EKC Schools Trust

Meeting	EKC Schools Trust Finance Committee	Date	Wednesday, 26th January 2022
Location	Virtual meeting Via MS Teams	Time	2 pm
Membership	Chris Argent (CA) - Chair, *Jonathan Clarke (JC),* Paul Wilson (PW), Michael Ashley (MA)		
In Attendance	Tammy Mitchell (TM) – CEO, Chris Legg (CL) – CFO, Sharon Hollingsworth – DG, Claire Edgeworth – Note Taker		

	ITEM	COMMENTS	ACTION
1	Welcome and Apologies	JC had sent his apologies and these were accepted.	
2	Declarations of Interest	There were no additional declarations to the meeting other than those declared as standing.	
3	Minutes of the meeting held 6 December 2021	PW had given apologies for the meeting held on the 6th December 2021 and his initials are noted as PA. AGREED: Amendment to the minutes – PA should be been noted as PW alongside his apologies. The minutes were agreed by MA and seconded by CA.	
4	Matters Arising not covered by this agenda	No matters were raised.	
5	Management Accounts (December 2021)	The Management Accounts for December 2021 were circulated prior to the meeting. The CFO advised that income is broadly in line with expectations. The high needs funding is positive, and the Trust is in a strong position. The pay costs are marked in red, signifying an overspend, and this is due to the Term Time only pay correction calculations that went through the payroll in	

	including Q1 re-forecast	December. This cost is approximately £100k. The Trust is currently pursuing claims through the KCC claims process but this will not recover the full cost so we have to additionally apply for exceptional funding. The Chair queried if only the actual figure will be listed and the CFO advised this has not been accrued as we are just entering the Q2 budget review and at the end of this, he will have more of an idea of the supplementary claim and more accurate figures from the first claim process. The CEO advised that to date 92% of the people in the Trust, which is 131 members of staff in scope, have had their claims paid and we are ahead of any other Trust. The CEO wanted to acknowledge the hard work of the Director of Operations (DO), who has done a phenomenal job in getting this matter resolved. We have paid out 92% to date hence why we have such a large figure. The KCC funding formula is based on a flat 27% employers on-costs, published December 2021, this is what they are offering and our funding has not come in within that arrangement so we are £17k adrift. We are applying for the £17k as exceptional funding but they have not published the criteria for this, so we might not be successful. The CEO advised that for 5 years 11 months of this calculation, the schools were under KCC and the staff were only with us for 1 calendar month before the rules changed. The Chair wanted the CEO to thank the DO for their work. The Chair agreed that although it is an annoying situation if we must pay these costs, there will be a resolution. The CEO reported that due to the hard work of the Finance Team and DO, we have not had to use an external provider to undertake this work and Cantium Systems were charging £10k - £15k per Trust to complete this work. The CEO advised she will raise this at the RAC Committee but from a risk perspective, our Solicitors have been informed and a line will be added in our conversion documents that any previous Term Time Only awards will not be the responsibility of the Trust and we will not take any liabilities forward. The Chair agreed this was a good outcome and the Committee members agreed. The CFO advised that the pay costs are otherwise in line with budget and there is a similar variance in non-pay. The only line to note is Equipment and Consumables which is running behind budget and this will be looked at in Q2. The Chair advised that this was a concern and we should encourage the schools to make use of the budget. The CFO agreed and advised that there is some caution around spending this money to make sure they have enough funds at the end of the year. The Chair acknowledged that this had been discussed previously and schools should be reminded that the Trust is different and we should encourage them to spend the money. The overhead situation is encouraging and well under control and CFO was thanked for his work.	CEO

