

BOARD OF TRUSTEES – FINANCE COMMITTEE

Minutes of the meeting held at 5.00pm on 4 July 2016

Present: C Higgins, Vice Chair I Morgan
A Whittaker (Principal) 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 E D'Souza and M Wagner. In the absence of the Chair, C Higgins chaired the meeting.

3 Minutes of the meeting held on 23 May 2016

The minutes of the meeting were agreed as a correct record.

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.

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

The Principal confirmed that Suffolk County Council has changed its practice to ensure that any school under their responsibility has a compliance regime and records in place for engineering equipment inspections. Suffolk One has a comprehensive testing regime in place now and has confidence in its practice that the necessary compliance checks are undertaken.

5 Treatment of Depreciation

The general principles of depreciation and the treatment of depreciation for academies were outlined in the report. In the statutory accounts of academies, the income and expenditure account is embedded within the Statement of Financial Activities (SOFA). The SOFA comprises a series of funds of which one is known as the Restricted Fixed Assets Fund (RFAF). It is through this that all asset related transactions flow through.

In academies, depreciation is not budgeted for since it will be financed by one or a combination of methods; capital grant, revenue contribution to capital outlay, earmarked unspent revenue contributions from subsequent years in the event that the capital expenditure is unforeseen or indeed it may not be financed since the building asset is on the balance sheet as a long leased asset but it has never been "bought" or "constructed and paid for" by the lessee (the academy). The latter is the case with Suffolk One as the Property is owned by West Suffolk College. What is budgeted for, is the maintenance of that long leased asset and the rental

payment payable for its use which is therefore reflecting the operational cost of that asset over the years to the Academy.

Any future assets will be bought through RCCO (Revenue Contributions to Capital Outlay), which will be budgeted for or will be funded by capital grant (which will be self-funding). Where capital grants are not expended then unspent balances may be transferred to the RFAF for future capital expenditure. In the case of One this could be used as a means to lessen the impact of a replacement MUGA (Multi Use Games Area) for instance.

As the Trust could expect capitals grants in the future the Chief Financial Officer was asked to ascertain the current position regarding the liability for investing in buildings leased to academies.

SJones

6 Finance Report and KPIs

At the end of period 9 (to May 2016) the figures for the current year end and operational forecast is a surplus of £149K which is £148K better than budget. Costs have been controlled and the EFA proportion of the £80K repayment (with effect from 1 April 2016) has produced a flattering effect on the operational position.

In summary cash is healthy; mainly due to the timing of spending against current budget allocations, continuing late utility and contract invoices, and the likely profile of spend on Premises and IT infrastructure to occur later in the year. Cash flow is forecast to go down at the year-end as a number of purchases are made. The Committee asked the Chief Financial Officer to propose a cash flow policy and KPI for the Trust so that a decision could be made, in due course (suggested after 2 years of operating), as to how surplus cash is to be treated and used. Although there is no detailed plan for the use of cash at this time contact has been made with the bank to open an account for the purpose of investing some money onto deposit as it is recognised that the current interest rate of 0.1% can be improved. 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.

There were no issues arising from the analysis of the key performance indicators. It was noted that the student number applications KPI has been amended to be in line with the Secondary School Roll Forecasts and now show two separate figures; that for the expected year 12 cohort and as a separate figure the expected total cohort.

The Committee focussed their attention around the negative variances in the expenditure account and questioned what assumptions had been made in the budget for the next academic year. The Catering income for example is predicted will not be received to the levels budgeted for this year and Trustees queried therefore what assumption had been made in the budget for 2016/17. The Finance Manager confirmed that no catering income has been assumed in the budget for next year. In this year the income has been received by the Academy and paid straight to the Soft FM Facilities Company, Vertas. In 2016/17 the income will be paid directly to Vertas thus eliminating the finance team from acting as the conduit for the income and reducing the likelihood for the Academy to need to register for VAT.

The full year forecast continues to show a significant overspend on premises expenditure of £145K. This is made up mainly of £51K rates for the summer term, which is offset by unbudgeted income and £100K forecast overspend which the Academy continues to investigate.

