

Suffolk Academies Trust

Company Number: 09702333



BOARD OF TRUSTEES – FINANCE COMMITTEE

Minutes of the meeting held at 5.00pm on 5 December 2017

Present: C Higgins, Chair E D'Souza
J Wakelam A Whittaker, Principal
N Savvas, Chief Executive

In Attendance: S Jones, Chief Financial Officer
C Bundy, Finance Manager, One Academy
J Bridges, Academy Secretary

1 Declaration of Interests

In the absence of the Chair, C Higgins, J Wakelam opened the meeting.

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 C Ridgeon.

C Higgins joined the meeting at 5.05pm and took the role as Chair from J Wakelam.

3 Minutes of the meeting held on 9 November 2017

The minutes of the meeting were agreed as a correct record subject to inserting the word 'bursary' in the second paragraph of item 7 to confirm that the budget of £173K related to the bursary budget.

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.

It was noted that mechanisms to report regularly to the Trustee Board on Health and Safety, Safeguarding and Equality and Diversity are to be established and a proposal is to be taken to the Board of Trustees by the Principal.

5 Finance Report and KPIs – October 2017

At the end of October (second month of the academic year) at the time of writing the report the forecast surplus is slightly ahead of budget and there is some confidence that the budget and, based on past experience it is realistic to expect that the budget will come in on or slightly better than budget by the year end and so no adjustments should be made.

It was noted that the budget for SAT includes Suffolk One, central SAT costs and the Project Development Grant (PDG) for the Abbeygate Sixth Form. Some of the PDG was unspent last year and has been brought forward. A virement to incorporate this into the budget is to be made.

The YTD position shows that Other Non-Government income has been received at a higher level than profiled. The majority of this relates to income for trips, items sold, One Bus income and exam resits for which there will be corresponding spend.

Action

JBridges

AWhittaker

CBundy

Student numbers are positive this year but due to lagged funding will only increase income in 2018/19. More students have put additional pressure on non-pay costs and the staffing budget this year but this tends to impact the educational support and development lines rather than increasing the need for teaching staff as more students are accommodated by increasing class sizes not the number of teachers. Some additional staff have been employed but flexibility and contingency built within the budget can accommodate this. The Committee asked why within only 2 months of the start of the academic year a significant surplus is seen compared to the budget. The Chief Financial Officer explained that the size of the surplus was artificial given that staff recruitments are still to be, staff progression is yet to be awarded and other expenses are yet to be made, which will, in due course reduce the surplus to that budgeted.

Educational Support and Other Staff costs continue to show savings for the period due to back fill of posts being slower than budgeted, and progression increments to be processed in the December payroll.

Trustees asked if the Academy was still self-insuring against staff absence. The Chief Financial Officer confirmed that they were. The Principal mentioned that staff absence is well managed at the Academy and although there are a number of staff on long term absence this is currently low given the size of the workforce. Absence is a notable risk but this is not anticipated to create a significant impact on budget given the relatively small number of individuals involved.

As mentioned above the PDG for Abbeygate has been brought forward from 2016/17 and £12K of the initial £30K grant has been spent. It is unknown when the next phase will be received from the £250K total allocation. The Committee asked to see a separate PDG budget plan each meeting to see when allocations are likely to be received and when they are likely to be spent. The Chief Financial Officer confirmed that this is already in place as it was a requirement of the DfE for the project and this is to be appended to future Finance Reports to the Committee. It was confirmed that the Trust does not need to apply to DfE to receive the next tranche of PDG; it is awarded to the Trust when the DfE choose to allocate it. The Project Lead, J Rodgers, will be asked if she can determine when this is next likely to come in.

SJones

SJones

The Committee also asked to receive routinely a separate provisional budget for the Central SAT costs as it is unclear what expenditure this budget is likely to meet other than the costs associated with the SLA between the Trust and West Suffolk College for CEO, CFO and Clerk duties.

SJones

During the first two months the Academy has received £115K Discretionary Bursary Funds and to date £59K has been spent. The next allocation is to be received in the spring term and this is to ring fenced and will also be spent.

The Committee noted the high cash balance and questioned if the cash flow approach was appropriate. The CEO commented that 40 days cash in hand is the usual level for Sixth Form Colleges. The Trust Board could consider reducing this to 35 days but it would not be advisable to reduce lower than 30 days. The CFO mentioned that the Reserves Policy of the Trust is to maintain one months' expenditure (free reserves). This is the equivalent for the Academy of £800K and this should be achieved at the end of year three. Our treasury management processes also means that we can meet our payroll bill each month and if there were a need we could call in our cash on deposits if there were a major crisis. The

Committee agreed that the current level was appropriate and recognised the need to set the Reserves Policy at this level in order to keep the estate in good repair or make other capital investment.

6 Audited Accounts for the year ended 31 August 2017

Larking Gowen, external auditors have completed their full audit work and the Audit Committee of the Trust has also considered and agreed them too. The Committee are to recommend the accounts to the Trust Board at the meeting to be held on 12 December 2017.

The Finance Manager was asked to review and amend the statement made on page 6 of the accounts about Level 4 outcomes at 67% and change this section as appropriate.

