

Finance Committee Minutes

Meeting	Finance Committee	Date	Wednesday, 7 th July 2021
Location	Virtual Meeting via Microsoft Teams	Time	2 p.m.
Membership	<i>Paul Wilson (PW) - Chair, Jonathan Clarke (JC), Chris Argent (CA) – Acting Chair in PW's absence</i>		
In Attendance	Tammy Mitchell (TM) – CEO, Chris Legg (CL) – CFO, Sharon Hollingsworth (SH) – DG, Joanne Harmsworth (JH) - DoF, Claire Edgeworth (CE) - Notetaker		

Italics indicate absent from the meeting

	ITEM	COMMENTS	ACTION
1	Welcome and apologies for absence	<p>PW had sent his apologies to the Director of Governance (DG) prior to the meeting. The DG had contacted CA outside of the meeting and he had agreed to be the designated Acting Chair for the meeting today.</p> <p>The Trustee Board had sent a get-well gift to PW and they wished to express their best wishes for a speedy recovery. PW had advised via email that the gift had been received and thanked everyone for their good wishes.</p>	
2	Declarations of Interest	There were no new Declarations of Interest noted.	
3	Minutes of the meeting held 30 th March 2021	<p>The minutes from the Finance Committee held on the 30th March 2021 were circulated prior to the meeting for the Trustees approval. The Committee agreed that the minutes were a true and accurate record of the meeting and the proposer was JCI and seconded by CA.</p> <p>The remote e-signing of the minutes will be undertaken by the Acting-Chair following the meeting.</p>	

4	Matters Arising not covered by this agenda	There were no matters noted that were not covered by the agenda.	
5	2021/22 Budget Process	<p>The CFO shared his screen with the Trustees and highlighted key areas of note.</p> <p>The CFO went through the budget process to give the Trustees confidence in the process, as they are due to approve the budget.</p> <p>The CFO advised that every year we get a fresh contract through from the ESFA. The schools are given a budget pack every year and they check it to make sure it is accurate and that their establishment reflects the staff they are employing, vacancies, full time equivalents, salaries, increments that are due and make sure that people are in the correct pension scheme if they have not opted out. This is probably 80 – 85% of the budget.</p> <p>As we have now been operating for a full budget year the schools can go back over the last 12 months to look at previous costs, e.g. costs from previous utility bills for last year to build a monthly profile for the non-pay budget.</p> <p>The CFO shared the appendix that will be going to the Trustee Board which is a side-by-side comparison of our Q3 forecast from this year, compared to the proposed budget for next year. The CFO has put in rationale where there is a large change.</p> <p>The first one is the Government Grant Funding dominated by the GAG funding. The biggest reason it has come down is due to having fewer pupils (46) next year which means less money. The other Government funding is 2020-21 Covid intervention money and we are not budgeting to have that on the same scale next year. Also, schools have been cautious with their high needs funding budgeting and this has come down. This is negotiated during the year as numbers change. The CEO advised that KCC are in middle of reviewing the high needs process and the schools need to be cautious at this point until the new process has been released. The Acting Chair queried that this has been a discussion for a few years and the CEO agreed but there is a new strategy and they are in the second year of their Statement of Action from Ofsted but have rewritten their strategy again and have just published version 3 or 4 . This will not mean more</p>	

