

MEETING	FINANCE AND GENERAL PURPOSES
DATE	Monday 10 October 2016
VENUE	Ninestiles School
ATTENDEES	Jason Bridges, Martyn Collin, Adrian Davies, Bob Fear, Russell Hardy, Steve Harris, Penny Wagg, Chris Welton, David Werry
IN ATTENDANCE	Hilary Barber, Jessica Bushell, Penny Gavalas, Steve Ralph, Steve Smith

MINUTES

1. Announcement of Chair

It was noted that trustees had not met yet this term so had not agreed the chair for the next 12 months. That being the case, David said he would continue as chair for this meeting and he welcomed all present to the meeting and invited everyone to introduce themselves. He noted that it was the first meeting since Cockshut Hill had formally joined the trust.

2. Election of Vice Chair

Steve Harris accepted a nomination as Vice Chair.

Proposed: **Bob Fear**

Seconded: **David Werry**

The vote was carried unanimously.

3. Attendance and apologies

Apologies were noted from Nadeen Proverbs.

4. Declaration of Business Interests - *All Trustees and councillors are reminded that when receiving this agenda they must consider whether any items for discussion require them to declare a business interest, either personal or of any close family member.*

None were declared.

5. Terms of Reference – re adoption for current year (please see Governance document)

David noted that the committee's responsibility to review the end of year accounts and recommend acceptance of the accounts to the board should be included as noted in the Scheme of Delegation.

David also asked about the responsibilities of the committee for overseeing staffing arrangements. It was noted that the Remuneration committee will be meeting on 11 October. This group will review the leadership staffing whilst the responsibility for other staff is delegated locally. Bob noted that the trustees will be asked to consider adding responsibility for senior appointments to this committee and the Chair of the Finance and General Purposes committee will be invited to join the committee.

Steve H asked if the responsibility for Health and Safety is referenced clearly in the Terms of Reference and it was agreed this was the case.

The Terms of Reference were agreed as follows:

Proposed: **Steve Harris**

Seconded: **Penny Wagg**

6. August Management Accounts

Steve R presented the report and summarised it by school. In introduction he explained that

- Free reserves are those which the trust is free to spend on education
- Fixed asset reserves represent the value of land and buildings
- Pension reserve is the ring-fenced LGPS pension deficit.

Bob asked if any of the trust's reserves exceed those allowed in the Academies Financial Handbook. Steve R explained that it was acceptable to have reserves where there was a purpose for saving the monies. Steve R noted that finances are going to be challenging over the next few years given the uncertainties of the proposed national funding formula, increased staff costs etc. David reminded members that at the last meeting it was agreed that he would meet with Steve in July. Consideration of the level of reserves was discussed and a report would be brought to the November meeting. **Chris W asked if this would include possible spending plans.** David responded that at the last meeting a reserves policy was recommended that included a definition of what would be an acceptable level of reserves. Steve R agreed that financial planning would be influenced by the policy but would also be informed by the medium to long term budget planning he is undertaking. David noted the need to plan expenditure but exercise caution in the light of uncertainties around the national funding formula.

Steve R summarised the accounts by school noting that the August management accounts effectively reflected the end of year position. He highlighted the following:

Ninestiles

- The building work at the front of school is ongoing, resulting in a higher carry forward than budgeted.
- The spend for alternative provision at the East Birmingham Network is reduced from the budgeted figure by £75k as a result of a change in their charging structure..
- **David asked if the additional income of £325k income included staffing** and Steve agreed, explaining that the income arises from the recharges made to Cockshut Hill to whom staff had been seconded from Ninestiles. **David expressed concern that the release of staff to support other schools could have had a detrimental effect on the Ninestiles' results.** Steve R reassured David that the secondments were carefully planned and in some cases longstanding, citing the Principal's post at Cockshut Hill as an example. Other staff had been employed by Ninestiles specifically to work at Cockshut Hill. **David noted the need to ensure that the originator school does not suffer as a result of seconding staff.** Martyn questioned whether it was possible to make a direct correlation between staffing and outcomes. It was noted that some budgets were not fully spent; this could be because they allowed for posts that had not been filled. **Russell agreed with Martyn about how difficult it is to recruit maths staff for example.**

Yarnfield

- The fall in income for early years was noted. However the falling numbers of places being taken up is being offset by reduced staffing. There is also a reduction of planned expenditure on Teach First fees.