CBundy

The Committee asked for the report to clearly mention that the risks recognised in the report have been taken from the Risk Register of the Trust and this denotes how those risks are being measured and managed.

CBundy

For clarity the Committee asked for a statement to be included in the accounts that mentions that the surplus has been achieved without detriment of students or under-reward of staff. The Chief Financial Officer confirmed that a statement already exists in the Report of Trustees under the heading of the Reserves Policy (page 9). The statement reads "It is important to emphasise that this has not been done at the expense of sufficient investment in resource or staffing to support the students during the year and indeed both IT equipment/infrastructure and staffing have been subjects of extra resourcing during the year".

CBundy
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The Committee congratulated the work of the CFO, Finance Manager and Finance Team for their hard work and effort and were pleased to note the unqualified audit opinion.

7 Medium Term Plan (MTP)

The Medium Term Plan (MTP) has been based intentionally upon a 'do nothing' approach. At this stage the MTP does not include any figures for Abbeygate although it does include figures for the PDG.

The MTP shows that for the current year (2017/18), the Trust is financially viable but that if the budget remains unmodified, in 2018/19 and 2019/20 budgets will result in deficits. Also appended to the report was the latest version of the financial projections for Abbeygate, based on the Suffolk One model, which requires further work and detail clarification before being included in the MTP.

The CFO explained that if we do nothing because of the known reductions and progression in staff remuneration in 2018 a small deficit is predicted. It is important to note here that given this known position enables the Trust to make decisions about how its cloth can be cut accordingly and the MTP sets out a number of strategic paths that could be pursued to alleviate pressure on the budget.

Addressing the small projected deficit for 2018/19 is also relatively straightforward and assuming there is no change in circumstances then decisions relating to 2019/20 will need to become clearer by the end of Autumn 2018 and this still allows some time for further reflection and planning.

Given that the increase in student numbers will impact our income positively in 2018/19 the worst case factored into the MTP now will not happen. The Committee provided further assurance as it recognised that even if we did nothing the small deficit only represented a small percentage of income which should be easy to recoup and recover into surplus if we act appropriately and cut our cloth where possible/practicable.

The Principal confirmed that the Academy has 1,955 students this year which as mentioned previously will positively impact income funding (lagged) in 2018/19. The maximum capacity at the Academy is 2,000 students and the Committee discussed the build options for growth. The demographics of the area support that Suffolk is in a period of growth and recruitment at the Academy is going well. In 2022/23 the number of 16 years olds increases further so arguably we may need to start a dialogue with the ESFA now on a growth case for capital funding. The Committee wondered what impact the opening of Abbeygate in Bury would have on student numbers to Suffolk One. Stowmarket students may favour travel to Bury than Ipswich to study for example so these sorts of topics and strategies are something for the Trust Board to think about. A draft business case and risks for and against applying for capital funding is to be drawn together by the Principal and CFO at the appropriate time for the consideration of the Trust Board.

AWhittaker
SJones

The staffing costs in 2018/19 for Abbeygate are to be factored into the MTP at the appropriate time in the project plan and budgeting processes. Given that there is also a Common Shared Services proposal for the Board to consider and approve this also needs to be factored into the MTP. There is also the transition of Sixth Form pupils from School into Abbeygate pre-opening as staffing costs will be absorbed by the Schools where the students are coming from and will not be a cost to Abbeygate until recruitment and opening of the new Sixth Form has taken place. It was recognised that all of these scenarios as time progresses are to be revisited in the MTP and the respective 2018/19 budget planning processes.

8 Estates Update

The Principal commented that there was nothing significant to report since the last meeting of the Committee (November 2017). The Academy did have a 'flood' in one of the teaching rooms downstairs but this has been rectified quickly through the response of the RPA insurance scheme. Carpets have been replaced, as well as some IT equipment and redecoration is organised to be completed before the end of term. The risk protection arrangement of the RPA scheme has been effective and supportive in this unfortunate event.

The Health and Safety Annual Report is to be presented and considered by the LGB tomorrow. Other updates to the Board include topics covering the preparation plan for the new GDPR legislation, which is reportedly on target and is progressing well.

9 Any other business

The Chair of the Board of Trustees, E D'Souza raised a question concerning Related Party Transactions and further to two instances of non-compliance with the Trust's Financial Administration and Control Handbook (FACH) found by external auditors, it is proposed that the authorisation levels in the handbook are adjusted to a more appropriate sum.

Currently any spend above £5K requires the authorisation of delegated individuals, the Chair of Finance and/or Chair of the Trust. Last year there were two instances

found when procurement rules had been followed but authorisation not obtained in accordance with our own rules documented in our handbook. The proposal is to amend the threshold level to £10K or more subject to the approval of the Trust Board at the point of the next review of the FACH.

The Committee **resolved** to continue to operate within the authorisation levels set (at £5K) with the promise of the Chair of the Committee, C Higgins, and Chair of the Trust, E D'Souza to respond to the purchase request (for purchases of £5K/more) within 24 hours of the request being sent by email. The FACH is to be amended to record the agreed 24 hour response rate and electronic (email) purchase request/approval communication trail.

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CBundy

Date of next meeting

Tuesday 6 March 2018 at 5.00pm. Suffolk One Board Room.

The meeting closed at 6.30pm.