

STAR MAT Board of Trustees' Finance, Audit and Risk Committee

Minutes of the meeting held Thursday 26th November 2020 at 5.30pm via Google Meet

Present: Tom Fielden (Chair), Peter Wilson, Simon Peacock, Richard Coy, Clare Thornton-Eckford, Nick Sheppard, Alison Smith, Frances Dodd, Deborah Hastie (from item 6.5)

In attendance:

Ian Yapp (CEO, STAR MAT)
Melissa Boyes (COO, STAR MAT)
Rob Holah (Estates Director, STAR MAT)
Iain Tessier (Clerk, Governance Advisor – STAR MAT)
Alison (Internal Auditor, Moorlands) (for item 1)
Kate Archer (Internal Auditor, Moorlands) (for item 1)
Lucy Jenkins (Auditor, Sagars) (for item 6)
Susan Seaman (Auditor, Sagars) (for item 6)

1.0 Internal Audit Review and Risk Reports (originally item 5)

ACTION

Prior to the meeting, Trustees had received the internal audit annual report.

- 1.1 The annual report was a new requirement of the AFH. Moorlands could provide reasonable assurance based on evidence gathered. Three audit reports had been issued this year. Health and Safety, Covid19 Key Controls and Budgeting. 29 recommendations had been made – 18 medium level and 11 low level. Mrs Archer outlined the plan for the internal audit for the year ahead: Governance and Risk Management, Data Security and GDPR and Recruitment/Payroll.
- 1.2 Mrs Archer summarised the headlines from each of the audits. Health and Safety procedures were adequate in the schools that were checked. The Trust's previous policy was quite high level and local settings were still following many of the LA policies and procedures. The Trust now had its own H&S policies and procedures as per the recommendation. Financial controls remained adequate during the period of homeworking. Risk assessment documentation for Covid had been drawn up and approved at Trust level. Budgeting procedures were adequate but added consistency would be helpful. The auditors advised that TGS should be running their budget rather than the COO. They were anomalies in terms of budget management. Robust procedures were needed in that setting when it came to monitoring income and expenditure.
- 1.2.1 A Trustee referred to a comment about purchase order discrepancies. 40% of the sample were still not compliant with agreed procedures, which was concerning. Had procedures not been embedded as we thought or were these issues purely down to Covid? The COO said that this was absolutely a Covid related issue. The Trust had been able to demonstrate sound systems and controls. Those systems had necessarily been modified to adapt to the current environment. The issues noted by Moorlands had been resolved, as far as the external auditors were concerned.
- 1.3 The COO felt that processes around health and safety and Covid19 controls were good. The same could not be said across the board for budgeting processes and resolving these matters was a priority this year. The Trust's executive took all of the recommendations from Moorlands seriously and some had directly helped drive through necessary changes.

Alison and Kate Archer (Moorlands) left the meeting.

2.0 Election of Committee Chair

2.1 Tom Fielden was nominated for the position of Committee Chair. No other nominations were received.

Resolved:

Governors elected Tom Fielden to be Chair of the Committee for a period of one year.

3.0 Welcome, Apologies for Absence and Declarations of Interest

The Chair welcomed all to the meeting.

3.1 There were no apologies. Deborah Hastie had indicated that she would be late arriving. There were no declarations of interest.

4.0 Minutes of the Last Meeting – 16th July 2020

Resolved:

Governors agreed that the minutes of the last meeting, held on 16th July 2020, were a true and accurate record of that meeting and the Chair was duly authorised to sign the minutes.

5.0 Approve Terms of Reference

Circulated prior to the meeting. Unchanged from last year.

Resolved:

Governors approved the committee terms of reference as circulated.

6.0 Annual Accounts and External Audit

Prior to the meeting, Trustees had received the findings of the external audit. The final accounts were not yet finalised and therefore could not be circulated at this point.

