



STAR MAT Board of Trustees

Minutes of the meeting held Tuesday 27th November 2018 at 5.30pm at Tadcaster Grammar School

Present: Clare Thornton-Eckford (Chair), Frances Dodd, Alison Smith, Tom Fielden, Peter Wilson, Simon Peacock, Richard Coy

In attendance:

Martyn Sibley (Chief Education Officer, STAR MAT)
 Melissa Boyes (Chief Finance Officer, STAR MAT)
 Iain Tessier (Clerk, Governance Advisor – STAR MAT)
 Representatives from the External Auditors, Sagars

1.0 Welcome, Apologies for Absence and Declarations of Interest

The Chair welcomed all to the meeting.

1.1 Apologies were received and accepted from Nick Sheppard. There were no declarations of interest.

2.0 Minutes of the Last Meeting – 23rd October 2018

2.1 Resolved:

Trustees agreed that the minutes of the last meeting on 23rd October 2018 were a true and accurate record of that meeting and the Chair was duly authorised to sign them.

3.0 Action Points and Matters Arising

- 3.1 Action 1 – Completed.
- Action 2 – Carried over
- Action 3 – Completed.
- Action 4 – Completed.
- Action 5 – Nothing to report. MoU approved and in place.
- Action 6 – Completed.
- Action 7 – Carried over.
- Action 8 – The CEO confirmed a meeting with Brigshaw had taken place and another had been scheduled. There was nothing to report at this time.
- Action 9 – The Land and Buildings Collection Tool submission was completed on time.
- Action 10 – SIAMS training had been arranged for 14th January
- Action 11 – For December meeting.
- Action 12 – Future meeting.
- Action 13 – the CEO confirmed that he was planning to address attendance with parents.
- Action 14 – Completed.

4.0 Finance

4.1 The representatives from Sagars were invited to present the accounts to Trustees. Trustees would be asked to approve the accounts ahead of circulation to the Members. The auditors began by noting that the accounts were not completely finalised but needed to be come the time of the AGM on 10th December. They reflected upon the delays caused by difficulties in acquiring all of the numbers from various sources, which had been a frustration to all concerned. The auditors did not expect there to be any further material changes to the accounts presented to the Trustees. A trustee asked the auditors to expand on that point. The auditors said that the totals would not change but their could be some slight movements in relation to the allocations within restricted and non-restricted funds.

ACTION

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- 4.2 The auditors talked through the various disclosures required of Academies. In principle, everyone followed the 'Coke Town' model, as outlined in the Academies Financial Handbook (AFH). The auditors did not intend to go through the accounts page by page and questions were welcomed from Trustees at any point. A copy of the final accounts had to be sent to the ESFA and companies house and the accounts were required to be published on the STAR MAT website. It was clarified that a chair's statement was optional and that this would not be included on this occasion.
- 4.3 The Statement of Financial Activities (SOFA) was effectively the summary of all monies coming in and out. Note 25 in the accounts referred to this. The value placed on the LA's 'donation on conversion' of land and buildings plus other fixed assets was £58m (regarded as restricted fixed asset funds). There were reports to back up the valuations but ultimately the Trustees could set their own values if they wished to. A trustee asked if the valuations were such for the basis of insurance. No, they were set as per RPA. Was there advantage in the valuations being higher or lower? There was no real advantage either way. The CFO noted that this figure was the first thing stripped out by the ESFA when ascertaining the viability of a Trust. With regards other fixed assets, Trustees were reminded that the CofE schools' assets were covered under supplementary agreements with the Diocese. All the assets of the CofE schools were on the STAR MAT balance sheet, with the exception of Saxton's field (as it is was rented from a third party). Responding to a Trustee query, it was confirmed that buildings depreciation was over 50 years on a pro-rata basis.
- 4.4 The CFO explained the position re: exam fee prepayment for TGS and how this had affected the final reconciled balance from NYCC.
- 4.5 The LGPS (pension scheme) deficit currently stood at £1.8m.
- 4.6 The total funds carried forward once all incomes and expenditures were reconciled was £57.8m (SOFA). Trustees had to be mindful of the fact that this figure was skewed by the large, one time only, transfer of assets in. The totals on the balance sheet were clarified for Trustees.
- 4.7 With reference to the cash flow there were a series of notes for Trustees to follow and refer to. The auditors were again happy to take questions or requests for more detail. A Trustee noted that the format of MAT accounts in general left things a long way from clear. The auditors acknowledged that it was hard to pick out the true picture in the first year accounts owing to the continued references to the restricted fixed asset funds (not be seen again).
- 4.8 It was made clear that all GAG funding had been spent – in fact the Trust had overspent by £75k – and there was £4k of leftover income from the teaching school. Unrestricted funds was showing a reserve of £472,000 and this was the important figure when it came to making statements around going concern. The auditors pointed out that expenditure was currently outstripping income when it came to educational operations and this would naturally have a bearing on future reserves if it was not addressed. A trustee asked if the situation would improve next year. The CFO said that the finances going forward were a significant issue. The MAT would need to address the projected deficit showing by 2020/21. There would be some tough decisions to take to achieve the required level of savings. A brief discussion followed. A trustee was aware that pensions contributions were set to increase and no doubt this would further impact on the future budget. The CFO confirmed that contributions were set to rise from 16% to 23% from 2019 but with no clarity on how this was to be funded. Indeed this was one of only a number of cost pressures arising from employee-related expenditure.
- 4.9 The auditors confirmed that they were able to state that the STAR MAT was a going concern. However, in making that statement the auditors were only required to look 12 months hence. Looking further ahead, the budget was showing a £137k deficit for 2018/19 and a £213k deficit for 2019/20. The total three year deficit was over £686k. With reserves currently standing at £472k Trustees could see the issue come 2020/21. The Trustees would need to take action. Failure to do so might well result in the auditors having to alter their statement on going concern. The good news was that there was sufficient time to address the matter in a sustainable way. Trustees reflected on not having 'much of a cushion'. The auditors, speaking from personal experience, advised Trustees to be careful to assess how any further schools taken on by the Trust would affect finances.

