

Minutes of the Operations Committee Meeting
Held virtually via Zoom on 29th November 2022 at 10am

Attendees

Sarah Bellingham (SB)	OLT Governance & Communications Officer	Present
Jodie Croft (JC)	Board Director and OLT CEO	Present
Carina Cuddington (CC)	OLT CFO (Edufin)	Present
Kelly Goodwin (KG)	Auditor, Kreston Reeves ('KR')	Present
Beth Gorsuch (BG)	OLT Chief Operating Officer	Present
Silvia Holgado-Gomez (SHG)	Board Director	Absent
Tyler Jeffs (TJ)	Board Director – <u>Chair</u>	Present
Arjun Thiru (AT)	Board Director	Present
Simon Webber (SW)	Auditor, Kreston Reeves ('KR')	Present

Minutes

1. Welcome, declare conflicts of interest relevant to the agenda & items for AOB

1.1 JC welcomed everyone. Apologies had been received in advance from SHG. No conflicts of interest were declared in relation to the agenda items.

1.2 The meeting was declared quorate (noting the requirement for at least three Board Directors).

2. Receive previous committee minutes and discuss actions not on the agenda elsewhere

2.1 The committee unanimously approved the Operations Committee minutes of 11th October 2022. SB would organise for the approved version to be signed by the Chair. **ACTION – SB**

2.2 The actions from the last meeting were either completed, in progress, or within the current agenda.

3. Review OLT annual report and accounts to recommend for Trust Board approval

OLT Draft Accounts 24-11-2022 (Annual Report and Financial Statements for year ended 31 August 2022)

- 3.1** KG shared the document on screen.
- 3.2** In response to KG's request, JC confirmed to KG that she had no new information to provide from the Trust.
- 3.3** KG ran through the key numbers and explained several of the notes to clarify complexities. Items referred to and discussed included:
- The Trustees' report and governance statement, which had been deemed compliant;
 - The two audit reports at pages 24-30, both of which had been deemed clean;
 - The numbers laid out from page 31 ('Statement of Financial Activities'), including total income, income streams, trading activities, charitable activities income including pupil premium income, expenditure including increased staff costs due to increased staff numbers, catering costs, and depreciation costs.
 - The net movement of funds for the year as compared to the previous year, with the headline figure noted as a £243k operational surplus.
 - The Balance Sheet (as at 31 August 2022) at page 32, in relation to fixed assets, cash balance, creditors, debtors, deferred income including nursery income, staff costs to include support staff pay increases, the improved overall net asset position, the reduced defined pension scheme liability, and the improved position for the key funds (restricted and unrestricted income) which had contributed to the surplus position.
- 3.4** With reference to the Notes to the Financial Statements at page 35, key points raised by KG and discussed in detail included:
- Page 41: charitable activities, and the current year teacher pay and pension grants now making up part of the GAG (General Annual Grant) as compared to the previous year.
 - Page 45-46: the higher paid staff note. The ESFA was interested in employees earning over £100k, which was not relevant here.
 - Page 48: the prior period adjustment note. This helped explain what had happened at the time of the WPA land and buildings valuation.
 - Page 52: this split out the reserves balance by school to show which sums were restricted and unrestricted. It was noted that each school had shown an improved reserves position for the year, as well as central services.
 - Page 59: this confirmed that no related party transactions had been identified. JC confirmed that this was still true.

Questions

- 3.5** **Q:** In relation to net income expenditure, was it correct to say that the Trust had spent more than it had received in income the previous year?
A: CC and KG clarified that the figure included depreciation. There was no actual deficit and no cause for concern. SW added that he would address this point further when taking through the key audit findings later in the meeting.

3.6 Q: Noting that the position pensions was comparable across the sector, please explain more about the impact on the contribution rate.

A: What might have an impact was any shortfall in position, e.g. a net deficit. In that case, deficit reduction payments would be put in place. That was quite unlikely here. JC explained that there had recently been an increase to the Oxfordshire pension contributions. SW explained that this may be part of market movements. A Trust should only be concerned if there was a request for a several year plan for increased contributions. Here there was not necessarily any indication of more to come. Many trusts had sat with a reasonable sized deficit in recent years. Asset growth was slow, and liabilities had stayed as they were but with inflation factored in. If a Trust was asked for deficit reduction payments there had to be a significant deficit to clear. SW had not seen many of these payments being requested. It depended on the age demographic of staff to an extent.