6.1 The COO and CEO reflected upon a challenging process this year due to the enforced ways of working and delays in getting accounts and findings finalised. The audit report had been submitted to Trustees at short notice and the COO apologised for this. The COO agreed with all of Sagar's findings. It was important to note everyone was comfortable that the final numbers on the main account were correct – there were still some minor adjustments and checking to be done. The Chair reiterated his thanks to the COO. He reflected upon the progress over the past two years, which had moved the Trust forward and resulted in an audit report that made far better reading. The Chair was not concerned with some of the technical items raised in the audit. The Chair of Trust Board welcomed Mr Fielden's expert input in his oversight of the accounts and audit. The Chair noted that overall the audit outlined a good performance from the Trust

Lucy Jenkins and Susan Seaman joined the meeting

6.2 Mrs Seaman acknowledged that the draft accounts had only just been completed. There were still some items to be finalised. There were new elements of compliance for the purposes of Companies House and statutory requirements, due to the size of the company.

6.3 No qualifications and adjustment were required to the audit reports. They were unmodified.

6.4 SOFA

Total funds carried forward at the end of the period were £83,656,000. The big increase on 2019 reflected the two new schools – Sherburn and Brayton – and the transfer of funds on conversion. The Trust had also inherited their pension liabilities: overall, the pension liability across the Trust had increased by circa £3.3m. Capital grants of circa £2.2m were included on the SOFA. The net gain on transfer of SHS and Brayton was £27.5m. Depreciation had been calculated at £1.6m.

- 6.4.1 The Chair asked for clarification about the working budget balance for the schools. £1.4m was the working surplus across the schools. Kellington and Kirk Fenton were the schools that still had budget deficits. The allocations in note 19 were something that did need checking before the accounts were finalised and this would be discussed with the COO in the coming days.

Deborah Hastie joined the meeting.

6.5 Balance Sheet

As mentioned, fixed assets had increased due to the conversions. The auditors had treated Brayton as being in line with the other Church schools in relation to the terms that covered the land and buildings.

- 6.5.1 Was there any insurance risk of the valuations being so high? SHS's valuation seemed very high. The auditors indicated that Trustees could have that valuation reviewed – valuations were ultimately their responsibility – but it should not affect matters relating to insurance. The Trustee requested the original valuation information. The COO was happy to make these available. There was a general discussion about potential risk of over-valuing.

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- 6.6 Other items on the balance sheet were largely unchanged. Cash at bank had increased by £2.7m, mostly resulting from Capital funding as yet not allocated. The increased pension liability, as outlined earlier, was also reflected on the balance sheet. Those liabilities were likely to continue to increase. The impact on the Trust was limited to the contributions being made, the liability adjustments were really a paper entry.

- 6.7 Looking at the budget projections and the in-year position for 2020/21, the expected in-year deficit of £72k could be withstood. Unrestricted funds of £1.1m meant that the Trust could handle short-term in-year deficits, however, the future budget projections were less healthy and the Trustees needed to be mindful of this and the potential need to address in-year deficits. There were no modifications to going concern at this time.

Audit findings

The conversions of SHS and Brayton were key events (with the asset transfers upon conversion) and as such this was highlighted on the front pages of the audit report.

- 6.8 One 'green' risk from previous year – VAT debtors – remained unresolved. VAT debtor issues should be dealt with in a timely fashion, particularly given the current debtor balance of £804k. Trustees could see that other risks identified last year had been suitably resolved. One of the issues had been resolved by virtue of the Trust's website being updated to show the correct version of a policy – the publication of policies was something that needed to be monitored.
- 6.9 With reference to the 'amber' risks, Sage were on the case for item one, involving the two reconciliation issues. The COO would provide the necessary responses prior to the submission to the ESFA. The delays in providing a reconciled ETB had impacted on the timing and efficiency of the year end procedures: suffice to say no-one wanted to see similar ETB problems in future years. With reference to the 'green' risks, the Register of Interests should be updated on the Trust's website with any mid-year changes. The issues with VAT and Trade Debtors highlighted the need for regular review of the ledgers and tight controls therein.
- 6.10 Adjustments to the financial statements were brought to Trustees' attention. The sinking fund adjustment in the long-term creditors file related to monies payable for having the pitch resurfaced at SHS. The unadjusted items were summarised - note 5 on the report.
- 6.11 Topical Matters for consideration
The ESFA had made adjustments to the deadlines for some elements of submissions. The changes to the AFH were noted.