The Oaklands

- Steve noted the additional income of £154k which included the formerly overdue £92k now received from the LA to recognise the additional Y3 pupils admitted last year. Provision for the additional numbers had been resourced internally from existing capacity. Expenditure on the outside play area had rolled over from last year with an additional £20k from reserves being used. The accounts showed a slight increase in catering income against expenditure due to an increase in the Universal Meal grant and a clearer picture of the costs arising from the in-house catering provision. **Chris asked if catering made a "profit".** Steve responded that it was hard to assess this as the traditional Free School Meal grant was now included as part of GAG.
- The saving arising from the corporate trust insurance arranged through the Solihull Local Authority was noted.

Erdington Hall

- Erdington Hall accounts show a £117k reduction in reserves. Factors include a slight shortfall on Early Years funding and £6k over-accrual from the previous year in relation to Condition Improvement funding.
- Catering costs are positive with additional income received through the Universal Meal grant.
- The key impact on expenditure is supply costs although it was noted that a number of substantive vacancies were being covered by supply staff. Consequently the increased cost of £232k for supply is offset by a £200k reduction in the staffing budget. Long term supply has been used to provide consistency. **Steve H asked if the vacancies had been addressed** and Penny G confirmed that the vacancies are now filled. **Steve H asked if any supply had been taken on permanently** and Penny G confirmed that two Teaching Assistants have been employed through this route and it was deemed that these key staff had contributed to the Good Ofsted judgement. Steve R noted that the greater capacity in secondary school staffing affords the opportunity for greater flexibility.
- Repairs and maintenance projects through the year have included the fitting of lowered ceilings and the purchase of kitchen equipment with funding being accessed from reserves.
- The school's contribution to educational visits of £12k was noted, the Aberdovey residential trip being the most costly. Martyn noted that Erdington Hall do not own a minibus and this impacts on educational visits costs for pupils. **Steve H suggested that it would be worth assessing the school's transport costs across the year to identify whether the purchase of a minibus would prove cost effective.** The need to consider trips that would involve less travel and be shorter was discussed. **Adrian noted supporting educational visits is a legitimate spend for Pupil Premium funding** and Penny G confirmed that the PP budget had been used for this purpose. Martyn commented that there is a need to ensure that all pupils and students across the trust receive consistent provision and opportunities, and **Bob suggested that Principals should discuss the trust offer for each child.** It was agreed that Erdington Hall might represent the lowest parental income of families represented in the trust. The importance of pupils accessing cultural experiences to inform their writing was noted but also the need for this to happen in a cost effective manner.

Pegasus

- Pegasus accounts are showing a £20k reduction in reserves. There is additional income arising from the recharge of the Business Manager's time at Cockshut Hill since February 2016.
- The changes to the charging structure for the breakfast club were noted but it was reported that the increased prices have not resulted in a drop in take up.
- The cost of the Evolve health mentor is accounted for in supply rather than staffing
- Some savings have been achieved in Health and Safety testing against previous year's costs. Accountancy costs have been paid for centrally.
- Savings have been re-invested into resources for the pupils, ie a refurbished play area and IT equipment. The budget is otherwise balanced at year end.

Lyndon

- Lyndon are showing the biggest increase in reserves which are currently £978K. This includes a carry forward at the point of conversion last year of £411k. Also received £95k of reserves from the school fund, which was maintained by the Local Authority, including £45k which was ringfenced for a ski trip.
- Staffing capacity had been kept lean in anticipation of falling rolls in 2016. Some savings had also been made where there was a gap between staff leaving and a replacement being appointed, eg the Business Manager retired at Easter and was only replaced at 0.5 with effect from September. Of the original supply budget of £210k only £120k had been spent.
- The lump sum deficit arising from the Local Government Pension Scheme was £22k lower than anticipated. This had been spent on alternative provision with East Birmingham Network, provision that can now be accessed through the trust.
- Audit fees of £10k have been covered centrally.
- There was a key saving in insurance costs budgeted due to the change of renewal date.

- Expenditure on telephones and catering were over budget and will be monitored during this year. The need for more transparency in Local Authority catering costs was noted.
- The valuation for Land and Buildings is awaited and will be incorporated in statutory accounts when received.
- **Chris W noted the reduction in GAG of £309k for 2016/17 and asked if this shortfall was the need to balance the accounts.** Steve R replied that the budget currently projects a £6k surplus on the actual current funding but noted that there is little leeway should pupil numbers fall. **Steve H commented on the positive responses from visitors to the two Open Events held recently.** The need to monitor pupil numbers and market the school effectively was stressed.

