clawed back in full or in part where a school had a surplus in excess of the grant, where there was a change in status of the school (eg closure or amalgamation), or where the Board of Governors did not meet the conditions outlined in the proposed funding scheme. The conditions of the emergency grant would apply until all actions had been implemented by the school.

Members discussed the position of the schools listed in the paper, based on available information. They expressed concern that a number of schools were new and amalgamated schools. The Chair of the Board said that this issue would be raised with the Permanent Secretary at the GAR meeting on 22 March 2019.

Members received assurances around the requirements of Boards of Governors with regard to the proposed funding scheme and the engagement that would require to be

undertaken between EA and Boards of Governors. They expected rigour and challenge to be applied to schools which availed of this funding. A Member highlighted that the ultimate sanction was that an area planning solution would be necessary if the school failed to meet the Sustainable Schools' criteria.

*Mr McCausland left the meeting at 3.48 pm and re-entered at 3.49 pm.*

The Chair of the Board drew attention to the importance of engaging with NICIE around the financial position of Integrated primary schools.

On the proposal of Ms O'Connor, seconded by Mr Craig, the Committee agreed to recommend that the Board should approve the funding scheme, including the conditions of the funding scheme, which would enable VG / GMI schools with identified cash shortfalls to have access to emergency funding in the 2018/19 financial year.

A Member said that the Committee should receive a report on the implementation of the funding scheme in due course. This was agreed.

**Action:** *Chair of Board to raise concerns around a number of VG / GMI schools, listed in the paper, at the GAR meeting; and Committee to receive a report on the implementation of the funding scheme in due course.*

## 11. DATE OF NEXT MEETING

The next meeting would be held on 2 April 2019.

The meeting ended at 3.55 pm.

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Chair

\_\_\_\_\_  
Date

\* Paper circulated

\*\* Paper tabled