

MEETING	<b>FINANCE AND GENERAL PURPOSES</b>
DATE	<b>Thursday 01 December 2016</b>
VENUE	<b>Ninestiles School</b>
ATTENDEES	<b>Martyn Collin, Vrigu Dey, Bob Fear, Richard Simcox, Penny Wagg, Chris Welton, David Werry</b>
IN ATTENDANCE	<b>Hilary Barber, Samantha Finch, Steve Ralph, Steve Smith</b>

## MINUTES

### 1. Welcome

David welcomed all present to the meeting with a special welcome to Vicky Nolan from Crowe Clark Whitehill.

### 2. Attendance and apologies

Apologies were received from Russell Hardy, Steve Harris, Sheila Huckfield-Powell, Karen Crowston and Paul Charlton.

### 3. 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.

### 4. Agree End of Year Accounts

#### - Vicky Nolan from Crown Clark Whitehill

Vicky presented the accounts noting key changes as follows:

- Page 4: Disclosure of pay policy
- Page 11: Reserves Policy
- Expansion on risk areas
- Page 26: Inclusion of Lyndon and the donation arising
- Capital grants moved into donations
- No changes in balance sheet presentation and no significant movement (excepting inclusion of Lyndon)
  - Pension deficit risen by 90%
  - Pages 33/34: Changes to Financial Instruments
  - Page 37: Analysis of support costs relating to conversion costs for Cockshut Hill
  - Page 38: Employee numbers are average (rather than FTE). Increase in costs reflect the inclusion of Lyndon staff.
  - Page 38: New disclosure re employee costs relating to SLG

**Vrigu asked about PFI costs** but Steve explained that these will come through premises costs (see page 49). The current accounts only reflect Yarnfield and 11 months of Cockshut Hill will be included in next year's accounts.

**David noted the decrease in capital grants** and Steve replied that in previous years the schools have been able to bid individually for capital funding but this year funding is formulaic. An amount of capital funding received in 16/17 was accrued in 15/16.

**David noted the difficulty in comparing this year's outcomes to last year's because of the inclusion of Lyndon.**

It was noted that pension actuarial losses (note 23) show the difference between actuarial losses and gains. **David noted the increase of the deficit currently standing at £12m.** The impact will be reflected in service rates and repayment costs of the deficit. Whilst it is a notional figure it has a significant impact on expenditure over the coming years. **Chris asked if this applies to teachers' pensions** but Steve explained this was not the case as the teachers' pension scheme is administered on a different basis. **Chris asked if the deficit will ever have a material effect on the trust.** Steve responded that the increase in the deficit is reflected in new employer contribution rates notified from 01 April 2017. The 5 year projections based on current rates will result in an additional £1.5m to fund over the period.

**David asked about related party interests and if there was increased scrutiny by auditors given issues that have arisen in other trusts.** Vicky responded that these are examined on a rotational basis and Crowe Clark Whitehill will search national records for trustees who hold other directorships and search any companies identified to check for inter party transactions. She noted that the auditors also rely on the declarations of business interest and the importance of trustees informing the trust of any changes to their circumstances was stressed. Steve commented that the greater risk could be with school based staff who have more day to day control of expenditure and noted that this is monitored.

**David expressed concern that he could not make the link between the bottom line of the management accounts at 31 August 2016 within the format of the company accounts.**

Steve provided a reconciliation (see Appendix 1)

Vicky presented the Audit Finding Report thanking Steve for the very efficient management of the accounts process. Vicky highlighted the following:

Page 1 – Shows the generic overview of the audit process

Page 2 – Outlines Trustees' responsibilities

Page 3 – Details the two significant generic areas of risk examined (and no areas of concerns were noted for the trust)

Page 4 - This section notes changes to reporting guidelines under FRS102 in Section 3.2

Page 5 - Section 3.3 notes the increase in the LGPS deficit and it was noted that part of this increase from last year is attributable to the inclusion of Lyndon. Vicky reported that the auditors had undertaken an exercise to benchmark the deficits across other trusts and noted that the assumptions for the Ninestiles Trust are consistent. The valuations show slight differences between the actuary figures and payroll and Steve is investigating why £159k of payments have not been taken into account.

Page 6 – The "transfer on conversion" relates to Lyndon with the freehold being transferred to the trust. Vicky explained that as some parcels of land were transferred as leasehold an assumption of around a quarter of the land value will be depreciated over the remaining 93.5 years of the lease.

**Martyn asked if this has any implication for the trust.** Steve responded that even though the land was freehold there would be caveats attached that would preclude a freedom to, for instance, sell the land for other purposes.

#### **Section 5 – Update on last year**

This section highlighted the need to tighten the processes of payroll authorisation at Yarnfield. Steve emphasised that the checks were being carried out but needed to be documented more stringently and this is now happening.

#### **Section 4 – Systems and controls issues**

Point 1: This testing had identified that in some cases the letters confirming staff salaries were not available in files. This will be corrected going forward.

Point 3: The need for any decisions around staffing expenses and contracts to be documented carefully was noted with an explanation of why decisions had been made, eg a staff contract which was retracted at Erdington Hall when payment had been made to that member of staff.

Point 7: The need to review school trips in relation to any arising surpluses and deficits was discussed alongside the need to ensure that students contributed the full amount for trips. The issue around “donations” for educational visits supporting the curriculum was discussed and it was agreed that the Educational Visit policy should be reviewed.

Point 8: It was noted that a report should have been run at year end at all schools to inform accrual statements.