- 6.12 The Chair asked when the Trustees would have sight of the final accounts. There was a meeting scheduled for next Wednesday to approve them and the Board needed some time for review. The auditors said that there needed to be a final check through of the draft now issued. The Chair requested the final accounts by Monday. The auditors considered this feasible.
- 6.13 The COO thanked the auditors for their work in extraordinary circumstances. The COO assured Trustees that the audit recommendations were accepted and matters were in hand to resolve the issues highlighted.

Susan Seaman and Lucy Jenkins (Sagars) left the meeting

7.0 Finance

Prior to the meeting, Trustees had received a finance and contracts update. The COO had also provided the formal management response to the CSF review.

- 7.1 Gauging the projected year-end balance as swiftly as possible was necessary. The COO was not overly concerned at this stage but with everything going on at the moment it was important to retain good control. Trustees had been provided with the projected pupil numbers. The Trust was showing 37 fewer pupils than forecasted, which impacted on the budgets. 11 fewer in Receptions and 22 fewer in 6th forms. Ultimately, reductions in pupil numbers might mean staffing reductions depending upon individual budget positions.
- 7.1.1 A Trustee noted that the 6th form shortfall was largely at TGS and this was clearly a problem was it not? The COO acknowledged the point and, responding to another query, confirmed that the Trust was supporting the school at the moment to monitor and review their budget in lieu of dedicated internal oversight. The school was well aware of the need to get an accurate handle on its position. The CEO added that he would be looking at the issue of 'bleed' on 6th form numbers and how to rectify what had been a steady problem over 10 years.
- 7.1.2 A Trustee challenged leadership that the numbers seemed to be painting a picture of children not coming in at the bottom and exiting at the first opportunity. Was it fair to say that some of the schools were not attractive to families? The CEO accepted that there was a certain truth to the evaluation, certainly in terms of retaining and attracting post Y11 students. The Trustee welcomed the acknowledgement but reiterated the compounding issue of not gaining pupils at the Reception end. This also needed to be examined. The Chair encouraged the executive to examine the trends and address what issues came up as a result.
- 7.1.3 A Trustee said that the loss of 35 students overall at TGS was a concern. They were equally concerned that assumptions had been made about being full for the purposes of the budget when clearly they were not and were not going to be. The school had also incurred £43k in settlements. The leadership had not been accepting of the CSF and were not acting as a team player. What was going on? Had the MAT got a handle on budgeting, forecasting and other issues at TGS? Several Trustees echoed their colleagues concern. The COO accepted the Trustee's challenge as fair and accurate. For example, costs were not aligned with the SIP, as they should be. Assumptions had been based on historic values. The Board had been required to respond to complaints about the CSF and other issues had been recently highlighted. The COO said that she had been quite frank with the school and the Chair of the LGB. An SBM was being recruited and better financial management procedures would be put in place. Certainly, a prudent and accurate approach to budgeting was required. The CEO reported that the school had been unable to recruit an SBM the first time around. The school was now open to support from AVEC and welcomed the Trust's interaction with them on how to move things forward.
- 7.2 There would be a payment to schools to cover FSM over the Christmas period. The Headteachers were in favour of the Wonde scheme. Trustees were happy with that proposal.
- 7.3 The cleaning and caretaking contract tender was on the portal. The latest issues with RCCN were caretakers not locking up schools and missing DBS checks. The Trust had taken these matters very seriously. Legal advice had been sought. The COO was candid about the fact that

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were there an option to remove RCCN from schools immediately and deliver cleaning and caretaking services then the Trust would do that. Unfortunately, this was not an option and instead the situation would be monitored closely. Hence, the recommendation was to continue with the procurement process and conclude matters as swiftly as possible.