		The premises expenditure is still under budget despite cost pressures. The Chair queried if there was someone in the organisation who routinely looks at the fabric of the schools. The CFO advised the Group provides a high-level member of staff who undertakes the inspections and compliance checks are in place. The Chair acknowledged that there was a risk when the schools came from KCC as to how the maintenance had been done, so it is comforting to know we have someone overseeing the statutory aspect. The CEO advised that we have a full compliance of checking landlord responsibilities and this is shared with RAC Committee and the paperwork goes to them from the Interim Director of Estates. PW acknowledged this was a great improvement from when KCC had the maintenance responsibility. MA queried that KCC are looking at the high needs funding and questioned how the Trust would cope if they reduced it, as we are committed to the child despite the funding. The CEO advised that a lot of the children who currently attract high needs funding, are approaching transfer to secondary school and we are applying for funding alongside the EHCP to support transition to secondary school. Although we are not recruiting staff to those pupils, we are conscious that without paperwork in place, the transfer to secondary school will not go well. Also, whilst the CEO is concerned about the funding, she would welcome the change. EKC Group have had a block grant in place with KCC and the Group can choose how to spend it across the high needs provision. The CEO acknowledged that one or two specialist staff would have more impact and we can reconfigure what we offer over time. This is likely to present a short-term headache as there are staff we might wish to use differently, some reorganisational problems or we may be overstaffed, but we cannot plan this until the data is released. The CEO advised she felt it would be better if we could use the funding as we want. MA advised that he felt we need to control the expenditure to maximise impact to the pupils. The CFO advised that from the balance sheet perspective we have a healthy bank balance due to funds being carried forward and the trading position is strong and there are no concerns around cash. The Chair feels that the cash position continues to strengthen.	

		The CFO advised that there was an item to be carried forward from the previous meeting around pay costs. The pay costs are on the face of the income expenditure account at the bottom, so we can track how we are doing against budget.	
6	Long-term Financial Plan to determine the Reserves Policy.	The CFO had circulated the Long-Term Financial Plan prior to the meeting. The CFO drew members attention to the spreadsheet at the end of the paper and talked members through this. The CFO highlighted that the spreadsheet changes in March as that is when the first schools joined us and the agreement around top slice will kick in during this anniversary, which will be March 2023 and March 2026. The CFO confirmed this is not index linked and will be applied to their core income streams only and their contribution will be 1.5% and then 3%. The CFO discussed the growth plans for the next three years which included a new two-form entry primary and a one-form entry primary and a 2-form entry and a 3-form entry the following year. The Chair queried if the CEO had some schools in mind against these entries and the CEO acknowledged that she has two schools in mind, but there are a lot of options for different sized schools to come into the Trust to get us where we want to be. The Chair queried that if we reach more schools, do we wish to consider an intermediate type of management structure and the CFO advised this is in the paper. PW queried if the figures for Bysing-Wood are based on current figures, the CFO advised this is not index linked and the CEO advised they have left out the growth of Briary and Bysing-Wood as this allows some flexibility should we not be able to recruit more schools, as we will still be showing growth in existing schools. The CFO discussed how the bottom line of income is reached and the current figure of £28,350 which includes the new schools joining us, 2022/2023 when the founder schools will pay in (March 2023) and the potential for the 2-form and 1-form entries to join the Trust. The 2025/26 figures show the final schools joining the Trust and the founder schools top slice increasing to 3%, with all the schools paying the top slice which gives a figure of £443,175 top slice by 2026/27. The CFO covered core expenditure and confirmed the figures factor in on-costs as the Trust gets bigger and central costs will grow as well e.g., insurance policies will cost more. These costs have been scaled up but not index linked. The next section shows the top slice and subtracts pay and non-pay core costs which initially shows a deficit and then become a surplus. By 2025/2026 the top slice covers the core costs and provides a net income of £47,000.	