- 4.10 The CFO was clear that savings on central contracts, alongside other actions, would help to address the finances and balance the bottom line. It was very important for all of the schools to follow the processes when it came to internal financial controls.
- 4.11 The auditors referred to the Audit Findings report. As a letter and the report was sent to the ESFA, Trustees had to be happy with the statements being made. The executive summary outlined 6 serious weaknesses (red) and 6 further weaknesses (amber). The auditors acknowledged that certain finance policies and procedures, which had not been in place at inception, had now been implemented. However, it was clear that certain of these policies had not been followed. Enforcement was clearly an issue. The CFO acknowledged this and assured Trustees that the matter had been raised with SBM's and headteachers. A Trustee asked if there were widespread problems. The auditors replied that it was not so much that, rather more of a timing issue. The MAT launched close to a summer break and either side of the break there had been some 'slack practice'. A Trustee wanted to know how they could be sure that internal controls were now being followed. The CFO replied that various checks and limits were in place. Were policies being conveyed to SBMs? Yes they were. The new systems did not allow limits to be breached. All bank reconciliations were being dealt with centrally. A general discussion followed. Trustees were content that several of the matters outlined in the summary were effectively resolved and others were being addressed.
- 4.12 There was a question about the Chrome Books. The auditors explained that there had been a misplaced belief that these were under an operating lease but in reality the ESFA would view the arrangement as a finance lease – the latter not being permissible under the rules outlined in the AFH.
- 4.13 Adjustments to the financial statements were outlined. The auditors were confident that the final accounts would provide a true and fair view of the Trust's accounts.
- 4.14 The two conclusions listed on the regularity report were highlighted to Trustees. The auditors outlined steps that could be taken to prevent future issues. Trustees were a little uncomfortable with some of the language used and felt that the conclusions did not fully reflect the current position. The auditors explained that they had to make judgements based on the controls over the entire time period. The Accounting Officer or a Trustee report could make a further statement to clarify the position. The Trustees agreed there was a need for a narrative to be presented publicly and made known to Members. The CEO and CFO were asked to look at this.
- 4.15 The auditors explained that the Trustees were required to approve the Accounts, which could then be signed by the Board of Trustees, along with the letter of representation. The CEO, as Accounting Officer, would be required to sign the regularity letter – which confirmed that the MAT had conducted itself properly and delivered value for money.
- 4.16 **Resolved:**
Given the caveats outlined by the auditors around the accounts being draft but not subject to any further material changes, The Trustees agreed to approve the accounts in principle, subject to their finalisation ahead of the Members AGM on 10th December.
- 4.17 Trustees acknowledge and accepted the report of the auditors in full. Trustees thanked the auditors for their support and the CFO expressed her gratitude for their input.
- The auditors left the meeting*
- 4.18 Moorlands, the internal auditors, had produced an action plan for the year ahead and the CFO was invited to summarise this. In term 1, payroll needed to be the focus. In term 2, attention would be placed on ICT, business continuity procedures and GDPR. In term 3 there would be a review and evaluation of financial procedures and controls.
- 4.18.1 A Trustee asked why finance was not in term 2 ahead of the other items. Surely, if controls were not in place/not evaluated and this resulted in the deficit getting bigger then the Trust would have a

MS/MB

problem. The CFO pointed out that from January she expected the Trust to be totally ready from a controls standpoint but that these would be tested again in term 3. The action plan was in the order that it was to reflect the priorities in terms of tackling risk. The CFO believed that the plan was the best way forward. Trustees indicated that they were happy that the plan be implemented as it stood.

