

**BOARD OF TRUSTEES – FINANCE COMMITTEE**

**Minutes of the meeting held at 5.00pm on 23 May 2016**

**Present:** E D'Souza, Chair  
I Morgan  
A Whittaker (Principal)  
C Higgins, Vice Chair  
N Savvas (Chief Executive)

**In Attendance:** S Jones, Chief Financial Officer  
C Bundy, Finance Manager, One Academy  
J Bridges, Clerk to the Trustees

**Action**

**1 Declaration of Interests**

Trustees confirmed that they had no conflicts of interest to declare in relation to the items of the agenda.

**2 Apologies for absence**

Apologies for absence were received from M Wagner.

**3 Minutes of the meeting held on 1 February 2016**

The minutes of the meeting were agreed as a correct record. **Proposed** by A Whittaker and **seconded** by N Savvas.

**4 Matters Arising**

The matters arising from the meeting were summarised in the report and all actions reported had either been completed or, where appropriate an update had been provided on progress elsewhere on the agenda.

The Chief Financial Officer has reviewed the investment policy and confirmed that it remains appropriate. It is proposed that a nominal sum may be put on deposit under a short term 30, 60 or 90 day notice account and this is currently being explored.

Trustees agreed that it needs to determine the principles under which another entity may be accepted into the Trust. It is not possible for the Chief Financial Officer to establish set up costs without a steer from Trustees. It was proposed that a group of Trustees is tasked to undertake this piece of work. It was agreed that the core of the group would comprise E D'Souza, C Higgins, A Whittaker with the Chief Financial Officer in attendance. The Clerk is to convene a meeting for the group to meet ahead of the next Finance Committee meeting to be held on 4 July 2016.

JBridges

Confidential item under Article 125(c) of the Articles of Association.

**5 Finance Report and KPIs**

The report provided the Committee with a summary of the financial position of the Trust for the seventh month period ending March 2016.

The current year end operational forecast is a surplus of £195K which is £195K better than budget. These figures both assume a figure of £33K payable to the EFA in year compared to the original £80K opening deficit repayment figure. The EFA

has taken a proportion of the £80K repayment (with effect from 1 April 2016) thus producing a flattering effect on the operational position.

The principal reasons for the positive surplus against budget not only include the reduced deficit repayment to the EFA but there are also some unrealised savings on maternity, teachers absence insurance that has not been renewed and pension costs reserved that are now not required. Trustees asked if a risk existed as a consequence of not renewing the teacher's absence insurance. The Chief Financial Officer confirmed that in the two years that the policy has been held it has made a loss in both years and as absence rates of teaching staff remain managed and low it is proposed that a contingency (reserve) is set aside to cover the eventuality of higher absence rates.

Overall income is generally up, as well as the forecast at the end of the year due to unexpected income received at this time of the year.

Staffing expenditure shows a saving of £30K against budget and is forecast below budget at the year end. This is down to in year contract changes and savings on maternity leave. Non-pay expenditure overall is below budget and is forecast to be on budget at the year end. Trustees recognised that some areas (Staff Development, Premises, Education Supplies and Services) are underspent and questioned if sufficient investment is being made to meet the needs of students and staff. The Principal provided assurance to the Committee that the appropriate planning and expenditure is in place to deliver the curriculum.

In preparation for the March Abbreviated Accounts Return (AAR) the fixed asset fund has been updated to contain gifted assets including the buildings and land as seen on the Balance Sheet. Items recently purchased have been capitalised making the total fixed asset spend to date £40K. There is a balance of £94K still available to spend. It was noted that the AAR is required to be signed by the Accounting Officer, N Savvas, and submitted to the EFA by 27 May 2016. The Finance Manager of the Academy, C Bundy, was congratulated for her work compiling the AAR as SCC has commented that never before have they been able to audit accounts within 2 days; their fieldwork has always taken 3 days or more. The Committee asked the Clerk to keep a running list of such proof points that evidences examples of good practice.

NSavvas

JBridges

Trustees questioned the depreciation policy of the Academy. This is set out in the Financial Administration and Control Handbook. Trustees asked to receive a session on the treatment of depreciation at the meeting to be held on 4 July 2016.

SJones

The balance sheet had been prepared for the period ended March 2016. Tangible assets are now more at £30.7m. Trustees asked what valuation had been used concerning the building. The Chief Financial Officer confirmed that this was the depreciated fair value of the property as opposed to the market value. As a side issue it was noted that the Academy should seek a reinstatement valuation of the property in the event of material damage. The RPA scheme provides for loss or damage to buildings, contents, computers and stock owned by or the responsibility of the Academy. The Chief Financial Officer will obtain a reinstatement valuation of the property.

SJones

As at the end of March 2016 cash at the bank amounted to £868K; above both budgeted and forecast cash levels for the year. Key performance indicators for the period all remain green rated acceptable levels. It was noted that some risk

movement has increased but in the context of where they are they are still considered healthy. Student applications for the next academic year are now included in the report as we approach 2016/17. The Principal commented that the EFA looked at the template of the Finance Report at the recent audit of the FMGS (Financial Management Governance Statement) and also took a copy with them of the Financial Administration and Control Handbook. They were impressed with both documents as good examples of best practice that demonstrate how Trustees have a handle on the issues and challenges ahead and how these tools aid them to make informed decisions.

Confidential item under Article 125(c) of the Articles of Association.

**6 2016/17 Draft Budget with key assumptions**

This is the first draft budget and may be subject to change. A detailed and consultative budget process has been undertaken. The result of this process is a draft surplus budget of £65K after repayments to the EFA of the £80K deficit repayment. This figure is an in year position and does not take account of any carry forward from the 2015/16 financial year.