		<p>money as they are overspent. The Acting Chair queried if the GAG is an estimated figure subject to a declaration and the CFO advised it is based on the previous year census point pupil count and there are separate funding agreements for each school. The CEO advised it is lagged so the Census in October informs most of the GAG and will inform next year's funding. DoF advised they have just started to launch the recovery programme for the schools to try and enhance education so there might be some extra funding announced. The CFO advised that the benefit can be seen on the second line where we have had one off money to do things that were already planned so some budgets have improved.</p> <p>The other income line goes up during the year as the schools gain confidence as money comes in. There has been some conversion money included for two schools in the budget to keep it green in the hope we will have some grant money to undertake some conversions during the year. The budget shows we have £207,629 less income compared to 2020-21, but this is a fairly cautious approach as set out above.</p> <p>The pay is stable but there is a little bit of saving and we have accounted for a few members of staff increments. For teaching and support we budget for every post to be filled every day of the year, but this is rarely the case and we do get some savings. The CEO advised that teaching support is where the bulk of term time only adjustment will sit and there is not a pay freeze for support staff so this will have added some complications to the budget setting. The Acting Chair asked to look at the important margin of total income and total pay expenditure. The CFO agreed that it is very tight but the context is the Q3 position for the current year where there is a healthy surplus so although comparing this year and next year, it is an inflated position based on the one-offs we have had in relation to Covid and some of the savings re school closure and top up funding. The target is to break even. Two schools need to put money in and two need to take money out so there is a long-term plan which is on the agenda.</p> <p>There is budget pressure on teaching support and two of the schools have had to review some of the admin posts and create a saving. Pay is broadly in line with current year. On non-pay, we have not had a normal year but there are some areas where a school has reduced maintenance costs and invested their reserves whilst the school was closed. They have also put some significant monies into capital works. Transport and subsistence are a concern, but this is</p>	
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	<p>The underlying position is a break even and prudent budget.</p> <p>Regarding the forecasted balance sheet, the CFO has not inserted capital expenditure or grants but there will be a slight reduction in cash and we will end up in a similar position. The balance sheet is dominated by the value of the school's buildings and the pensions go up and down but we cannot predict by how much. The Acting Chair agreed that there is little we can do with the pension charges and it is a mystery on the balance sheet but felt if this was put to one side the balance sheet is strong and the CFO agreed that for a fledgling Trust we would not normally expect to be on £882,000 and we are doing well. The Acting Chair felt this was very satisfactory.</p> <p style="text-align: center;">RECOMMENDATION: CA and JCI recommended the 2021/22 Budget goes forward to the Trustee Board meeting next week.</p> <p>The Trustees thanked the CFO, DoF and all the Head Teachers and Business Managers for all their hard work.</p> <p>The CEO recommended that we should minute that the Local Governing Boards have signed off the budgets at Academy level and ratified their local Academy budget. The Acting Chair wanted this noted as being part of our own decision-making process.</p> <p style="text-align: center;">NOTED – The Local Governing Boards have signed off the budgets at Academy level and ratified their local Academy budget.</p> <p>JCI questioned if there was appropriate training in place for the Local Governing Boards if they are going to be reviewing their financial status and planning forward. The CFO acknowledged this would be something to look at. The Acting Chair felt this was a good point and queried if there was any merit in when we get back to face to face meetings, that the Finance Committee meet with the Local Governing Boards to start moving into a more positive approach to finance. The CEO advised that she undertakes an annual Governors Training Plan and next year there will be three face to face and three virtual meetings and agreed one of these could be financed based and the Finance Committee could attend. JCI acknowledged that it would be good to join the two elements together, get an idea how it works and reduce the fear. The Acting Chair</p>	
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6	Management Accounts – May 2021	<p>The CFO advised that the accounts are rigorously looked at line by line every quarter to make sure nothing has materially changed. The Management Accounts show that we are significantly ahead of where we thought we would be. It was anticipated that we would have a deficit and this has transpired not to be the case. This is partly due to the cautious approach that was taken and it is now a break-even forecast.</p> <p>The reserves are pretty much where they were and we have a long-term plan to get reserves to a prudent level at school level as well as Trust level.</p> <p>The CFO advised that it is anticipated that later in the year the forecasts are expected to be increasingly accurate. The Acting Chair agreed that on looking at the budget it appears to be heading in the right direction but wanted to be reassured that the money is being spent on resources that are needed and that the management are confident that sensible policies are in place. The CEO advised that she checks this during her learning walks and keeps a close eye on it. It was acknowledged that staff will always say they need further resources but the CEO feels the schools are well resourced. The CEO advised that on her LGB visits she will make a comment on the level of resources so there will be formal feedback. The Acting Chair queried where we are in terms of IT and IT replacement. The CEO advised that one benefit from Covid is that schools have had to look at how they use their IT equipment, and we are currently in a place where we could cover replacement costs at short notice if needed. The CEO advised that she has spoken to the Head Teachers about smaller projects with regards to replacing IT so not everything has the same shelf life. The CFO agreed that if we cannot afford it, we cannot have it and we should not commit to anything longer than a year so we would generally not look at leasing. The Acting Chair felt this has helped himself and JCI to work out how things operate.</p>	