David noted that the Academies Financial Handbook requires that variances between budget and actual income and expenditure must be understood and addressed. He consequently commented on the following:

- The accounts show £746k last year spent on capital projects when the forecast had been £275k. He asked whether the Condition Improvement Funding could be used for capital projects. Steve R responded that this could be spent on boilers, roofs, maintenance and similar projects, but not capital ones. **David asked if, for example, spending on new boilers would be capitalised?** Steve R replied that they would not be if the replacement was “like for like” with no significant change to the style or capacity of the boilers. Essentially, whether or not they were would not influence the bottom line of the accounts in terms of net reserves.
- Trust budget: of the £275k income received in connection with the conversion of Cockshut Hill there was a remaining balance of £142k. However staff costs had not been taken into consideration and there was an overlap into the current year of charges due to the delayed conversion date. The addition to Free reserves stood at £147k.
- Ninestiles: Steve R explained the ongoing issues that the school has had with the installation of the CCTV system 3 years ago and that as a result the school has not yet entered into the maintenance agreement. He noted the £77k saving on premises as work on the front of school was not completed in year 2015/16 which would be carried forward to 2016/17. **David queried the under-spend of £215k on the “curriculum supplies and services” budget** and Steve R replied that this was balanced out to an extent (£9k) by the overspend on “other supplies and services”. There was a saving on projected costs for alternative provision as the pricing structure for the East Birmingham Network had changed from a subscription model to a “pay as you go” model, totalling around £100k. Of the original budget planned for “educational IT equipment” £60k of the spend had been capitalised. “Educational Visits” costs had included £45k projected for Summer School but the funding was cut so the project was reduced significantly.
- **Bob suggested that in future Steve R should include a variance report with the accounts and David W agreed asking that these are costed. Russell asked if this committee was similar to the format of the Finance committee that had been part of Cockshut Hill’s previous governance structure, albeit on a larger scale. Adrian noted that he authorises expenditure at a school level but this is not easily apparent in the accounts.** David asked Steve R to include a report which highlighted variances compared to where budgets would have been expected to perform at the point of reporting. It was agreed that any variances in excess of 10% of the anticipated spend should be included.
- Lyndon: the brought forward reserves of £411k were noted alongside the £598k value of legacy assets. The positive variances of £91k for “curriculum supplies” and £70k for “other supplies and services” were noted. Key variances arose from capitalisation of IT equipment purchased (£90k) and a £30k saving on insurance costs as noted previously.
- Yarnfield: variances were due to expenditure on the resurfacing of a MUGA (£60k) and additional IT equipment (£30k) which had been capitalised. Steve R explained that approximately £100k of the surplus on the other supplies and services line was due to unspent contingency. Of the original budget of £115k some had been spent to support expenditure in other areas. Steve R noted that the “educational supplies and services” budget had been amended slightly during the year but that “educational IT” covering the purchase of touch screens and “educational visits” showed a saving.
- Erdington Hall: no questions were asked.

- Oaklands – the variance of £50k in “curriculum supplies” was noted partly accounted for by actual catering costs coming in £14k less than projected and capitalisation of IT hardware.
- Pegasus: no questions were asked.

David thanked Steve R for putting the report together and for answering his questions.

Bob asked the Business Managers present if they felt it was useful for them to be there. Penny G replied that Steve R compiled the management accounts and therefore it was appropriate for him to report to the committee. Bob suggested that Business Managers attendance was helpful and Martyn commented that it was a two way process of information sharing.

Steve H commented that he would appreciate a variance report that highlighted changes to budgets rather than the full report. Steve R will produce a variance report for the next meeting.

7. Updates

Internal Audit

Steve R presented the audit report for the summer term. The scope was to look at procurement, tendering and the fixed asset registers. The key point which emerged was that historic procedures had been followed at Lyndon for a short period following conversion and therefore the need to ensure schools joining the trust are fully aware of the trust’s purchasing procedures was stressed. **Steve H asked if they had been aware of the procedures** and Steve R responded that whilst Business Managers were conversant with the policy, a small amount of expenditure had not been fully compliant. This had now been corrected and as Paul Charlton, an experienced trust Business Manager, was working at Cockshut Hill, he would be aware of the correct procedures. **Bob asked if the section rated amber would be converted to green** and Steve R replied that the schools were all now working to the trust’s Financial Handbook. **David noted the need for any schools joining the trust to be aware of the Ninestiles Financial Handbook** and for trustees’ approval to be recorded where demanded by its delegation scheme. **David asked about the electrical wiring project** and Steve R noted that formal agreement had been given for this in June/July 2015. **David emphasised the need for committee members to respond to emails where approval was being sought in this manner.** **Bob agreed and suggested that he would be prepared to “name and shame” where there was a lack of response.** **Bob asked when the next internal audit report would be presented** and Steve R responded that the next audit would take place in early January when the work on the end of year accounts, the NCTL audit and the due diligence for the Solihull Sixth Form college had been completed. The scope of the next audit will be decided by the audit committee at their meeting on 28 November.

