

MINUTES

Summer term 2018 meeting of the Finance, HR and Operations Committee

Held at Priestley College on Wednesday 20 June 2018, 6pm

Present:

Toby Macormac TM
Stephen Whatmore SW
Howard Platt HP
Matthew Grant MG
Linda Waterson LW
Stuart Titchard ST
Gemma Johnson GJ
Anita Pailing AP

In attendance:

Tim Long (Bridgewater High School)
Bev Scott-Herron (Sir Thomas Boteler CE High School)
Angela Grace (Penketh South Primary School)
Damian McGuire (Priestley College)

TL
BSH
AG
DMc

Part One – non-confidential business

1. Welcome

HP welcomed everyone to the meeting.

2. Absence/Apologies

G Bratley and N Pearson sent apologies for the meeting. The committee **approved** the apologies.

3. Election of Chair

HP explained that the ideal candidate for chair would also be a Trustee, in order to effectively report back to the Trust Board.

ST self-nominated as chair. No other nominations were received.

The committee **agreed** for ST to be the chair of the Finance, HR and Operations Committee.

4. Minutes

The minutes of the previous meeting held on 7 February 2018 were confirmed as a correct record.

a) Matters Arising

MG informed the committee that the health and safety policy was updated to reflect the requested changes during the last meeting. The draft Trust health and safety policy has been shared with the Joint Consultation and Negotiation Committee, and comments have been provided. The Trust is awaiting feedback from Trade Unions.

The Trust is currently engaging with A Partridge (external health and safety consultant) to complete a health and safety overview of the Trust. A Partridge has also provided comments on the draft Trust health and safety policy.

b) Action Log

Action for item 5: DMc to invite chairs of finance from Local Governing Boards to the mid-year review

DMc informed the committee that the mid-year review did not take place. Chairs will be invited to the next mid-year review.

5. Declaration of personal interests

Committee members were reminded of the requirement to declare any interests, pecuniary or otherwise pertaining to the meeting. No personal interests were declared.

6. Financial Regulations/Procedures

The committee reviewed the Financial Regulations. DMc informed the committee that the individual academies financial regulations were reviewed and consolidated into one document. When the document has been approved by the Trust Board, all academies within the Trust will follow the same procedure. **LW asked** if the internal auditors have had sight of the document. DMc advised that the internal auditors have not yet received the documents as they have not been officially appointed. The Audit and Risk Committee have made a recommendation to the Trust Board to appoint Wylie and Bisset; a decision will be made on 4 July 2018.

SW proposed that the committee recommend that the Trust Board approve the Financial Regulations. TM seconded the proposal.

Recommendation: The committee agreed to recommend that the Trust Board approve the Financial Regulations.

The clerk explained the voting rights within the committee.

7. Management Accounts and Finance Update

DMc presented the Finance Report to the committee.

a) Tenders and Procurement

Bridgewater High School, Sir Thomas Boteler CE High School and Priestley College have submitted a combined tender for catering; this is still ongoing. Response has been positive and presentations are due to take place. The amount that has been quoted is 10% less than what was previously budgeted.

Priestley College has recently tendered its College buses. Initial tender proposals indicate potential savings.

Another possible tender process will be for advertising of staff appointments. DMc has met with TES who have provided a quote for the whole Trust. The cost will be charged towards secondary schools and the college; primary schools are free. The quote provided will cover all advertisements, including non-teaching staff. It does not

The Challenge Academy Trust (TCAT)

cover leadership advertisements. DMc will be contacting TES to negotiate on the price before reporting to the Central Executive Team.

ST asked if a single document could be created that will capture all the savings made across the Trust. DMc agreed that such a document would be useful when discussing value for money.

Action: Single Document to be created outlining all savings made across the Trust.

b) VAT Position

DMc informed the committee that, since conversion, there has been an issue with regards to registration for VAT. Individual academies traditionally submit under Section 126 (a detailed report of all VAT claimed, including VAT number of the supplier). A full registration would be advantageous to the Trust as it reduces the amount of paperwork and staff time required for a VAT return. The Trust also has a trading subsidiary in Bridgewater High School Trading Ltd which is getting close to registration limit. A full registration will allow for the Trust to become the VAT group when the Trading Company reaches the VAT threshold.