It was noted that the balance sheet now includes the Pension Liability and Gifted Assets. The creditors within one year relate to trade creditors, pay overs to HMRC and pensions, accruals, resource deposit monies and the balance of bursary monies.

Under the Memorandum of Understanding between the Trust and West Suffolk College the Committee accepted that the Finance Report to May 2016 is to be shared with the Governors of the College as a confidential item.

SJones

7 Draft Budget 2016/17

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

A summary of the changes to the budget plan since the draft report was presented at the meeting held in May 2016 were detailed in the report. Changes included revisions of the apprentice levy allowance, net revenue spend for the One Bus increased, £10K cost for a Specialist Learning Assistant removed as the post is no longer required, a reduction in the RPA scheme per head and reduced accountancy costs due to a planned change of internal audit provider. A new pay scale for new pay points for lower paid staff has also been introduced which has slightly increased the budgeted spend on support staff, The Pay Policy of the Academy is subject to approval by the Board of Trustees at the meeting to be held on 11 July 2016. Staff costs also assume a 1% inflationary pay increase and as agreed by the Committee and the Board of Trustees earlier in the year a 100% allowance has been made to cover the cost of accelerated progression awards. The result of this is the bottom line now shows a surplus of £154K before the repayment to the EFA of the £80K per annum.

The Committee questioned how a 1% inflationary increase in salaries had been arrived at. It was confirmed that this is an historical cost of living increase based upon percentages advised by the Local Authority in previous years so an assumption at that level had been planned for in the budget. The policy on pay and conditions will be considered at the 11 July 2016 meeting of the Board of Trustees.

It was agreed that the Committee will recommend the budget is approved by the Board of Trustees at the meeting to be held on 11 July 2016. There was recognition that the Committee had confidence to put forward the recommendation; a surplus has been generated this year due to prudent, careful budgeting and achieving a number of savings on staffing and other expenditure lines. Thanks were extended to the Finance Manager and all others involved in the production of the budget.

8 IT Options

After reviewing the client devices proposal the total refresh value is £472K. From a budget perspective this amount is unviable as only £200K has been allocated within the 2016/17 budget and subsequent years. The Academy does not have the reserves to purchase all of the devices and as an Academy are not permitted to enter into financial leases. The proposal therefore is to procure some devices through an operating lease agreement (identified in the report as Priority 1 devices) which is about 60% of what is needed in year one, avoiding the need of an initial large outlay payment. Initial costings will be kept manageable and only 50% of the ICT budget needed to commit to this spend. The remaining budget is then available to outright purchase a number of devices identified as Priority 2 devices in years one and two and Priority 3 devices in years two and three, whilst also leaving a surplus.

Using the Crown Commercial Services Technology Products Framework the client devices will be procured as detailed within the European Electronique's (EE) IT Strategy report. Three competitive supplier quotes have been obtained and it is the

advice of Larking Gowen, external auditors that a lease agreement is entered into with CSI Leasing. The Committee approved the proposal and this will be reported to the Board of Trustees at the meeting to be held on 11 July 2016 as part of their approval of the 2016/17 budget.

SJones

9 Estates Update

Currently as of the end of period 10 (June 2016) the Repairs and Maintenance line is 96% spent and Other Premises Costs 57% spent. It is expected that both lines will be fully spent in the year as quotes are being obtained for maintenance of duct and damper work, bleacher seating and repairs to security door systems.

The new servers, storage and backup for the IT Network have all been installed and commissioned and are performing well. Provisions have also been made for the upgrade to the wireless network and this will complete the work on the backbone of the IT infrastructure.

The summer programme of painting and wall protection has been agreed and work has already begun on the critical elements around plant and equipment as outlined in the Property Strategy of the Academy.

The Committee suggested that perhaps repairs to the estate could be subject to internal audit in the next academic year to provide the Trust with the assurance that the assets of the Academy are being maintained at appropriate levels. The Chief Financial Officer will approach the appointed auditors to discuss.

SJones

10 Any other business

None.

Date of next meeting

Thursday 3 November 2016 at 5.00pm. Suffolk One Board Room.

The meeting closed at 6.35pm