



Audit & Risk Committee Meeting
Focus: Finance and ICT
Monday 15th May 2023 at 17:00 – 19:30
via Teams

Directors present		
Sue Shelley	Nexus MAT Director/Chair	Chair
Rachel Potts	Nexus MAT Director	RP
Steve Booth	Nexus MAT Director	SB
Naveen Judah	Nexus MAT Director	NJ
Ray Palmer	Nexus MAT Director	RPa
Also present		
Warren Carratt	Nexus MAT CEO	CEO
Joel Hardwick	Nexus MAT Assistant CEO – Strategy & Partnerships	JH
Karen Smith	Nexus MAT CFO	KS
Vicky Hawksley	Governance Clerk	VH
James Kelly	Advisor to the Committee	JK
Apologies:		

1. APOLOGIES FOR ABSENCE	
1.1. To receive but not accept apologies for absence. Apologies were received – no apologies.	
1.2. To accept apologies for absence. Apologies were accepted - N/A.	
2. ITEMS OF URGENT BUSINESS	
2.1. Chair to determine any items of urgent business to be considered. None.	
3. DECLARATION OF INTERESTS	
3.1. Individual Directors to declare any personal, business or other governance interests on any item on the agenda. None.	
4. AUDIT & RISK COMMITTEE MEETING MINUTES	
4.1. To approve the minutes of the following meeting: Audit and Risk Committee held on 6th March 2023 The minutes of the Audit & Risk Committee Meeting held on 6 th March 2023 were received and agreed as a true and proper record. Directors wished to record thanks to TL for producing accurate and concise minutes and to recognise the hard work of the Clerking team.	
4.2. Review of Action Tracker The outstanding actions on the tracker were reviewed and updated.	
4.3. Matters arising from the minutes. None raised.	
5. ITEMS TO BE CONSIDERED	
5.1. High Level 12-month Delivery Plan KS explained that there have been very few changes to this document since the last meeting. The main points to note are: <ul style="list-style-type: none"> ▪ the Gender Pay Gap report has been published and the CEO has completed the confirmation statement for Companies House. 	

<ul style="list-style-type: none"> ▪ The end of year certificate for the Teachers' Pension Scheme has been completed and this is now with our auditors ahead of schedule. <p>No questions were raised on this item.</p>	
<p>5.2. Trust Budget Monitoring Report</p> <p>KS explained the report and noted that there have been very few changes since the last report. The main points to note are:</p> <ul style="list-style-type: none"> – There has been a reduction in the in-year surplus at Abbey because we have updated assumptions on place funding; – SCA income reflects the allocation from the ESFA and the in-year surplus for the Trust is unchanged. – The total reserve position has now been renamed End of Year Position as requested by Directors at the last Trust Board meeting. <p>Is there any update on the energy situation as costs are still high and this remains a risk for the Trust? KS explained that the Trust is still in the process of moving across to a new contract and are awaiting a forecast from them. The new contract is flexible so costs will vary each month, but should be far less volatile.</p> <p>A significant amount of our in-year surplus is from Beech and Fountaindale. Will they bring a recurrent in-year surplus and if not, does this present us with a risk? No. We are still gathering information together for next year but are not expecting the same level of surplus as this year. CEO explained that, in terms of an in-year overspend, Directors agreed to a deadline of August 2024 for this to be corrected. We are confident that, for the schools that have an in-year deficit, this will be resolved. The surpluses at Beech and Fountaindale this year have helped but we do not expect this to continue into the future.</p> <p>Regarding the revised assumptions for Abbey (£95k) – could this have been done earlier or was it a reconciliation that has only just occurred? KS explained that we could have noted this earlier but the Finance Team are now aware of this and will ensure this is not double-counted in future.</p> <p>If we did not have the surpluses from Beech and Fountaindale, would we have had a balanced budget? Yes, across the whole MAT.</p> <p>Consolidated Management Report – what is the difference between year-to-date and current forecast? KS explained that the budget comparison is looking at the full-year position. The original budget set would be for an in-year surplus of £1.8m, but our latest forecast at year end is £1.2m. The year-to-date figure is what has happened to date.</p> <p>On the management reports for each school, we have 11 schools showing negatives at the bottom; is this a concern? The schools in red are forecasting an in-year deficit and we are working with all these schools to achieve a balanced budget next year. The CEO stated he wasn't unduly concerned, as there are credible realistic plans for recovery.</p>	

5.3. Internal Audit Report (Income Testing)

KS explained that the report we received back from the auditors contained numerous errors so we sent this back to them for correction. We have just received a revised version of the report and are in the process of checking this thoroughly. If the report is correct KS will circulate this to Directors for discussion at the next meeting. KS apologised for this delay.