After numerous attempts, the HRMC have agreed that the Trust has enough income that would require a VAT registration. The VAT registration certificate was received in June 2018 and has been backdated to 1 May 2017. The Trust is now in a position to start submitting VAT returns and the refunds will be returned. The Trust is owed £1.1million in VAT.

SW asked what the threshold is. DMc advised that it is approximately £92,000. TL informed the committee that Bridgewater High School Trading Ltd is used for the Duke of Edinburgh Award.

c) Financial Position

Management accounts have been prepared. DMc highlighted that the ESFA income is received in twelve equal instalments throughout the year, but the spending pattern does not follow the same sequence. DMc is beginning to build a profile of spending for the Trust and will have a 12 month cycle to review carefully next year in order to make adjustments to the spreading of expenditure.

DMc explained that some schools suffer from lagged learner funding. When the budget for Beamont Collegiate Academy was prepared, there was an assumption that funding would match pupil numbers.

The forecast outturn for 31 August 2018 is £187,000 (Net).

The Trust is moving into a period where some academies will spend less on certain items whereas other academies spend more to prepare for the upcoming year.

HP asked if the forecast is robust. DMc confirmed that he predicts the budget will break-even. **HP asked** if the Trust will need to disclose individual academy deficit. DMc confirmed that the Trust must disclose individual academy deficits within the

account. Queries may be raised from this and a Trust response will be required with evidence of action taken.

HP asked if DMc would confirm the surplus for Penketh South Primary School. DMc advised that he had not received final figures from the local authority, but understood it was approximately £90,000.

DMc informed the committee that the original budget did not reflect the condition improvement grants for Bridgewater High School or Penketh High School. The grants cover a number of works that are not capital in nature and are therefore treated as revenue items; they will be shown in the budget as in both income and expenditure. DMc assured that the grant will not inflate the balance sheet and will not impact the reserves.

BSH arrived at the meeting at 6.30pm

d) Cash Position

DMc reported that the cash position of the Trust is £4,404,278. When the VAT refunds begin, the cash position of the Trust will improve.

HP asked if there is a mechanism in place for investing the money from the VAT refunds. DMc advised that he is speaking with the bank about an account where a specific amount of money can sit and gain interest. **HP asked** if the refund will be an income for TCAT. DMc informed the committee that Beamont Collegiate Academy and Priestly College brought a substantial amount of money to the Trust. DMc acknowledged that the Trust now requires a suitable Investments Policy.

8. Budget Planning 2018/2019

DMc reported that at this point in time there are some outstanding issues to be resolved as a number of local governing board meetings have not yet taken place. The proposed budget at Penketh South Primary School was not approved by governors as they require further clarification regarding the proposed bottom line. DMc will arrange a further meeting with AG and HP.

DMc informed the committee that a number of individual academies are currently forecasting deficits. The overall budget position is showing a slight deficit at this moment in time. One line of enquiry is to review the central levy and how it impacts on schools in financial difficulty. DMc advised that the budget requires further refining at individual academy level to reduce the overall deficit shown. DMc will report on the proposed budget at the Trust Board meeting on 4 July 2018.

9. School Condition Allocation and proposed capital works

MG reported that he has had a discussion with J Fay (E3Cube, Surveyors and Building Consultants) on 7 June 2018 about the issues requiring immediate attention. A key point from the meeting was the long term plan for Penketh High School.

J Fay explained that any short term repairs should have a minimum of a 10 year life span. When discussing the funding allocated to the Trust for Condition Improvement, J Fay advised it should be allocated as below:

- 1) Statutory compliance with regards to Health and Safety and Disability
- 2) A centrally held contingency can be released for Year 2
- 3) Condition improvement (particularly early intervention to stop the rot)

J Fay recommended that the Trust develops a 4 year strategy and maintenance plan to be reviewed annually, particularly in the first 3 years of spending.

MG explained that health and safety compliance is a major priority for the Trust and A Partridge has been commissioned to complete a health and safety audit and fire risk assessment. From the audit, A Partridge will highlight the immediate priorities.

MG reported that the ESFA have allocated the following:

- School Condition Allocation: £1,188,808
- Healthy Pupils Capital Fund: £114,298

A number of immediate requirements have been identified by the academies and will be addressed as soon as possible. J Fay advised that not all works need to be undertaken during the summer break, and work undertaken during term time may significantly reduce costs.

A Partridge has identified a number of urgent priorities, including the replacement of the fire escape at both Penketh South Primary School and Penketh High School.