- 4.19 The CFO confirmed that the MAT had, in fact, agreed a three-year contract with Sagars for auditing services and not a one-year contract as originally believed. Trustees delegated authority to Mr Fielden, as chair of the Resources Committee, to sign the Terms of Engagement letter on behalf of the Board.

5.0 Staffing

- 5.1 The Clerk said that there was a requirement upon Trustees to formally ratify the decisions of the various LGB pay review committees around teacher pay. The CEO provided a brief commentary. The processes around governors' monitoring of performance management now had a level of rigour not present before. The CEO was satisfied with the processes but acknowledged that they would evolve and improve again ahead of next year.

- 5.2 It was clarified that a discretionary payment to a headteacher was permitted and that in fact it related to the period before the Trust had oversight of the schools – thus the pay committee had the power to sanction it. This led to a wider discussion about the use of discretionary payments and who should have the power to approve them.

Post meeting note from the Clerk: The Pay policy states the following in relation to discretionary payments (which are usually given as part of a recruitment/retention arrangement) 'The Board of Trustees should, through the LGB, make clear at the outset the expected duration of any such incentives and benefits, and the review date after which they may be withdrawn.' This effectively provides the Trust board with powers of control over any such payments. Any award 'approved' by a pay review committee requires Trustees final approval and therefore there is always the power of veto. The LGB pay committee Terms of Reference state the following: (PRCs can) 'Consider the use of discretionary payments, as per the provisions of the pay policy.' This once again makes it clear to an LGB that they may consider discretionary payments as an option but have no ultimate power of approval. The clauses in the pay policy and the Terms of Reference would appear sufficient in their current form but Trustees may decide otherwise.

- 5.3 Discussion turned to the detail (or lack thereof) conveyed in the minutes presented to the Board. There were some inconsistencies in how duties appeared to have been executed and several Trustees pointed to a lack of detail regarding both the scrutiny of evidence and detail behind the headteacher recommendations in some of the minutes compared to others. The Clerk noted that some of the schools were not clerked by CYC Governor Support and, the examples noted by Trustees, did emanate from those settings. The Clerk had, such as his jurisdiction allowed, pointed out to heads and chairs where minutes – the language used therein, certain statements made and the detail – were not to the standard his service would expect. Indeed, some settings had been required to re-run their meetings due to procedural errors. Having not been in most of the meetings, the Clerk was not in a position to say whether in fact it was an issue with the minutes or the level of information divulged. The CEO, noting the feedback and concerns of Trustees, acknowledged that there were clearly some areas to work on and this would be discussed in due course with headteachers. Come next year, the CEO would have had oversight of the full appraisal period and could brief headteachers on what was expected of them in terms of the level of evidence required to be submitted to pay committees. The issue of clerking at the meetings to be addressed by the governance advisor.

Frances Dodd left the meeting

- 5.4 Pay committees were looking to award two-points progress to certain teachers, including headteachers, however, Trustees had concerns about how exceptional performance was being judged. What did such performance look like? Was the approach to this consistent from one setting to another? A Trustee noted that to make such an award an LGB had to be clear that an individual merited it. They were of the view that objective setting required far more rigour. Certain two-point

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awards were being applied in settings where pupil outcomes were not outstanding – surely that was a key benchmark for judging exceptional performance. These points led to a frank discussion. Again, the CEO acknowledged that this all needed to be looked at far more closely next time around. It would be made clear to the head's group how the CEO viewed this.

MS

5.5 Resolved:

Trustees ratified the decisions of the pay committees in full.

6.0 Facilities

6.1 The Land and Buildings Collection Tool submission had been delivered on time.

6.2 There was nothing to report re: central contracts.

7.0 Policy Review

7.1 Trustees reviewed and approved the following policies:

- Budget Management inc. Charge card protocols (STAR Finance Manual)
- Competitive Tendering
- Fixed Asset, Capitalisation and Depreciation (resubmitted)
- Gifts and Hospitality
- Investment
- Member, Trustee and Governor Expenses

8.0 Any Other Business

8.1 None.

The meeting closed at 7.55pm

	Action Points from the Meeting	Agenda Item	Person(s) Responsible	Date for Delivery
1.	Trustees links to school – raise the matter at Chairs' forum (carried over)	3.1	Clare Thornton-Eckford	Due course
2.	Statement on MAT growth strategy (carried over)	3.1	Clare Thornton-Eckford Martyn Sibley	Due course
3.	Context statement by the Accounting Officer (CEO) on the conclusions in the regularity report for public record and communication to the Members	4.14	Martyn Sibley (MB to advise)	ASAP
4.	Advise headteachers and clerks on expectations for pay review committee meetings	5.3	Martyn Sibley Clerk	Due course
5.	Discuss definitions on exceptional performance with headteachers ahead of appraisal reviews	5.4	Martyn Sibley	Due course



11/12/18