- 7.3.1 Trustees were very concerned. Several questions were lodged. Were the headteachers aware of the DBS issues? How was risk being mitigated? Were these and ongoing issues causing schools problems? Yes heads were aware of the position and, since uncovering the issue, individuals without DBS were not being permitted on site. The schools were not happy with RCCN anyway and the Trust was doing its best to manage the circumstances. How many instances of no DBS were they talking about? Three. Could Trustees have confidence that all remaining staff on site had a DBS? Yes, although it was fair to say items kept coming out of the woodwork and a curveball might still come up. The CEO was clear that RCCN were not operating properly and not according to the terms of contract. He reiterated that the Trust could not take the services on internally and therefore the tender process just to be moved on as swiftly as possible.
- 7.3.2 A Trustee was concerned to learn that one convicted individual had been allowed on a school site. Was there any way to deal with more senior persons in the company, ones who would deal with safeguarding matters more seriously? The Trust was dealing with the hierarchy of RCCN. There were clear issue with their policies and procedures. They were unsound. The Chair noted not that covenants in place were not strong enough. Was the Trust satisfied that the people on site were safe to be there? The CEO was not concerned with those TUPEd over from NYCC. However, there were those that had 'drifted' into the employment of RCCN informally without a formal application or references; RCCN had been told by their HR provider that because of covid19 it was sufficient to go through list 99 and complete DBS after probation. This was clearly unacceptable and not the case when working in educational settings. It was also contrary to the agreed policy with the Trust.
- 7.3.3 Did the Trust have a moral obligation to inform other MATs, possibly the authorities about what was going on here? Yes and the Trust's experiences would be relayed to YPO, as RCCN was still on the accredited list of suppliers. Were there enough people on site to fulfil duties? Yes. A Trustee said that if, for any reason, RCCN could not deliver safely and as per contract then the Trust would need to look at a temporary solution and deduct such costs from payments due to be made to the contractor. A Trustee said that the Board could not allow this situation to continue a moment longer, given that they had accountability for safeguarding. The CEO reiterated that the situation was unacceptable. Trustees delegated Nick Sheppard, as safeguarding Trustee, to be involved in conversations and communications with RCCN as necessary. Another Trustee asked for an immediate update in the next two days. The COO would take this action.

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Deborah Hastie left the meeting

- 7.4 The caterers were trying to charge the Trust £13k for costs incurred by their services during the period. The Trust was pushing back on this.
- 7.5 The COO detailed three main issues with Payroll (EPM were recommended national provider remember). The executive had a meeting scheduled with the Assistant Director of EPM to examine the issues in the report. The situation was completely unacceptable. Trustees agreed that matters needed to be resolved as swiftly as possible. Trustees with HR experience believed that some of EPMs practices were not correct procedure and were perhaps unlawful.

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8.0 Premises, Health and Safety Update

Prior to the meeting, Trustees had received the following documents:

- A snapshot of a safety action plan
- A snapshot of a 10 year plan (primary and secondary)
- A report on SCA spend per school and per pupil
- A report on Every compliance

- 8.1 Mr Holah noted that he had seen the internal audit with regards Health and Safety and reaffirmed that all of the recommendations had led to actions being taken.
- 8.2 Trustees were told about the public sector decarbonisation scheme. The Trust had applied to participate re: boilers and LED lighting, so as to become carbon neutral in due course. Schools were to complete an action plan to show how to deliver this aim – although there was no firm commitment to becoming carbon neutral. Carbon efficiency reports from contractors would be standard procedure moving forward.
- 8.3 The snapshot action plans were reflected in parts of the 10 year plans for schools. Mr Holah summarised the information that had been circulated and clarified what some of the numbers referred to.
- 8.3.1 Was the SCA funding quoted guaranteed? It was based on pupil numbers and an element of the assessment of the condition of buildings. The numbers quoted were conservative. The funding amounts could even be slightly higher. It was noted that spend was based on compliance and priorities and not about being equitable with spend in each school.
- 8.3.2 Referring to the balance and identified works, there was not a lot of headroom between now and 2026 for some schools if unexpected works came in. Mr Holah accepted the point but pointed out that certain schools, following their audit, were not expecting a need for large amounts of spend. There was a refurbishment and emergency fund of £1m over 10 years (to cover unseen issues) that schools could access.

