

Suffolk Academies Trust

Company Number: 09702333



**BOARD OF TRUSTEES – FINANCE COMMITTEE**

**Minutes of the meeting held at 5.00pm on 28 June 2018**

**Present:** C Higgins, Chair  
E D'Souza  
N Savvas, Chief Executive  
C Ridgeon, Vice Chair  
A Whittaker, Principal

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

**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**

There were no apologies for absence. In the absence of the Chair at this point in the meeting the Vice Chair, C Ridgeon, opened the meeting.

**3 Minutes of the meeting held on 24 May 2018**

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.

It was noted that the Academies benchmarking data report will be prepared and issued to the Committee electronically by the CFO in August 2018.

SJones

C Higgins joined the meeting at 5.10pm and took the Chair from the Vice Chair.

**5 Finance Report and KPIs**

At the end of March 2018 the Trust completed the ESFA's Budget Forecast Return Outturn (BFRO) which is a standard forecast return required of all Academies. This return includes the forecast year-end outturn for the Abbeygate PDG Grant (income line 1.03) based on the Abbeygate profile (shared with the Committee in the report) dated 25 April 2018. It was noted that Abbeygate staffing costs at this time do not feature as an expenditure line. There is no budget to recruit staff from the PDG and therefore staff would commence employment wef from the opening of 1 September 2019. The March 2018 management report forecasted Abbeygate PDG to be fully spent by the year-end whereas the BFRO did not. The report for April 2018 follows on from the BFRO hence there is a significant difference in the outturn from the previous management report to the Committee.

The figure for the operational forecast is a surplus of £201K, which is £177K better than the full year budget. As at period 8 the surplus is £253K compared to a budgeted £126K.

The position is unchanged since the last report concerning the GAG (General Annual Grant). Under the other EFA Grants income line the second tranche of Bursary and Free School Meal monies has been received in April 2018. Both were received at a slightly higher rate than expected resulting in additional £5K Free School Meal money and consequently additional administration income which is retained at 5% of the total awards and offsets some finance staff costs. The deficit shown at YTD it was noted is due to the rates reimbursement not yet being received. It is due two months after application which was submitted early April 2018.

The YTD figure of other Non-Government income shows a positive variance from budget of £142K. The forecast position shows a surplus of £92K which is £32K more than the previous period, derived in part from additional trip income but this has corresponding spend. £11K has been received for the One Bus scheme and overall this is forecast to make a surplus of £16K. It is not envisaged that the Academy will need to commission a second bus from Felixstowe for the period May to July 2018.

The YTD position on the Teaching Staff expenditure line shows a positive variance of £67K, which continues to be due to contract changes, savings in TPS contributions with Teachers opting out of the scheme and maternity savings. The full year forecast now shows a surplus of £86K; £11K of which is forecast surplus for Abbeygate now that planned spend is clearer. The £75K surplus for Suffolk On is due to changes in contracts, TPS and maternity as for the YTD position.

Teaching supply costs are less than budget YTD by £94K. For the year end forecast, the saving of £116K relates purely to the maternity budget some of which has been spend in line 2.01 where maternity cover has been provided by permanent staff.

Educational Support and Other Staff YTD figures show a combined deficit for the period of £40K. As explained in previous reports, this is due to additional recruitment in year in order to support the larger cohorts of students.

Premises expenditure YTD is £53K over profiled budget as work has been done earlier in the year than budgeted and acquisitions from the property strategy are underway. The property strategy still has costs of approximately £191K to be spent. This figure is likely to move as prices within suppliers are confirmed.

During the month of April 2018 a value of £8,771 has been transferred to the Restricted Fixed Asset Fund from GAG for the purchase of IT and other equipment. Depreciation has been applied on all fixed assets up until the end of April 2018, which is represented in the SOFA (Statement Of Financial Activities) but does not affect the Income and Expenditure.

At the end of the period the total bank balance stands at a total of £1.9m, this is made up of circa £900K in the current account and £1m held on deposit. A nominal amount is held as petty cash.

The Committee considered the key performance indicators in the report and noted the good position of the cash flow while recognising the pressure on the 2018/19 budget it will be important for this positive position to be carefully protected to ensure the Academy can continue future investment to maintain teaching infrastructure and quality of the Estate.

At this point in the year it is expected that the Academy will perform better than budget thereby affording extra investment in the estate and infrastructure which will also be partially funded by unspent GAG reserves from 2016/17.

The Committee discussed the importance of transparency and communications around sharing of services between the Academies in the Trust and with West Suffolk College which currently are managed through Service Level Agreements. The Annual Report and Financial Statements of course are for the Trust, and disclose the accounting transactions of all parties concerned so transparency and perceptions of staff can be satisfied through these means and through regular reporting and monitoring by this Committee and the Trust Board.

## **6 Draft Budget 2018/19 and 3 Year Financial Plan**

The Committee was provided with the proposed 2018/19 budget so that it can consider and commend it to the Trust Board for approval at the meeting to be held on 3 July 2018. Additionally the Committee received the summary 3-year financial plan which is a new requirement for Academies this year. The plan will also need the approval of the Trust Board prior to submitting the document to the ESFA before the end of the July 2018.

At the meeting of the Committee in May 2018 the 2018/19 budget was received in draft form and was considered acceptable for commendation to the Trust Board. Since then some further work has been undertaken on the budget to ensure it remains current and this has led to some changes which ultimately have led to a small reduction in the proposed surplus. In addition it was noted that the 3-year plan that has been prepared provides two scenarios for the Committee to consider and commend the preferred option for submission to the Trust Board for approval. It was noted that it is only the combined three-year forecast which is submitted to the ESFA. The sub-plans for the individual academies are for our own use only.

