

MEETING	<b>FINANCE AND GENERAL PURPOSES</b>
DATE	<b>Monday 30 November 2015</b>
VENUE	<b>Ninestiles School</b>
ATTENDEES	<b>Martyn Collin, Vrigu Dey, Bob Fear, Steve Harris, Karamat Iqbal, Nadeen Proverbs, Chris Quinn, Penny Wagg, Chris Welton, David Werry</b>
IN ATTENDANCE	<b>Sandy Austin, Hilary Barber, Abid Butt, Paul Charlton, Adrian Davies, Dominic Davis, Gaetano Ferrante, Samantha Finch, Cath Lavelle, Carol Phillips, Steven Ralph</b>
VISITING	<b>Helen Drew, Vicky Nolan (Crowe, Clark Whitehill)</b>

**MINUTES**

**1. Announcement of Chair**

Chris Q confirmed that Directors have appointed David Werry to be the Chair of this committee.

David welcomed Helen Drew (Partner) and Vicky Nolan (Assistant Accounts Manager) from Crowe Clark Whitehill to the meeting.

David also welcomed new committee members and asked everyone to introduce themselves.

**2. Election of Vice Chair**

This election was postponed to the next meeting.

**3. Attendance and Apologies**

Apologies were received from Penny Gavalas.

**4. Declaration of Business Interest**

None were declared.

**5. End of Year Accounts**

Helen introduced the **Annual Report and Financial Statements** and discussion raised the following points:

- Page 11: The statutory requirement to include a paragraph about Governance review was noted.
- Page 12: Value for Money statement – this is now required to be part of the Governance statement and is not a separate document as previously.
- Page 5: **Chris W asked what the Balanced Score Card is** and Chris Q explained it is the School Improvement Plan which is presented to directors.
- Page 17: Helen checked that Chris Q would be willing to sign the Statement of Regularity, Propriety and Compliance and she agreed.
- Page 15: It was noted that CCW have agreed to take on the role of the “Responsible Officer” (now more correctly known as Internal Control)
- Page 23: Helen noted that the figures in the Statement of Financial Activities reflect the first full year for all five schools.
- It was noted that that Fixed Assets includes capital grants (including grants not yet received)
- Page 23: Unrestricted funds will always show as a negative
- The accounts reflect where the trust acts as “agents” for income, eg bursaries and training grants.

- Page 31: Increased income reflects increased Academy Capital Maintenance grant funding, an increase in Summer School funding and an increase in Pupil Premium allocations.
- Page 38: Capital grant funding awarded but not yet received is accounted for as a debtor
- Page 33: **Chris W asked what was covered by “other audit costs”**. Steve explained these were additional services to the main audit eg, the annual return, pension audits, a one off charge for a review of nursery finances etc. The £2k difference is accounted for by the fee charged for the Local Government Pension Scheme valuation.
- **David asked why the Local Government Pension deficit had increased by 10%**. Steve explained that this was partly due to lower than anticipated bond yields on behalf of the scheme and a re-evaluation of assets and liabilities. Globally this was attributable to the Greek effect, the turn down in China and locally to the impact of calculations around changes to life expectancy, re-evaluation of potential increased salaries etc. **Bob asked if it was calculated annually** and Steve informed him that it is a 3 year valuation of staffing profiles (with the next one due in March 2016) but for accounting purposes it is calculated annually. Helen informed the meeting that the new statutory accounting standards will increase the deficit. The risk is that the deficit increases and therefore the amount each school is required to pay back therefore is also increased.(see page 45 note 27 for the current breakdown). **David suggested that the key importance of the debate is to be sure that the trust can service the deficit loan repayments**. It was noted that Lyndon’s valuation requires a loan repayment of around £68k this year.
- **Bob asked Helen if, in her opinion, the trust is financially viable**. Helen said this is the case as evidenced by a current bank balance of £5+ million.
- **Vrigu asked if VAT was recovered** and was assured that it is.