The auditors did apologise for the errors but concerns still exist about the way in which they have dealt with this situation and the quality of the report they sent initially. KS is considering possible alternatives for next year’s internal audit schedule.

Will we seek any financial recompense for the errors and inaccuracies in the initial report? Yes, KS will seek some compensation, particularly as they imposed an increased charge for some specific data that we asked for.

Could we also consider writing to them formally to express our dissatisfaction? KS is planning initially to email the manager at the audit company to seek an apology and request compensation, but if this is not forthcoming then we will look at a more formal route.

KS is considering whether we should seek to end the contract early and re-tender in the autumn term for a new internal audit partner. KS to present a view on this for Directors at the next meeting.

It is important to look at what other internal audit partners are available and whether they would give the level of competency that we need, whilst also having a deep understanding of the Trust context. JK agreed this was a delicate balance.

KS
10/07/23

5.4. Verbal update on system changes

KS is really satisfied with the new budgeting software that has been introduced. This system will go live from the beginning of next year (September 2023) and is already proving to be a much better product which accurately reflects our needs.

The new finance system is currently being built by ION and is expected to be ready by July and to go live in September. This is a much more bespoke system than our current product and will be much better suited to our requirements.

5.5 Recommendation to changes in finance procedures and approvals threshold.

KS explained the two areas of change as follows:

- Increasing the approval threshold for the CEO for goods, works and services. This currently stands at £200k and the proposal is to increase this to £500k. The £200k threshold has been in place for some considerable time and is no longer appropriate for our needs because of the level of funding we now receive and the size of the projects we can commission.

Directors voted unanimously to approve the CEO approval threshold to be increased to £500k.

- Purchasing and Tendering Policy – the current policy states that all Purchase Orders must be approved in advance of an order being placed. KS is proposing that this is changed to allow for low value transactions (up to £250) to be processed without a purchase order being submitted in advance. Purchase orders will still be needed but this will happen at a later stage in the process. Our auditors are aware of this proposal and agree with the £250 threshold.

The CEO and CFO are confident that appropriate safeguards are in place and are sufficiently rigorous and robust to minimise the risk of any unauthorised expenditure.

Directors requested updates on how this system operates, if approved, and what actions will be taken in the event of the process not being followed correctly or if instances occur where purchase orders are not submitted in advance for orders over £250.

It was acknowledged that communication with staff on this needs to be clear and concise so that all staff are fully aware of the process and possible consequences if this is not followed correctly.

Agreed that the CEO and CFO would meet to discuss appropriate communication to staff.

**CEO/CFO
10/07/23**

Directors voted unanimously to approve the revisions to PO practice requirements.

CEO will reflect these changes in an update to the Delegated Financial Powers Manual and the Competitive Tendering and Procurement policy.

**CEO
10/07/23**

5.6. Infrastructure Strategy – 2022/23 Progress report

JH explained the main points:

- First page 4th bullet point – The Trust’s new Assets Lead has now started in post and is already having a positive impact;
- The helpdesk system is now in operation across all schools for ICT. This will also allow us to identify how our engineers are being used and response times in resolving any issues.
- Second page, second bullet point – We have entered into a partnership with a local interest company, ‘Achieve your Goal’ who are located very close to our main office. This partnership has real potential to make a difference to our work on net zero. They are also seeking to develop support for people in Rotherham to access any funding available and they are also developing educational materials. They are supporting us with energy monitoring kits for Hilltop and Coppice initially – they have given us £10k worth of kit for these schools to help us look at how we can use energy more efficiently. In return, we are working with them to develop their curriculum offer and we are testing this out with some of our schools.

- Swimming schools – they are looking at new kit which recycles energy around swimming pools and are considering ways that this could be put into the schools in our Trust which currently have swimming pools.
- Craggs are able to offer open days for people to attend for an assessment on whether they might be eligible for government funding for energy efficient grants etc. We are planning four open days, starting with Craggs and then rolling these out across three other schools in the Trust.
- Final page – NB is working on the DfE project 'Connect the Classroom'. We have received £250k of funding to upgrade wireless systems in our schools and a similar amount of funding is expected for our Rotherham schools.
- SAR– we have received 5 requests, which is the highest number we have ever had. This is a manageable workload at the moment but could become more challenging if the requests increase.

Are there any identifiable trends in the nature of these SARs? Are they linked to complaints? JH explained that they mainly fall into two categories; the first is pupils requesting their records after leaving school and for a specific purpose and these are straightforward to deal with; the second is relating to complaints and these are more complicated and time-consuming to deal with. Of the 5 SARs received, three fall into the complaint category.