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		The CFO discussed the impact of our partnership with EKC Group. EKC Group are currently contributing £250,000 per year and this tails off as the contribution from the schools increases. The Trust will need to start contributing to the Group for the core services as the Trust grows. As the top slice grows, EKC group contribution decreases and EKC Schools Trust payment to the Group will increase. The figures show the Trust have a net income this year of £48K and will go up and then down again to £20k. The Chair expressed concern whether a school would incur a deficit whilst paying into the central reserve and the CEO advised that as agreed in the draft Reserves Policy, that those schools who had the money now would start paying in but those that could not afford to do so, would not be asked to pay into the central reserve. Post April the two new schools have larger reserves than they should, so they will be asked to pay into their own pot and spend what is left. The CEO acknowledged that we needed a careful approach over the years to make sure they have enough money. The Head Teachers are on board and understand and recognise this. MA queried if the DfE had a view on what the top slice percentage should be and the CEO advised it is benchmarked and the DfE will question if you are putting too much in your central services. The CEO advised the challenge is that every Trust has their own model but the average is between 8% – 11% and our maximum is 3%. The CEO advised that in about 2 years-time depending on the political position, the challenge will be that Trusts are charging more for a lot less and at the point that single schools must academise, we will be an attractive option. The DfE have advised our growth has to be steady and slow and should 10 schools come forward, we will only be able to take 1 or 2. The CEO is trying to speak to those schools who are undecided as we might be unable to take them and they might have to go with another Trust and pay more. MA felt that the Local Governing Boards, when posed with the problem of academising, will look at the top slice but they will not know the reasoning behind it. PW queried if the top slice of 3% is agreed for the future and would the CEO expect it to extend beyond that. CEO advised it would be based on what services will cost the schools and economies of scale will impact this as schools are saving a lot of money. At the moment, 3% feels about right based on what we know now, but in 3 years time, we may have to increase this based on the information at that time. The Trustees felt that this was the way to drive the quality of the Trust	

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		and we could afford to be selective. The Trustees would like to be kept informed as this evolves in the future. It was agreed this would be added to the agenda annually at this point in the year. ACTION: The Financial impact of the Trust partnership with EKC Group to be added to the Finance Committee's annual cycle of business and to be reported in January. The Trustees agreed that the schools are receiving value for money. Benchmarking was discussed and the difficulties if you do not know the school you are being compared to. The CFO advised that the level of turnover will be up to almost £15m, if 10 schools come on board. For context the turnover figures, where targets will be, school reserves per form of entry is £25k. The Finance Committee agreed that they were happy with the Reserves Policy and this can now be taken forward to the Trust Board for ratification. The Chair will recommend this to the Trust Board. ACTION - DoG to add to the next Trust Board agenda for ratification.	DoG DoG
7	Salary adjustment around pay freeze re pension contribution	The CEO had circulated the paper that was provided by the Unions. The CEO advised that in the recent JCC meeting, which included the Teacher and Support Staff Unions, they had advised that following the pay freeze, certain individuals will be affected as their pension would not be index linked. The Unions advise there is a loophole that if we give a £1 pay rise this will mean that their pension is improved. PW queried how significant are the meetings that are planned with the DfE and the CEO advised she was aware that several CEOs want the DfE input but cannot find any further information. Although the Unions have presented it, that you only give £1, the CEO feels there is a bigger precedence. MA advised it is a loophole and trying to work around the rules which Unions would have agreed with the Government. Although it is £1 per teacher, if that teacher receives bigger pensions it will come from central costs. The Chair agreed that this does not feel right but was concerned about going against the trend and staff feeling unsupported which will have a negative consequence. The CEO advised that no staff member has raised this. The CEO asked	

		the Trustees if she could defer the position and bring it back later if the situation changes. The Trustees were happy for this to be adjourned and brought back, within this financial year. ADJOURNED – this is to be brought back to a future meeting should the situation change. DoG agreed that this is the right action at this stage to protect the Trust reputation.	
9	Any other business	No further business.	
10	Matters considered confidential	No matters were raised.	
11		Date and time of next meeting 30th March 2022 at 2 p.m. PW is unable to join this meeting in person and an alternative date was looked at. It was agreed to continue with the 30th March 2022 but it will be held virtually and PW will attempt to join the meeting. The CFO advised we have the technology for this to be a hybrid meeting, in necessary.	

There being no further business the meeting closed at 15.11

The above set of minutes were approved as an accurate record by the Finance Committee on the 30th March 2022.