

## Suffolk Academies Trust

Company Number: 09702333

### BOARD OF TRUSTEES – FINANCE COMMITTEE

#### Minutes of the meeting held at 4.30pm on 9 November 2015

**Present:** E D'Souza, Chair  
I Morgan  
A Whittaker (Principal)

C Higgins, Vice Chair  
M Wagner  
N Savvas (Chief Executive)

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

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

#### **1 Election of Chair**

#### **Action**

Trustees nominated E D'Souza to take the role of Chair and C Higgins as Vice Chair of the Committee. **Proposed** by A Whittaker and **seconded** by M Wagner.

#### **2 Apologies for Absence**

There were no apologies for absence.

#### **3 Committee Terms of Reference**

The Committee was concerned that the approval process of making discretionary payments detailed in the sixth term of reference was too cumbersome to enable timely awards to staff. Whilst it was agreed that it should be the responsibility of the Board to make the decision it was agreed that the Committee will seek delegated power from the Board to approve discretionary payments up to a set limit (figure to be determined) and any payment over that threshold will still require full Board approval. The Committee asked for discretionary payments to be included within the budget for staffing costs based upon having to make a pay award to everyone eligible. This will eradicate the possibility of the Committee having to consider paying unbudgeted costs in the future and any proposal to make an award over that budget threshold will require the approval of the Board. The terms of reference are to be amended as appropriate.

SJones  
CBundy

JBridges

The next meeting of the Board of Trustees is not until 14 December 2015. The Committee was keen not to unduly delay the process of making the discretionary payments to staff and asked the Clerk to instigate Chair's Action and seek the approval of the Board of Trustees through electronic means.

JBridges

The Committee asked the Clerk to indicate when in the year the terms of reference would be met. The Clerk confirmed that this is detailed in the Committee's Annual Business Cycle and that this would be provided electronically to Trustees.

JBridges

Trustees agreed that the meetings of the Committee are to commence at 5.00pm.

JBridges

Subject to the amendments detailed above the Committee approved the Terms of Reference. **Proposed** by M Wagner and **seconded** by C Higgins.

#### **4 Finance Report – September 2015**

At present the chart of accounts for Suffolk Academies Trust (SAT) is the same as that of Suffolk One's and this will remain the case whilst there is only one Academy within the multi academy trust.

The summary income and expenditure account for the first trading month shows the budget for the full year, the actual and budget for the month in question and a forecast for the year. Overall, it is too early in the year to draw any strong conclusions about the likely outcome for the year end position so a prudent approach is being taken to ensure that the forecast is not unnecessarily optimistic.

Key variances against budget for the month of September 2015 include the difference on GAG funding, which is due to the inclusion in the budget of the bursary funding which is effectively "agency" income, with an associated expenditure also. These funds should not have been included in the budget since the Academy only receives the money and pays it out. A 5% administration of bursary deduction is to be retained by the Academy and the corresponding expenditure line for the bursary payments is accounted for in line 3.05, other costs, in the accounts. The Chief Financial Officer sought the approval of the Committee to make the required virement transactions to enable transparent reporting of the actual position. The Committee asked that the movement of virements are reported to them. Whilst a balance sheet is of limited value it will be provided for future Committee reports and details of the status of bursary funding and expenditure will also be reported.

SJones  
CBundy

The forecast in line 1.02, EFA Grants Budget, reflects funding from the EFA expected in relation to reimbursement of business rates not covered by mandatory rate relief which academies do not have to pay and in line 1.04, Other Non-Government Income, the profiled budget is exceeded when comparing forecast to full year budget however the majority of this extra income is offset by larger than budgeted expenditure.

Teaching expenditure is slightly lower than profiled budget and currently is predicted to be behind the full year budget at the year end. However, it is early days and if approval is given by the Board to make the discretionary payments then this will obviously have an adverse effect on forecast costs.

Indirect Employee Expenses, line 2.05, is £21K lower than the full year budget due to the predicted costs of the pension scheme being lower than originally thought. This positive variance has been confirmed by the actuarial valuation.

Overall non pay costs are behind budget for the first month due to budget profiling, but the year-end forecast is also lower than budget by £36K. Non-educational supplies and services (line 3.04) are forecast to exceed budget by £58K due to catering costs which are offset by income but also some pressure on banking charges (14K). The Local Authority reconciliation is yet to be concluded as the Academy leaves the Local Authority control. A supplementary request will be made to reclaim deposits made by students in 2014/15 that are still attending in 2015/16 since they will be entitled to a refund.

Repayment to EFA, Line 5.0, shows the agreed principle that an £80K annual repayment will be made to clear the £480K deficit.

The report does not include a balance sheet because the accounting treatment of the assets has not been correctly determined yet

At the end of September 2015 cash balances are above budgeted cash flow. The cash flow does not allow for the £80K repayment sum to the EFA which would effectively take the bank account balance back to zero but it is expected that the year-end cash balance will be more than £81K currently predicted and budgeted for.