Future budget planning

Martyn reported that the funding for leadership salary costs is now centralised. He noted the five year budget plan that Steve R has compiled as part of the due diligence required by the Solihull Sixth Form College to allow accountants to assess the viability of a merger. The plan indicates the need for conservative spending. Martyn reported on the meeting held today with Dominic Davies, Principal of The Oaklands, to look at staffing complements to assess where savings can be made without adversely impacting outcomes. The need for equity of staffing across the schools was noted. **Martyn suggested that discussion of the 5 year budget plan could take place within a working group.** **Russell asked if the plan had flat-lined pupil numbers** and Steve responded that Lyndon’s projected numbers for next year had been used and the guaranteed student funding number for Cockshut Hill.

Update on capital works

- Ninestiles: Steve S reported that the work at the front of school is due to be finished by the end of half term. Money for landscaping is being offered by a local society and one of the contractors involved in the project. The canopy will be removed and the doors replaced. The “cage” car park is being refurbished.

David thanked Steve for his update.

8. Information sheets on schools

The following points were noted:

- The effective date on the Primary summary should have been shown as the end of the summer term.
- Steve S is identifying how accidents are reported to ensure consistency across all schools.

9. Schools Financial Efficiency: top 10 planning checks

David presented the document and drew councillors' attention to the points therein. He suggested that agendas should be drawn up to ensure that all required areas are covered across the year. He noted the expectation that all MATs should be benchmarking across other trusts with an emphasis on staffing data benchmarking. Steve R suggested that as part of a further discussion it would be useful for councillors to indicate how they would like the information to be presented. Steve R noted the danger of DfE information which is anonymised to avoid individuals being identified in small institutions and noted that it can be out of date.

10. Health and Safety Update – Steve Smith

David thanked Steve S for his very impressive report after such a short time in his new role.

Steve S highlighted the following three key priorities:

1. To gain a greater understanding of the trust, its policies, buildings, people and systems
2. Health and Safety compliance – aiming to produce plans for short, medium and longer term implementation
3. Building conditions: to compile an estates property strategy informed by Health and Safety and conditions surveys

David asked about fire risk assessments. Steve S responded that each school does have an assessment which has been compiled by an external audit process or internally by competent staff. **Steve H suggested that he may be able to advise on this process.** Steve S noted that it is his intention to up-skill to enable him to conduct internal audits on a regular basis with a formal external audit every three years.

Russell asked if the trust had an approved contractor list and Steve S responded that he would be working towards creating a centralised list to provide a commonality of approach to commissioning contractors.

11. Academies Financial Handbook 2016

The AFH was circulated. David W directed the committee to the changes noted in pages 5 and 6 highlighting the areas of investment products and risk management to be addressed at a future meeting. Martyn noted the Joint Governance Group discussions taking place with the Solihull Sixth Form College and felt that they could bring strength to the audit committee. There were a number of key risks to be examined particularly as post 16 provision was new to the trust.

12. Minutes and matters arising from June meeting

The minutes of the last meeting were accepted as a true and accurate record.

Proposed: **Bob Fear**
Seconded: **Chris Welton**

13. Any Other Business

Bob suggested that the agenda should include an item on staffing and it was agreed that a report on starters and leavers and their destinations would be brought to the meetings in future. It was noted that the trust's Scheme of Delegation had delegated oversight of remuneration to a new committee.

The date of the next meeting will be 28 November 2016.

	WHAT	WHEN
2016-06-13/07	Continue to investigate building plans re Ninestiles reception area and trust offices	Ongoing
2016-10-10/01	Bring reserves report to the next meeting	Steve R
2016-10-10/02	Identify Erdington Hall's transport costs re educational visits	Penny G
2016-10-10/03	Include a budget variance report to future meetings	Steve R
2016-10-10/04	Agree scope of next internal audit	Audit committee
2016-10-10/05	Discuss 5 year budget plan in a working group	Martyn
2016-10-10/06	Agree consistent process for reporting accidents	Steve S
2016-10-10/07	Work towards compiling a trust contractors list and a common approach to commissioning them	Steve S
2016-10-10/08	Bring a staffing report re starters, leavers and destinations to next meeting	Hilary