Point 9: It was noted that there was a large volume of un-presented items dating back to 2012 showing on some bank reconciliations that needed addressing. Whilst there were not large amounts of money involved it was agreed that these should be written off/back if older than 12 months.

## **Section 6 – Reporting audit adjustments**

These were noted.

**David commented on the improved situation reflected in the audit finding report and noted that issues raised last year had been successfully addressed.** Any risk areas will be built into the internal audits during the coming year.

David thanked the auditors, the Business Managers and Steve for their work in producing the accounts and in turn Vicky thanked Steve and the team for facilitating the smooth audit process.

## **5. Management Accounts for October 2016**

David thanked Steve for the report and the new format noting that there were no significant changes from the previous statements. **Bob added that the new report format was very easy to understand and the addition of the variances and percentages made it very clear.**

**Chris asked how trustees will be able to make a judgement on the financial situation as the year progresses** and Steve suggested that the key factor was the year end outturn line.

The committee approved the management accounts as follows:

Proposed: **Bob Fear**  
Seconded: **Penny Wagg**

### **LGPS update**

Steve presented a report showing figures which in theory are still subject to consultation but in reality are likely to become actuals. He noted that with the exception of Pegasus, rates are significantly larger than anticipated and budgeted. The budgeted figure for the actuals against the projected arising from the new valuations for the lump sum were also detailed. The significant rise in costs was noted with concern.

### **Reserves Report**

The need to review and where possible reduce staffing over time given the ongoing financial constraints will be facilitated by reserves held within the trust.

**Chris asked about leadership strategies** and Steve explained that individual meetings have taken place with Principals over the last few weeks followed by joint primary and secondary meetings this week. Steve will update the 5 year budget plan with the new pension costs. He suggested that the five year budgets should be reported to the Board and also cascaded to other leaders within the trust to inform future financial decisions. **Martyn noted that there is an embargo on new posts without a prior discussion to ensure that all opportunities to be creative and save on expenditure are explored.**

**Richard wondered whether a more aggressive approach could be adopted to maximise the use of land and buildings** but Steve suggested that getting permissions would be very difficult. **Richard**

**suggested that the opportunity to attract interest on accounts is maximised.** Steve noted the need for a balance between higher interest and accessibility and risk.

David thanked Steve for his report. He summarised that given the increased contributions to be made to the LGPS and possible changes to the National Fair funding, trustees did not consider that further expenditure should be made from the reserves without careful consideration.

Martyn noted that Lyndon School have been approached by Solihull MBC regarding a proposal to site a primary school on part of its land and erect a new block to replace a building that would be demolished in the scheme. Solihull MBC have asked for a contribution of £1.5m for the new build and currently the trust has offered £0.5m with the proviso that any new primary built on the land would have to be part of the trust. A response from Solihull MBC is awaited.

The Reserves report was approved unanimously as follows:

Proposed: **Vrigu Dey**  
Seconded: **Chris Welton**

6. **Staffing Report** The report presented was noted.

7. **Minutes and matters arising from October meeting**

With the addition of apologies from Vrigu Dey the minutes were accepted as a true and accurate record of the previous meeting.

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

It was noted that the stmeeting due to time constraints. Steve S reported that he had met with Steve Harris regarding Fire anding item of Health and Safety had been taken off the agenda for this Assessments.

The need to clarify the formal appointment of the Chair of the Finance and General Purposes committee was noted.

8. **Any Other Business**

Steve reported that a tender process for provision of audit services will start in late January and asked if a member of the committee would be involved as a representative. David's offer to support this process was gratefully accepted.

**Actions brought forward/arising:**

2016-06-13/07	Continue to investigate building plans re Ninestiles reception area and trust offices	Ongoing
2016-10-10/02	Identify Erdington Hall's transport costs re educational visits	Penny G
2016-10-10/05	Discuss 5 year budget plan in a working group	Martyn
2016-10-10/07	Work towards compiling a trust contractors list and a common approach to commissioning them	Steve S
2016-01-12/01	Review Educational Visits policy	Hilary B
2016-01-12/02	Clarify the situation of formally approving the appointment of the Chair of the Finance and General Purposes committee	Hilary B/Martyn C



## APPENDIX 1

Surplus per management accounts discussed by committee		1,560
Late invoices		(7)
Net transfer of L&B for Lyndon	(i)	10,928
LGPS deficit movement	(ii)	(5,757)
Lyndon net wages control adjustment	(iii)	49
Removal of past pension deficit prepayments	(iv)	(177)
Surplus per stat accounts		<b>6,596</b>

- (i) Land value £2,984k (not depreciated)  
 Buildings value £8,107k (depreciated over 50 years)  
 Deprn charge for the year £162k

Valuation provided by the EFA via a desktop exercise for inclusion in their financial statements. A similar one will be undertaken for CHTC in the current year.

- (ii) Inclusion of Lyndon in year (£1,377k deficit at 1 Sept 15). Therefore circa 60% uplift on deficit between 2015 and 2016. Impact of lower growth of assets anticipated in future years, slight extension of life expectations meaning a lower discount rate applied 2.2% v 4%. Each 0.1% adjustment to the discount rate alters the value of the total obligation by circa £480k. This is then offset by a decrease in expected pension increases over time.
- (iii) In year adjustment for cumulative SSP/SMP recoverable that was done at the end of the year rather than on a monthly basis due to the convoluted nature of the SMBC reports.
- (iv) Originally prepaid the September 16 to March 17 element of the LGPS past deficit payments that we paid as a lump sum, rather than by monthly standing order, to attract a 2.4% discount. As paying a historic deficit it couldn't be treated as prepaid. Timing issue in the accounts and not an additional liability.