Staff cost assumptions include a 1% inflationary pay increase; increased NI and pension contributions; and incremental pay awards where relevant. A worst case scenario had also been assumed with regard to enhanced progression costs at the request of the Committee.

The budget for EFA grants shows an increase of almost 22% from last year. This is primarily due to the Rates Relief being for a full year rather than part year in the year of conversion. This income also includes the Free School Meal award and Apprenticeship Levy allowance, the latter due to start in April 2017. All of this income is restricted and has direct spend on it.

The other Non-Central Government Grants budget line is for the Top Up funding received for High Needs learners. The budget is for income expected from Suffolk County Council although the previous year included additional out of county income.

Overall the non-pay costs budget shows an 11.66% decrease compared to the previous year. Trustee's attention was drawn to the non-pay budget line that now includes an increased budget for contribution to central multi academy trust costs which are now shown as levied at 1.5% of GAG for services received from West Suffolk College under a Service Level Agreement. The figure in 2015/16 had been understated at £50K further to review of the agreement and therefore has been increased in 2016/17. The Committee asked that it be satisfied that the Trust is achieving value for money from the Service Level Agreement and that the small group tasked to look at the principles under which a new entity would be accepted into the Trust also looks at how new entities would contribute and/or share the cost for services that One is currently making a contribution to. Trustees asked that a transparent look at measuring value for money of the central multi academy trust cost for services is undertaken at the group meeting (to be convened by the Clerk).

SJones

The Chief Financial Officer explained that the most challenging element of the budget was managing the percentage staff cost to income ratio in light of increased NI and pension contributions, additional SEN, enhanced progression payments and the need to provide for additional teaching posts. Trustees asked to receive a

SJones

breakdown of these staff cost increases so that they could see proportionally how each element has impacted the budget.

It was noted that the catering income and expenditure for meals is to be dealt with by the contract caterer so this provides a £400K reduction on the 2016/17 budget and has a positive VAT implication for the Academy.

The 2016/17 budget will be brought back to the Committee meeting to be held on 4 July 2016 for final consideration. More notes and the implication of FRS102 as/if it applies is to be provided. The 2016/17 budget once agreed by the Committee is to be recommended for approval by the SAT Board of Trustees at the meeting to be held on 11 July 2016 and then submitted to the EFA by 31 July 2016.

SJones

## **7 Estates Update**

The ICT Managed Service provider is delivering excellent support and a first class experience to students and staff. This contract is working very well. Much of this is due to the outstanding on-site Manager who is proactive and in tune with the needs of a learning environment.

The hours that the CBRE Contract Manager is onsite to work on the Hard FM contract is not meeting all of One's expectations presently so the Academy is working with them to undertake planning of how the needs of One can be addressed going forward. The suggestion is to increase the contracted hours at an additional cost of £12K.

A nominal amount has been spent from the premises budget but work has started on improving elements of the IT infrastructure. The upgrade to the Broadband Service has been successfully implemented under budget and the next phase is to replace Servers, Storage and Backup and then improve the Wireless Network. The biggest challenge is to refresh client devices (laptops and desktops) for staff and students. This is anticipated to be costly as equipment bought 5 years ago for opening are now failing at the same time meaning that replacement purchases are in bulk rather than being able to be phased. Options for purchase and operating leases are being explored to ease the pressure on the budget and enable phased replacement purchasing in the future.

The statutory testing programme, which has been carried out by British Engineering Services, has been comprehensive and wide ranging to ensure all required inspections have been carried out. A continual rolling programme is now being embedded which will ensure a timely inspection regime is implemented.

The Committee received a summary of the Property Strategy for 2016/17 and beyond that has been developed after review of the Condition of the Building and a Critical Plant and Equipment Risk Assessment as well as CBRE's Forward Maintenance Register (FMR).

The building has been well maintained and is in a good state of repair. It was built to a high specification and to maintain these standards is not cheap. The main issues are around ensuring there is sufficient investment to maintain the high standard of a purpose built, single site with equipment that was all delivered and commissioned at the same time. The Committee received a five year plan that outlined the costings and key areas of activity; Hard FM Contract, General Repairs and Maintenance, Minor Capital Projects (under £25K), and Major Capital Projects. It was noted that all

costs identified in the plan for the 2016/17 academic year are included in the 2016/17 proposed budget.

The Hard FM Contract sums in the plan are set at a level to keep the building up to specification and scratch. A phased rolling programme for IT is being planned with the intention to set aside £200K each year and procure replacement on lease arrangements in years 1, 2 and 3 after which in years 4 and 5 of the plan reserves from years 1 to 3 would be used to purchase replacement items. It is also recognised that some equipment may extend beyond its economic life and require an upgrade as opposed to replacement so a mixture of replacement plans will be used so that less bulk purchase will be required in the future.

It was noted that approval will be required of Trustees to agree a longer term property strategy and budget and that suppliers will need advanced notification of the equipment requirements to ensure that the right resources are in place for staff and students in September 2016. Trustees agreed that investment will be needed and provided the Principal with the authority to provisionally procure equipment subject to seeking the approval of the Board of Trustees at the meeting to be held on 11 July 2016.

AWhittaker

**8 Any other business**

The Chief Executive suggested that a strategy session precedes the July meeting of the Board. Student numbers demographically across the region are set to increase and/or decrease so opportunities and threats to the curriculum need to be explored to ensure that the Academy and the Trust best positions itself for the future.

The Clerk is to record the apologies of the Chair for the meeting to be held on 4 July 2016. The Vice Chair is to Chair the meeting in his absence.

JBridges  
CHiggins

**Date of next meeting**

Monday 4 July 2016 at 5.00pm, Suffolk One.

The meeting closed at 7.15pm