3.7 Q: Please tell me about the 'prior period adjustment'?

A: This related to the point at which WPA joined the Trust. The Trust had needed to make an estimation of the value of WPA's land and buildings in the absence of a formal valuation. The EFSA had since made a desktop valuation which was lower than the Trust's estimation of value, and which had resulted in a financial overstatement. This had reduced carry forward asset balance, such that a restatement was required.

3.8 Q: Was it possible or advisable to recommend this set of accounts for Board approval, pending the minor changes agreed on, or would it be best to wait until the updated document could be circulated?

A: SW confirmed that as only two of the notes required a re-statement and there were only minor updates to wording, there was no reason not to recommend the draft accounts for Board approval pending these changes having been made. CC said that she would be happy for the Committee to recommend the accounts for Board approval.

Actions

3.9 JC to provide KG with the name and leaving date of former Trust employees whose employment had ended in the year to 31st August 2022, as well as the names and start dates of new employees in that year. KG to update the document with that information.

ACTION – JC & KG

3.10 The words 'as restated' needed inserting into the balance sheet, at page 32. **ACTION - KG**

3.11 Note 17, at page 52, required adjusting in relation to fixed asset funds, noting the OCC grants were not ESFA. **ACTION - KG**

Recommendation for Approval

3.12 The Committee confirmed it was recommending this set of accounts for Board approval, subject to the auditors making the agreed minor changes.

4. Review external auditors' management letter and agree management response

OLT Key Audit Findings 2022 for the year ended 31 August 2022

- 4.1 SW explained that the Key Findings document had been prepared by Kreston Reeves ('KR') and would be submitted to the EFSA, although would not be available on the public record.

Benchmarking Data (from section 2 on page 3)

- 4.2 KR's academy benchmarking product had been used here based on the previous August's accounts. The data was always a year out, and the Trust had grown since then. KR had put in the multi-academy as well as the primary benchmarking figures. In summary, the document reported that the Trust was exactly where the auditors thought it should be.
- 4.3 SW highlighted the GAG income, staff costs (pay and pension), teacher to pupil ratios, surpluses, and deficit income.

- 4.4 **Q:** In the staff categories, there were high non-teaching staff costs in each academy. What did the data show? Was it correct that the Trust was paying more than 97% of schools for its support staff?

A: KR had only looked at total staff costs. However it could split out the figures out by teaching and non-teaching staff. JC noted that the Trust was investing in this area but requested this extra data from SW as it would be useful to see why the Trust might be much higher than others. **ACTION – SW** SW noted that the Trust's ratio was different to the benchmarking data. JC would send SW what she had from the ESFA to help on ratios and numbers. **ACTION - JC** It was possible that this could be classification item in terms of admin staff. SW reported that based on the headline figures, and noting the Trust was growing, there were on average 14-16 support staff per school not including office staff. That meant approximately one staff member per class. SW and CC agreed that one support staff member per class all day for every day of the school week was at the top end of this type of support offered by primary schools.

- 4.5 **Q:** Did the data factor in the support staff required for EHCP support, for which income was received?

A: CC explained that so long as the Trust was providing the right support for the children and was in a surplus position, then this was fine. SW would look at this as part of the above action. **ACTION – SW**

- 4.6 The assets, surplus, and deficit positions were all strong overall. SW noted that several schools were considering investment plans to better manage surplus funds.

Financial Summary (page 6)

- 4.7 Academy accounts were complicated and long. This was a summary. It showed a total income of £5.1 million, total expenditure of £6.1 million, a £1 million deficit, and an actuarial gain on the pension scheme. Factoring in pension scheme adjustments as well as depreciation, there was a £240k operational surplus. The document would be updated with a small change in respect of Wantage Primary Academy.