MG explained that the issues emerging highlight a number of inadequacies in the work that previously took place under the control of the local authority. Penketh South's previous fire risk assessment included everything but the kitchen; a major fire risk area and hazard to pupils. MG confirmed that future due diligence will include a full health and safety inspection in order for faults to be identified prior to conversion.

HP asked if the Trust will be asking E3Cube and A Partridge to apply their expertise in order to provide a recommendation of priorities over the next 3 to 5 years. MG confirmed that floor plans for each academy will be given to E3Cube and a review will be undertaken. A Partridge is in the process of completing her reports.

HP asked why fencing would cost £170,000. MG advised that this is a previous estimated figure, and a tender process will be undertaken.

GJ asked how E3Cube were appointed. MG advised that E3Cube have not yet been appointed to carry out work and at this stage will only complete a report around costed priorities. E3Cube has knowledge of Priestley College, Penketh High School and Bridgewater High School.

MG requested that the Finance, HR and Operations Committee approve the proposed approach to releasing funds for School Condition Improvement and Healthy Pupils Capital.

The committee **approved** the approach.

10. Pay School Teachers and School Business Support Staff Pay Settlement 2017/2018

MG explained that the Trust had initially agreed to a 2% pay increase for M1 and M6. Following this decision, strike action was discussed. An extraordinary meeting of the Trust Board on 21 May 2018 led to the agreement to also offer a 2% increase to M2 and M5 (backdated from 1 April 2018). Unions were consulted and the offer was accepted. The overall cost to the Trust will be approximately £25,000. This will be implemented in July 2018 pay.

Currently Business Support Staff are paid different rates across the academies. The Trust Board agreed to move towards the national pay framework based on the minimum wage. The overall sum is not yet available. Unison is pleased with the decision and conversations have commenced with regards to moving to the new pay scales from 1 April 2019.

SW asked if there is an indication of recommended pay increases beyond 2019. MG confirmed that there have been no recommendations beyond 2019. **SW asked** if the Trust expect it to be 2%. MG advised that they would plan for 2% as advised by Association of School and College Leaders.

11. Draft School Teachers Pay Policy September 2018

MG presented the Draft School Teachers Pay Policy to the committee and explained the proposed teacher's pay structure.

The committee noted the policy and will await further feedback.

12. Policies

a) TCAT Grievance Policy

MG welcomed comments about the Trust Grievance Policy. The committee were happy with the policy and will await further feedback.

13. Financial Management and Governance Self-assessment (FMGS)

The FMGS was reviewed in full at the Audit and Risk Committee on 20 June 2018. The FMGS visit took place and the Education and Skills Funding Agency (ESFA) have accepted the Trust's response.

MG provided an update on the recommendations:

- The Draft Financial Regulations will be submitted to the Trust Board on 4 July 2018 for approval
- A business continuity plan will be in place by September 2018
- The Audit and Risk Committee approved the recommendation to the Trust Board for Wylie and Bisset to be the Trust's internal auditors
- Monthly consolidated reports will be circulated to Members of the Committee, and Trustees
- The register of business interest will be kept in a central place from October 2018

MG wished to thank DMc and colleagues for their support during the assessment process.

14. Financial returns requirements 2018

DMc reported that the Trust has received a letter from the ESFA outlining a timetable of returns to be submitted.

15. Freedom of Information Request

MG informed the committee that the Trust was asked to respond to a freedom of information request with regards to the deficit at Penketh High School. The Trust responded in the appropriate way. The committee were assured that the financial issues at Penketh High School are not long term.

16. ESFA School Resource Management Advisor

MG informed the committee that the ESFA now have a School Resource Management Advisor in place who will help and work with the Trust if any financial issues arise.

A Blench (School Resource Management Advisor) would like to meet with MG, DMc and HP on Monday 25 June 2018 as he has no experience of a Trust with a sixth Form College, or a Trust with reserves. A Blench would like to complete a benchmarking exercise with the Trust and would like to have sight of all the academies within the Trust.

17. Any other business

There was no further business to be discussed

18. Proposed future meeting dates

Autumn 2018 (1): Wednesday 17 October 2018, 6pm Penketh South Primary School
Autumn 2018 (2): Wednesday 5 December 2018, 6pm
Spring 2019: Wednesday 6 March 2019, 6pm
Summer 2019: Wednesday 26 June 2019, 6pm

The meeting closed at 7.15pm