Deborah Hastie re-entered the meeting

- 8.4 The CEO raised the issue of capacity at Board level to monitor certain aspects of governance and compliance. Specifically, in the short-term, a pressing need to have oversight and scrutiny of proposed SCA spend and allocation prior to formal Board approval. This approval would need to take place at the meeting on 19th January. The Trust could not take up the whole of that meeting considering the proposals but equally, given this was about the allocation of a large sum of money, it could not be dealt with adequately in 10 minutes at that meeting. The suggestion was to have a working party of Trustees who, in the build up to that meeting, would look at the proposed spend and provide scrutiny and challenge accordingly. Any challenge lodged at meetings of the working party should be recorded (Claire Earl could be on hand to keep a record discussions) and reported to the Board for the formal minutes. The Chair agreed that this was a sound idea. Having the Estates Director opened up so much potential but equally Trustees needed to understand the processes now being used, whether all options had been considered and having formal oversight.

Resolved:

Trustees agreed that Richard Coy, Peter Wilson and Simon Peacock would form a working party to support and challenge Mr Holah and give initial consideration to investments prior to seeking Board approval.

- 8.5 Mr Holah noted that there had been good buy-in of the Every compliance tool.

9.0 Policy Review

The suite of finance, resources and DPO policies had been circulated prior to the meeting. The COO asked that the Finance Manual not be given formal approval as it was out for consultation with the schools.

- 9.1 With regards the Gifts and Hospitality policy, the COO was recommending raising the limit from £10 to £30, so as to avoid persons having to declare almost every small gift.

**Jan
Agenda**

9.2 **Resolved:**

Trustees approved the following policies:

- Gifts and Hospitality
- Anti-Fraud and Bribery
- Expenses
- Risk Management
- Surplus / Deficit
- Competitive Tendering
- Investment
- Member, Trustee and Governor Expenses
- Biometrics
- Information
- Information Security
- Security Incident Reporting
- Surveillance
- CCTV Privacy Notice
- Parents and Pupils Privacy Notice
- Employee Privacy Notice

10.0 **Any Other Business**

- 10.1 Was there the capacity to provide a gift to staff within the Trust as a formal thank you for their commitment and hard work in recent months? One of the LGB Chairs had raised this at a recent Trustee/Chair link meeting. If so, what would this be and how would it be delivered? The Chair believed that a letter of thanks from the Chair of the Trust would be more appropriate. Other Trustees agreed, saying that it would likely be better received than a token gift. The CEO agreed that a personal letter would be well received. All employees were also going to be receiving a Trust newsletter and a personal communication to staff members highlighting, amongst other things, their efforts and thanks therein. The COO had checked with the auditors and a small gift was permissible (if that was the view of Trustees) so long as the G&H policy was amended accordingly. A discussion took place and ideas were tabled. It was noted that spending Trust funds on gifts for staff rather than students, at a time when it was acknowledged that budgets were tight, was probably not a good message to be sending.

Resolved:

Trustees agreed that a letter to staff should be penned by the Chair of Trustees and issued prior to the end of term.

CTE

The meeting closed at 8pm

Actions from the Meeting

1. The COO to make available the original land and buildings valuations as soon as possible
2. The CEO to examine trends around pupil numbers and intakes and identify issues for rectification. Report back to the Board in the Spring Term.
3. The COO to give an immediate update on the situation re: the cleaning contractor and safeguarding concerns.
4. The COO to feedback on the meeting with the payroll provider.
5. The Chair of Trustees to pen a letter to staff prior to the end of term.