It is increasingly likely that the Trust will need to become VAT registered due to the likelihood of business income exceeding the threshold. A meeting with the appointed financial auditors for advice has been arranged. At this stage it is not believed that VAT registration will be a negative development for the Trust but it is likely to be slightly more onerous than current arrangements for reclaiming VAT.

A discrete area of the accounts is to be created to reflect the activities of the Trust as opposed to those of the Academy and this is to prevent the finances of the Academy being distorted by the activities of the Trust and vice versa. A view will need to be taken on what element of the Academy budget is set aside for the Trust's use and the Chief Financial Officer is to establish the percentage level set by other multi academy trusts as a comparator.

SJones

Trustees asked how frequently they would receive these reports and how they are to be alerted to any significant deviation from budget. Monthly management accounts are produced and can be circulated to Trustees electronically. Issues are to be reported by exception and in future reports the accounting brackets will be removed from all sections apart from the variance column to make it easier for Trustees to see the positive and negative variances.

**5 Key Performance Indicators**

The report provides a range of key performance indicators that the Committee could use to measure performance. It was agreed that the key measures are to include Cash Reserves, Forecast surplus/deficit compared to budget with year to date income and expenditure percentage of budget as a subset, actual staff costs as a percentage of income and forecasted staff costs as a percentage of income.

Trustees debated if monitoring student numbers would be of value to the Finance Committee as a key performance indicator. After debate it was agreed that the Committee will monitor student numbers (enrolment) against target in the first half of the academic year and student numbers (applications) in the second half. The monitoring of Student numbers provides Trustees with a good indication of future levels of income and any adverse/positive impact.

**6 VAT**

The subject of VAT is discussed under item 4 above. Trustees asked if students would be impacted by any VAT implication. It was confirmed that the supply of education and associated activities are VAT exempt so only any social activity such as facilities hire would attract VAT and would be chargeable to the student if they were the hirer.

**7 Potential cost of progression increase**

The initial discussion of accelerated progression awards is covered under item 3 above. The process of payments has been subject to a robust system of review and has been worked down from an approximate initial cost of £30K down to £14K by a moderation panel. The cost of accelerated progression for 2015/16 has not been included in the original staffing budget for the year however overestimates for pension contributions of £21K and other staff costs had also been overestimated and were included. It is therefore the recommendation of the Committee that the Board of Trustees approves the payment of accelerated progression as funds have been identified within the current budget to make a payment. The Clerk is to instigate Chair's Action to seek approval of the Board.

JBridges

**8 Estates Update**

All the managed services were successfully procured over the spring and summer and the original contracts were reduced from three years on the original tender

**Action**

down to one year. The reduced contracts were agreed with the contractors after the award of the tender but before the contract started on 1 September 2015. The Principal was asked to check to ensure that this is the case.

AWhittaker

The start of term saw an increase in student numbers from 1749 to 1848 and enrolment is above the forecast in the EFA Financial Recovery Plan of 1711 students. The increase in student numbers has been carefully planned with students enrolled onto courses where capacity of resources existed but there is pressure on the physical environment and the ICT infrastructure. A preventative maintenance plan of refurbishment and renewal needs to be developed to adequately maintain the building and learning environments.

The broadband service is being reviewed however quotes in some cases are double the annual charge. The Chief Financial Officer will establish if JANET can be provided to the Academy through the Trust. In the interim the Academy is considering a service from an alternative provider and the Chair of the Committee will source contact details of BT locally.

SJones

AWhittaker

The Academy has entered into the RPA (Risk Protection Arrangement) scheme offered to academies by the government. The engineering inspections previously commissioned by insurers contracted to the Local Authority are required and to date not all of the certificates/documents that the Local Authority or their insurer hold have been obtained. Other insurances around minibus use and foreign travel are in place.

**9 Any other business**

The Chief Financial Officer was asked to include a key performance indicator to measure the proportion of maintenance related expenditure.

SJones

The Committee agreed to convene an additional meeting to consider the strategic and financial impact of the Comprehensive Spending Review. The meeting is to be held on Thursday 3 March 2015 at 5.00pm.

JBridges

Trustees asked the Clerk to include declaration of interests as a standard agenda item of all Trust Board and Committee meetings.

JBridges

The Resources Committee of West Suffolk College has requested that the quarterly accounts of the Academy are shared with their Board. The Chair of the Finance Committee will put forward a recommendation to the Board of Trustees and a Memorandum of Agreement drawn to detail how the information is to be treated, handled, stored, filed and/or transferred and how any query concerning details is to be resolved (i.e. referred to the Chair of the Board).

ED'Souza

JBridges

Trustees are to receive an induction pack to detail their role and responsibilities as Directors (Trustees) of the Trust.

JBridges

**Date of next meeting**

Monday 1 February 2016 at 5.00pm, Suffolk One.

The meeting closed at 6.50pm