Directors commented on the positive nature of this report, particularly relating to the partnership work that is ongoing, relationships being developed and kit being purchased.

5.7 Information Governance External Review Terms of Reference

The timeline for this was discussed at a previous meeting. JH is considering getting an external viewpoint on our information governance.

We are hoping to finalise the terms of reference by the end of the summer term with a report back to Directors in the autumn term.

How much will the external review cost? JH estimates that around 4-6 days will be required with a total cost around £2-3k. We are confident that this timescale will be sufficient but there is room for this to be increased if required.

Directors voted unanimously in favour of this review going ahead.

5.8. Consideration of committee split for 2023/24 with:

- Audit and Risk Committee (inc. Competent Person reports); and
- Finance and Infrastructure Committee (inc. Asset and ICT).

CEO explained that as the Trust increases in size it would be an appropriate opportunity to split the current committees as outlined above.

The membership of both committees would remain unchanged but a different chair from the existing membership would be needed for each committee.

It was agreed that SS would continue as Chair for the Audit and Risk Committee. A Chair would therefore be needed for the Finance and Infrastructure Committee.

This change would necessitate an update of the Scheme of Delegation and agreement of this would be needed at this meeting prior to this being approved at the next Board meeting. In real terms, this will make very little difference to our current practices but is a requirement of the Academy Trust Handbook that Trusts should adopt this committee model when over £50m in turnover.

For clarification, does this mean that there will be the same number of meetings per year but that these will be split equally between the two committees? Yes.

Is this a change that the Trust is compelled to make? Yes, once turnover surpasses £50m.

If agreed, do we need to take this to the Board for approval? If approved, this would be discussed at the June Board meeting as an amendment to the Scheme of Delegation and could be put in place from September 2023.

What impact would this have on future agendas? Would we look at the management reports at Audit and Risk? No, management reports would be discussed at the Finance and Infrastructure committee.

After lengthy discussion on this proposal, Directors were in favour overall and feel that the split into two committees would be a useful change whilst still allowing appropriate scrutiny and assurance and the opportunity for questions to be raised.

The proposal was agreed by all Directors present. JH will now update the Scheme of Delegation and the appropriate Terms of Reference for the two committees. This will be added to the June Board meeting agenda for final approval.

Agreed that the role of chair for each of these committees needs to be reviewed outside of this meeting.

JH
28/06/23

5.9 Delegated Capital Approval

This item was discussed at the last Board meeting and relates to projects which are running concurrently in three of our schools. These projects relate to modular buildings and quotes have now been received for the works required. Directors delegated the decision making prerogative for this matter to the A&R committee.

JH recommended that we appoint Premier Modula as the main contractor for this work. JH clarified that this is being funded from capital funding, carry forward and the Local Authority.

The Beech modular building is being funded by carry forward from Evolve Trust. The two other buildings at Pennine and Coppice are directly linked to the Trust's growth proposal and is funded by the LA. There will be minimal impact on the Trust's finances on all these projects.

<p>RP sought assurance that quality has been considered alongside the price of the work across all suppliers? Yes, the specifications are the same for the other schools that the contractors have worked with and the testimonials for these contractors support this.</p> <p>RP – seeking assurance that quality has been considered alongside price. Are you assured that quality is equal across the 3 suppliers – JH stated yes. Specifications are the same for other schools they have worked with and testimonials back this up.</p> <p>What does 'Quote Pending' mean for Coppice and what impact could this have? This means that the Headteacher made a slight change to the design of the building so we have requested a revised quote from our contractors.</p> <p>Is there any risk with purchasing all contracts at the same time that a delay on starting from one contractor could delay the whole project? JH explained that because of the size of the contract for each supplier, we have been given priority and this has been written into the contract requirements.</p> <p>The proposals were unanimously approved by all Directors present.</p>	
6. ANY OTHER URGENT BUSINESS	
<p>6.1. To consider any other urgent business agreed by the Chair</p> <p>None raised.</p>	
7. CONFIDENTIALITY & RISK	
<p>7.1. To consider the confidentiality of any items discussed during the meeting</p> <p>None raised.</p>	
<p>7.2. To consider any area new risks identified during the meeting</p> <p>None raised.</p> <p>Meeting closed at 7.05pm.</p>	
8. DATES OF NEXT MEETINGS	

Monday 10 th July 2023	17:00 – 19:30	MS Teams	Audit & Risk
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Minutes approved

CHAIR	SIGNATURE	DATE