The report highlighted (brown) areas of increased pressure on the Suffolk One budget and (blue) areas of reduced pressure on the budget. In summary; 1) income has increased by £9.5K for the retention element of the resource deposit from students; 2) teaching costs have increased by £75K for appointments made at higher scale points than originally budgeted, along with some incremental costs; 3) support staff costs have reduced by £10K due to leavers and reappointments on reduced hours/scale; 4) premises soft FM contract has increased by £4K to reflect the confirmed price for handling waste; 5) the ICT equipment budget has been reduced by £10k, representing a reduction of 5% of the total ICT budget; and 6) the contingency budget has been reduced by £10K down to £40K. It was noted that this was considered realistic as we had learned from the past where contingencies might or might not be needed. The result of these changes is a surplus budget after the deduction of all costs of £6,182. The Committee acknowledged the predicted small surplus but were satisfied that while small, the budget is prudent, realistic and achievable.

The Committee noted that this figure is an in-year position and does not take account of any carry forward from the 2017/18 academic year. The budget continues to assume a 1% pay award across the board and allows for a realistic amount of progression as previously reported. The Committee reaffirmed that they did not wish any progression which was awarded on merit to go unfunded and that there was sufficient flex in the budget for this to be achieved. Discussion of the Committee confirmed that 1% appears to be the 'common' level for cost of living increase in the sector.

The 2018/19 budget continues to include £60K income and subsequent expenditure for Abbeygate. This relates to the PDG tranche that is due to be received in January 2019. Expenditure during the year will exceed that income stream but will be funded by unspent income that will reside in reserves as per accounting convention already discussed and agreed at the last meeting. Overall, all expenditure is planned to be accounted for within the PDG grant amount.

In addition to the draft budget, there is a new requirement by the ESFA this year for Trusts to submit a 3-year summary financial forecast plan within a prescribed format. This three-year plan shows the amalgamated position for Suffolk One and Abbeygate. Two versions of the 3-year plan have been prepared; one showing a 'do nothing' scenario (appendix 6) which results in an aggregated deficit position for years 2 and 3 (2019/20 and 2020/21) and the other (appendix 4) which shows that with modifications to the budget assumptions and appropriate mitigating actions, a small aggregated surplus is possible in years 2 and 3.

The ESFA has publicly stated that 3-year plans are a snapshot at the time of submission and has prescribed only a high level summary budget. The ESFA has also stated that it expects some positions may be that of a deficit but expects Trusts to be planning to address any predicted deficits. Although a surplus position for all three years, given the increasing pressures on funding, will require significant action compared with status quo, the Committee and the Academy believe it will be possible to achieve a small surplus position in 2019/20 and 2020/21 by seeking targeted efficiencies in curriculum and support services staffing. This will be achieved primarily through securing economies in moving to Common Services provision with Abbeygate and West Suffolk College, and by continuing to ensure student number growth is maximised. Because of prudent financial management in the past two years the Trust has made a surplus which it has invested back into the teaching infrastructure, ensuring the reduction in budgeted infrastructure funding for 2019/20 and 2020/21 should not significantly impact on teaching or student outcomes.

In the 'do nothing' scenario (appendix 6) a significant deficit would impact on the outturn in years 2 and 4. The Principal of Suffolk One proposed that, for political purposes, the 'do nothing' financial plan should be presented to the ESFA as it is important that the DfE recognises the reality of pressures placed upon Academies to bring in a balanced/surplus budget. He said he was supported in this by his Senior Leadership Team and pointed out that the continuing pressures on budgets, even in efficiently run schools such as Suffolk One, will inevitably lead to a reduction in outcomes and quality in the long term. The Committee debated at some length the impact of submitting a 'do nothing' 3-year financial forecast and the risks this might post to the MAT. While recognising it will not be easy to achieve a non-deficit budget, the Trust has confidence in its ability to deliver the balanced/surplus position and felt that this should be conveyed to the DfE. The Committee felt that presenting a three-year deficit plan (deficit in years 2 and 3) could suggest that the Trust did not have the confidence to manage its finances effectively, nor it was thought this was the best way to influence the DfE and funding agencies to give much-needed additional funding to the sector.

The Committee was explicit that it did not wish to present and submit a 3-year plan with deficit outturn in years 2 and 3. It will therefore seek the approval of the Trust at the meeting to be held on 3 July 2018 to **approve** the 2018/19 Budget and 3 Year Financial Plan presenting a balanced/surplus (appendix 4) in all 3 years, recognising

this was challenging but achievable. The submission date to the ESFA was noted by the Committee as 27 July 2018. **Proposed** by C Higgins and **seconded** by C Ridgeon.

**7 Academy Benchmark Report**

As noted above the Committee is to receive the report from the CFO by email in August 2018.

**8 Estates Update**

It is possible that the spend previously discussed by the Committee will not be as high due to delays on elements of the plan and in addition the ICT spend is anticipated which will assist in consuming prior year unspent GAG. Any unspent sums would likely to be carried forward for expenditure next year.

**9 Any other business**

**i. Letter from Lord Agnew to Academy Trust Auditors**

Lord Agnew, Parliamentary Under-Secretary of State for the School System, has written a letter to Academy Trust Auditors about increasing awareness of best practice in academy trust financial management and governance.

In his letter Lord Agnew shares across the Audit sector several key points that will help boards govern more effectively and make best use of the freedoms they have.

The Committee considered the content of Lord Agnew's letter and commented that the role of the Audit Committee of the Trust considers and tracks the progress of Audit Management Letters and these are in addition also reported and considered by the Trust Board. There was assurance that the tools referred to in Lord Agnew's letter are considered and in place.

**Date of next meeting**

Wednesday 7 November 2018 at 4.00pm. West Suffolk College TG1.16

The meeting closed at 7.05pm

SJones