		<p>JCI queried apprenticeships and the CFO advised that we are just getting big enough to afford one apprentice every year through the apprenticeship levy. The CEO advised that in conjunction with EKC Group, we have 14 apprentices starting in September and we have embraced our relationship with EKC Group to work with WorkHigher and all schools will have apprentices in September. Three of the schools have had apprentices this year. The Director of Operations is working with EKC Group and WorkHigher to draw down some funding from the Group pot as they can gift an amount to another organisation, and this has been another benefit from our partnership. The CEO advised we have two apprentices starting at Queenborough in September who were students there some time ago and were sourced through Sheppey College.</p> <p>The Trustees felt this was a very good piece of work and questioned how this could be publicised. The CEO has spoken to the Director of Operations to look at how we can promote this, however the Director wanted the schools to evidence the success and then include the success story in the newsletter part-way through the year. The Trustees agreed that once proven we need to clearly explain in the public domain what a good organisation this is and how the two organisations are working together.</p> <p>The CFO reiterated that some of the areas marked in green in the accounts is a lack of confidence and we need to work with the School Business Managers to look at the underspend and hopefully they will gain some confidence. Some of the marked green is due to lockdown and partly because the schools wanted to be sure they can balance their budget. The Trustees were in agreement that we need to look at helping the schools gain confidence and hopefully we will have a more finely tuned budget.</p> <p style="text-align: center;">NOTED: The Management Accounts – May 2021</p>	
7	Review of School Reserves	This Item was deemed to be confidential and will form Confidential Minutes, Part A.	

8	Academy Trust Handbook 2021	<p>The CFO delivered a PowerPoint presentation outlining the key changes in the new Handbook and their impact. A pdf copy of the updated Handbook was circulated to Trustees alongside the set of meeting papers prior to the meeting.</p> <p>The CFO led Trustees through the slides and it was noted that we do comply in all areas. The following queries were raised by the Trustees:</p> <ul style="list-style-type: none"> • The Trustees queried where we go for help on Estate matters and the CFO advised that the schools have their own Caretakers, but we have access to EKC Group Estates Team as an advisory role and for compliance. JH advised that the Estates Team also attend the monthly school meetings chaired by the Director of Operations. • One area of change was from the 1st March 2022, any newly appointed CEO can only become a Trustee if the members decided to appoint them and the CEO advised that she was appointed by the Members. The CEO advised that there are a lot of CEOs who are encouraged not to be on the Trustee Board but still attend the meeting to answer the questions but have no voting rights. • There is a peer review in place with another Trust and the Memorandum of Understanding was signed by the Chair of the Trustees. • RSC must be approached if the Accounting Officer leaves. The CEO advised that if a CEO leaves a small Trust they would be encouraged to merge with another successful Trust. • The Chair of the Trustees should not be Chair of the Risk and Audit Committee and the CEO confirmed that we fully comply with this and it is written in our Terms of Reference that the Chair of Trustees cannot chair either Risk, Audit & Compliance Committee or the Finance Committee. • The CFO advised that there is a school in Kent that has suffered cyber-crime. The changes advised that before you pay any ransom demands you must contact the ESFA. The CFO advised that there are rumours that Insurance Companies are being hacked to find out who 	
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		<p>has insurance against the cyber-crime. JCI queried if the schools are independent and is it part of our due diligence to make sure they are meeting the necessary levels of protections. The CFO advised this has been discussed by the Risk, Audit & Compliance Committee and we need to have a view as a Trust as they are responsible for their own IT protection and it is part of the Internal Audit Plan for next year.</p> <ul style="list-style-type: none"> The Financial Notice to Improve is now being called a Notice to Improve. As soon as you are issued with a Notice to Improve any delegated powers disappear and it will be published on the website. <p>AGREED: The PowerPoint presentation to be included in the set of papers for the Trustee Board meeting on the 15th July 2021 and the CFO will respond to any clarification questions.</p>	
9	Any other business	No further business was presented.	
10	Matters considered confidential	Item 7 was deemed to be confidential and will form part of the Confidential Minutes, Part A.	
		<p>Date and time of next meeting:</p> <p>Wednesday, 1 December 2021 at 1.30 pm, Broadstairs College</p>	

There being no further business the meeting closed at 15.40

The above minutes were approved as an accurate record by the Finance Committee on the 6th December 2021