Audit and Assurance Reports (page 7) & Key Audit Matters (page 8)

4.8 SW was proposing clean audit reports for the Trust.

4.9 Key audit areas were explained as set out in the summary. No significant issues had been found.

Taxation (page 12)

4.10 Taxation had also been considered. There was no corporation tax liability for the Trust for the year.

Misstatements (page 13)

4.11 CC challenged SW on the misstatement classification here. SW said that the valuation of the land and buildings at WPA had come after last year's accounts but before this years. CC explained that the previous auditors approach had caused an re-valuation error. SW agreed on this point and added that this related to the absence of a valuation policy, meaning that the initial value of an asset was used. Subsequently, if that recognition was materially wrong, it needed to be restated. This was not a re-valuation.

4.12 CC said she thought this matter should be reclassified as a 'restatement' not a 'revaluation'. SW said it was possible to make the wording clearer. **ACTION - SW**

4.13 **Q:** What would the ESFA make of this?

A: SW thought it would not see this as an alarm, as it would come across this a lot. It was not a huge risk to the Trust. The reason for the 'mis-statement' label was the size of the figure. £2.9 million had been overstated on the balance sheet. This was not 'real' money, and it was not something to be concerned about.

Review of prior year issues (page 16)

4.14 It was noted that a red, amber, green rating system had been used here, where green indicated 'no risk' and amber indicated 'medium risk'.

4.15 The pension contributions point had been resolved.

4.16 The revaluation point was discussed, and it was noted that this had been listed as resolved.

4.17 SW flagged that the life of buildings had been set at 25 years, which seemed too low for fixed asset depreciation, because the school buildings had mainly been new, or purpose built. SW would expect a figure between 50-125 years.

4.18 The depreciation charges point had been listed as resolved.

Appendix II – Summary of Adjustments (page 21)

4.19 CC challenged the length of this list. SW responded that KR had to prepare statutory accounts and could not infer it had made decisions for the Trust. Therefore everything had been logged for disclosure purposes only.

Appendix IV – Summary of recommendations regarding the accounting and internal control systems (page 25 onwards)

- Land and building valuation: medium severity

4.20 SW asked if the Trust had understood what had been done with the restatement of the initial recognition of these assets. JC responded that she understood that it had been given an amber label because of the £2.9 million figure. SW confirmed that this was correct.

4.21 CC explained that she thought it was unfair to place an amber label on this item, because it was not impacting Trustees' decisions. SW said that it was linked with the size of the impact on the balance sheet and the on the income statement from the previous year. SW suggested a dual label: green to reflect that there was no control issue, alongside amber to indicate the moderate financial impact. Then a management response would be prepared to address this. **ACTION - SW**

- Lack of audit trail / Evidence of audit trail: low severity

4.22 This related to a small number of missing credit card receipts. BG confirmed that one related to a monthly subscription which had now been cancelled. SW acknowledged that these were likely to be isolated events, noting that some related to a former employee who had since left. JC confirmed that it was very rare that there were no receipts for credit card statements.

4.23 On the point about a lack of evidence of delivery notes, SW acknowledged the system the Trust said it had in place per the finance policy. BG said she would review the policy in case adjustments were needed. SW confirmed that it was about the ease of the auditors checking the Trust's process. Therefore either the process needed slightly adjusting or a note was required on invoices to confirm that they had been checked and received. These were just minor improvements.

- Land and building ownership confirmation: low severity

4.24 When KR attempted a land registry search for the land and buildings at DPA, it was not able to complete it. SW asked if JC knew why this was. JC explained that Carillion had built DPA just before it had been declared insolvent. The entire building and grounds had needed replacing by the council over the previous few years. The council had not yet completed all the work needed to fulfil the legal requirements for the lease. This was still in the council's hands. In the meantime, the school had been granted a licence to occupy.

4.25 SW asked if this label was shown in the accounts and JC confirmed that it was. The ESFA had provided the desktop valuation on the assumption of the lease being in place. SW explained that the situation required a document put on the audit file to record a 'substance over form departure'. This would recognise that the ESFA were happy to treat the school as having the lease in place, which was different from the strict legal form of the licence to occupy. In substance the Trust owned the property and bore all the responsibilities for it. **ACTION – KG**