Helen presented the **Audit findings Report** and confirmed that the audit had gone very well. She highlighted the following:

- Page 1: Consists of the Letter of Representation.
- Page 2: **Chris W asked about Ninestiles Plus** and Chris Q explained that it was the school’s company which was incorporated in 2002 as a mechanism for the school’s school improvement work before the implementation of the Teaching School. All external work is now completed under the umbrella of the Teaching School but the trust has been advised to retain the company albeit not currently operating.
- Page 4: No concerns on override of controls were noted. It was noted that Academy Capital Maintenance Funding not yet received had not been reported and the clawback on LACSEG should have been included in total rather than just the in-year proportion.
- Regularity and Propriety reporting. The lack of Responsible Officer visits during the year was noted. Steve H asked Steve how the focus of internal audits would be decided to ensure trust Finance Officers did not avoid scrutiny of areas that could cause concern and Steve explained that the members of the Audit committee will recommend areas that should be audited. Steve’s suggestion is that the first visit of the new year should include an examination of the new Financial Procedures Manual and the Risk Register priorities. **David asked why there had been no RO visits this year** and Steve explained that the final visit by Birmingham Audit who were previously carrying out this duty for the trust did not complete their final visit until November 2014 and final reports were not received until into 2015. At this point a tender process was being undertaken to commission a new provider.
- Page 6: Helen presented the Systems and Controls Issue table which rag rates issued highlighted during the audit. She noted that the recommendations from last year had been addressed. **Chris Q checked with Steve that the points needing to be addressed were covered by the new Financial Procedures manual** and he agreed this was the case.
- **Steve H asked if the issues highlighted in red would be the focus of an action plan** and Steve R confirmed that the implementation and use of the processes within the new Financial Procedures Manual would address the issues and actions and would be completed by the end of December,
- Chris Q said that the recommendations would be tabled at a Principals’ meeting to ensure they were supporting the processes required. They will also be reviewed as part of the new system of internal control visits by CCW.
- It was noted that approval for compromise agreements should be requested by Directors. Chris Q will talk to Principals to ensure that they are aware of the need to discuss and report.
- Audit adjustments of £19k were noted relating to the clawback of LACSEG and the school fund at The Oaklands.

- Helen reminded members at the meeting of the responsibility that directors have to ensure that risk is noted and monitored. **Chris Q asked Helen if she felt appropriate controls are in place** and Helen said this was the case.
- Appendix 1: Helen explained the new accounting procedure of FRS102 which will require a different format of presentation of the accounts. **Chris Q asked why this was necessary** and Helen explained that it brings academies in line with multi-national companies and is a stepping stone towards a more global consistency of reporting.
- Appendix 2: Helen explained that this details changes to charity commission terminology
- Helen noted the risks of increased employer costs for pension and NI contributions.

**David asked if there were any further questions. Chris W thanked Steve R and the Business Managers for all their hard work in producing the accounts. Bob thanked Helen and Vicky for their attendance and for helping to make the accounts understandable.**

David recommended to Directors that they should approve the Annual Report and Financial Statements and Audit Finding Report presented and discussed.

Proposed: **Chris Welton**  
 Seconded: **Penny Wagg**

#### **6. Terms of Reference**

The Terms of Reference contained in the governance document circulated were agreed with the adjustment that the committee should meet three times a year. **Bob confirmed that no other aspects of the Terms of Reference had changed.**

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

**Bob noted that there remains a vacancy on the committee for a representative from Erdington Hall.**

#### **7. Management Accounts for September (October's to be updated at meeting) and Budget Updates**

Steve circulated the October management accounts and explained that they have been summarised to show consolidated key variances. Steve will discuss each school's results with the relevant Principal and report on significant variances only. He noted the following:

- Consolidated variances include donations of assets of cash from Lyndon. There will also be an addition for Land and Buildings when the valuation is received.
- The balance transfer includes a £94k balance on Lyndon's school fund (mainly due to income received for a ski trip against which there are costs to be paid) and £19k relating to other trip income. Income and expenditure for Lyndon's school visits is now adjusted in budgets.
- Teaching School funding at Ninestiles contains an element of "front loading" where income is received but expenditure not paid out.
- Staffing costs appear to be a positive variance; however incremental rises relating to the period from 01 September 2015 will only be reflected in the account in November and December.
- Expenditure on ACMF is shown but income had been recognised in the previous year.
- In future Conditions Improvement Funding will be received as a trust based on formula and is only likely to achieve around £350k this year – significantly less than has been achieved through the bidding process. Careful discussion will need to take place around how monies are spent to ensure statutory regulations are met and the safety and well being of all pupils is protected. Chris suggested this should be part of the Working Group's remit with a 10 year plan being drawn up of how the trust would like all schools to look rather than an ad hoc approach.
- The apparent positive variance on accounts and audit fees will spread out across the year as invoices are received.
- **David agreed that, with the exception of the donation of Lyndon's assets, all other variables were related to in-year timing and that the budgets were on track.**
- **Bob asked if Lyndon were using the same financial software system** and Steve R confirmed this was the case from 01 September 2015.

The accounts were received.

#### **8. Updates on RO**

This was covered under the previous items.

#### **9. School Information Sheet**

These were circulated with the agenda and Chris Q pointed out that Cockshut Hill, although not legally a part of the trust, were included for comparison purposes.

- **Chris Q highlighted the risk factor around pupil numbers at Lyndon and Cockshut Hill** and it was agreed that these need to be carefully monitored given the potential impact on funding. Further marketing and publicity will be commissioned and it was noted that the most significant driver in pupil recruitment is an improvement in standards.
- **Bob suggested that the PAN is included on the sheet for senior schools**, this being 269 for Lyndon, 270 for Cockshut and 300 for Ninestiles.
- **Chris W compared teacher/pupil numbers commenting that Ninestiles seemed high** and Chris Q suggested one reason was a high percentage of students attracting pupil premium.
- Chris Q suggested that the format of the SIS be reviewed in the spring term.

David W sought clarification about when the results of the teacher performance management process would be reported and Chris Q confirmed this would go to Directors on 15 December.

Chris Q reported that it is her intention to ask directors to appoint a remuneration committee to receive and review staffing information. It was noted that the Governance Document containing the Terms of Reference needs to be amended to clarify the reporting of staffing information.

#### **10. Financial Procedures Manual**

David thanked Steve for preparing the manual and commented on how effective and useful a tool it is. It was adopted by the committee as follows:

Proposed:                   **Bob Fear**  
Seconded:                 **Steve Harris**

Steve noted that it is a working document and he is willing to take suggestions for amendments should this be necessary. David commented that it was helpful that internal control would be checking procedures against the required standards.

#### **11. Minutes of last meeting held : 09 June 2015**

The minutes of the meeting were accepted as a true and accurate record subject to changing the comment that Bob made introductions when this should have read David.

Matters arising:

- Steve R reported that £2.2 million of surplus funds from Ninestiles and Yarnfield have been placed in instant access savings accounts. Rates of return are low but risk is also low. Steve suggested that it would be a good opportunity to investigate other investment strategies whilst interest rates are low and risk is therefore minimised.
- It was noted that there is no requirement of particular rates of reporting of virements in the Academy Financial Handbook.
- All actions have been completed.
- The teacher employed from September to provide cover across the primaries is now working as fixed cover across three of the schools.
- All electrical work is now completed at Erdington Hall and the grant covered some additional lighting and removal of asbestos.

Proposed:                   **Chris Welton**  
Seconded:                 **Chris Quinn**

## 12. Any other business

Penny W asked if schools would notify directors of events and activities taking place to give them the opportunity to attend.

Action no	Action	By whom
2015/30/11/01	Elect Vice Chair	Committee
2015/30/11/02	Ensure Audit Finding Report actions are completed	Steve R
2015/30/11/03	Elect a representative from Erdington Hall to sit on the committee	EH AC
2015/30/11/04	Include PAN on School Information Sheet for secondaries	Hilary B
2015/30/11/05	Review School Information Sheet in the spring term	Martyn C
2015/30/11/06	Amend minutes of last meeting	Hilary B