- *Wages controls*

- 4.26** SW explained that there were two elements to this. One concerned the payroll manager's ability to amend personal and salary data on the staff personnel database, and other concerned a lack of dual authority required for payroll payments from the Trust bank account.
- 4.27** SB asked if it were possible that the payroll manager could amend his/her own salary data on the Trust's software. CC explained that Edufin carried out external monthly checks. It was difficult for a small Trust team to have multiple people entering or adjusting data. SW confirmed that this was a retrospective checking process.
- 4.28** CC also explained that for supplier payments there was a three-pronged process: the schools processed the invoices, CC prepared the payment run, and then JC approved. JC confirmed that she received a flag from the bank if a new supplier was being paid, and if a supplier had changed its bank details.
- 4.29** SW said he understood that it was difficult to put an additional authoriser into the payroll system or into the supplier payment process.
- 4.30** The Committee discussed the dual bank authority point. CC confirmed that JC was the only person in the Trust who could release funds apart from Strictly Education, the external company appointed to carry out the payroll payments. CC said that BG approved and signed off on the accuracy of the payments, and Edufin checked after the fact that what should have been paid, had been paid to staff.
- 4.31** SW said that he would check and come back to the Trust on what was standard practice for a small MAT in terms of authorising as well as triggering payroll payments. **ACTION – SW**
- 4.32** CC noted that there was a cap of £450k on the amount which could be released by Strictly Education, so there was a limit to the damage which could be done by an incorrect release of funds. There was also protection for the Trust via its contract with Strictly Education authorising this process. SW said that this may not impact the final report. He just wanted everyone to be clear on the level of risk and to ensure that the Trust was as protected as possible in this area.
- 4.33** It was agreed that the wages item would be listed as green or amber.

In summary

- 4.34** The Committee were comfortable with the document's content subject to the changes agreed on.

5. Agree scope of internal audit for spring and summer term

- 5.1** The committee were asked to make suggestions for the scope of the internal audit for the current academic year.

- 5.2** The previous year, there had been a review of purchases and income. Possibilities for the current year included governance, compliance, cyber security, and financial controls to include wages and payroll.
- 5.3** SW recommended a mix of financial and non-financial areas.
- 5.4** The committee discussed this and suggested the inclusion of payroll and wages, with an expanded reach potentially. JC would contact committee members after the meeting to ensure these audit areas had been agreed upon unanimously. **ACTION – JC**
- 5.5** SW asked that Board and Committee meeting agendas be updated to request that directors and governors declare any updates to interests on the business and pecuniary interests register each time, not just annually. **ACTION – SB**
- 6. Agree confidential status of the meeting’s documents: ATH 2021 Ref: 2.51 at page 32**
- 6.1** It was agreed by the committee that other than the agenda, the approved minutes from the previous meeting and any approved final versions of policies, the remaining documents reviewed for this meeting were confidential to the Trust.

Meeting Closed: 10.51

Date of next meeting: Tuesday 21st February 2022 – 10am

Action list of 29th November 2022 Operations Committee Meeting

Action Number:	For Whom:	Reference:	Action:
1	KG/SW	Minute 3.9	Update the accounts with the staff details (new joiners and those who had left) in year ended 31.08.22
2	KG/SW	Minute 3.10	Insert the words ‘as restated’ into the balance sheet on page 32
3	KG/SW	Minute 3.11	Make an adjustment to note 17 at page 52
4	KG/SW	Minute 4.4	Send JC the split of teaching and non-teaching staff costs
5	KG/SW	Minute 4.12	Clarify the wording on the classification of misstatement at page 13
6	KG/SW	Minute 4.21	Apply a dual (green and amber) label to the land and building valuation item at Appendix IV (from page 25)
7	KG/SW	Minute 4.25	Put a letter on the audit file to show a substance over form departure in relation to the land and building ownership item (Appendix IV, from page 25)
8	JC	Minute 3.9	Send KG details of new joiners and staff who had left in the year ended 31.08.22
9	JC	Minute 4.4	Send SW the ESFA data on teaching and support staff ratios and numbers

10	JC	Minute 5.4	Seek unanimous agreement from the directors on the Committee to the internal audit scope for Spring and Summer terms
11	SB	Minute 2.1	Organise for Chair to sign approved minutes of the previous meeting.
12	SB	Minute 5.5	Ensure future meeting agendas request confirmation of entry on business interests register, in addition to the declaration of potential conflicts of interest with agenda items.