



MINUTES OF THE FINANCE, AUDIT & PREMISES COMMITTEE - Wednesday 2 December 2015 at 5pm

Present: Dr M Richards Mrs S Wright Mr D Smith
Mr J Wilkinson Mrs R Carne

Also present: Mr A Davis (Principal)
Mrs A Eastwood (Company Secretary & Business Manager)
Miss K Gallagher (RSM)
Mrs K Chard (Clerk)

Apologies: Mrs S Fielden Mr R Clarke Mr G Rumary

		ACTION
1	<p>APOLOGIES</p> <p>Mrs Fielden, Mr Clarke and Mr Rumary had given apologies.</p>	
2	<p>DECLARATION OF BUSINESS INTERESTS</p> <p>No business interests were declared.</p> <p>Part A:</p>	
3	<p>ANNUAL REPORT AND FINANCIAL ACCOUNTS 2014/15 – Kerry Gallagher, RSM.</p> <p>Directors welcomed Kerry Gallagher from RSM to present the draft Annual Report and Financial Accounts 2014/15. Mrs Gallagher went through the accounts in detail and Directors were invited to ask questions.</p> <p>Huish Episcopi Academy – Directors – Annual Report and Financial Statement</p> <p>Miss Gallagher explained to Directors that Baker Tilly changed their name and re-branded on the 26th October to RSM.</p> <p>Audit Findings Report</p> <p>Miss Gallagher took the Directors through the Audit Findings Report. Miss Gallagher confirmed that the items of focus in the report are listed on pages 3, 4, 5 and 6. RSM are happy that there is nothing significant at all to report in all these areas.</p> <p>Miss Gallagher confirmed that all the items mentioned in Section 3 of the Audit Findings Report are reasonably minor in nature and make no difference to the bottom line. The first point in Section 3 was around timing issues at year end between Huish Academy and Huish Leisure. The second point regarding a policy on ex-gratia payments was being recommended as good practice. Miss Gallagher explained that ex-gratia were payments the Academy may make, which do not include severance payments or compensation payments and are not covered by our pay policy. The final point under Section 3 and conflicts of interest was also recommending a formal procedure be put in place recording and reviewing transactions with parties on the register of interests.</p> <p>Section 4 showed the number adjustments for items in Section 3.</p>	

Within Section 4, no items were considered significant, and no errors or corrections within them. Unadjusted factual misstatements included the £8000 timing difference of balances with Huish Leisure.

Miss Gallagher explained that Unadjusted **judgmental** misstatements were a bit greyer in area, and there are no right or wrong answers. The first misstatement was around the Artificial Grass Pitch and recognition of a potential claw-back for unspent funds that is currently being investigated. RSM have not recommended showing this money as owed back and discussions are still taking place over its use. Mrs Eastwood clarified that the project had come in under-budget and discussions are taking place with the Football Foundation regarding claiming for other items attached to the AGP project.

Miss Gallagher reported that the unadjusted judgemental misstatements are again just an allocation point, between the division of restricted and unrestricted monies for music lessons and school trips and where they sit in the accounts. The Academy is bound by charity law that says anything that is for a specific purpose should be shown as restricted, which of course music lessons and trips are.

There were no potential impropriety issues identified during the audit and so none were recorded in Section 5.

Miss Gallagher stated that Section 6, Deficiencies in Internal Control on page 10, listed two items. The first one was a formula error that had been overlooked on the VAT return. Miss Gallagher clarified that this had no financial impact and the figures would be amended on the next VAT return.

The second point was a problem with the Wisepay report for the unofficial fund and unreconciled items. With only two items in the section, this was a very good result after being on site for seven days and looking at hundreds of transactions. This also demonstrated that the auditors had been very thorough.

Miss Gallagher mentioned that Section 7 on page 11, under Accounting Disclosures, there was a change in the accounting standards presentation that affects the way Huish Leisure gifts its profits. The difference is that now Huish Leisure records a profit and distributes it as a dividend. No change is required for tax purposes. Mrs Wright asked about the gifting of profits and tax payable. Miss Gallagher clarified that tax is only payable on profits that are kept by Huish Leisure and none on those that are gifted.

Mrs Wright questioned that in the Articles of Association it stated that Huish Leisure must gift all of its profits. Mrs Eastwood agreed to check as Miss Gallagher thought that normally that wouldn't be included as you would want the flexibility to make a decision. Miss Gallagher confirmed that it was a legal form of tax planning to have a trading subsidiary, and by Huish Leisure gifting the profits, they then had no control over how it was spent and it must be gifted freely.

Miss Gallagher then commented that it would be worth checking that Huish Leisure was paying the correct amount of expenditure costs.

Mrs Carne commented that on page 4, the FRS17 pension section, it states that the actuary has not disclosed the expected return on assets. Miss Gallagher replied that within the long pension note at the back one item asks for expected return on assets is required to be disclosed. This note disappears next year under new accounting standards.

Mrs Wright commented that three members of the Finance, Audit and Premises committee are also on the Huish Leisure Board. Miss Gallagher mentioned that the guidance from the Charities Commission was that you had to have one independent director who was not on both. As the parent company is Huish Academy there is no conflict of interest.

AE

Mr Davis referred to page 24 and financial notices to improve. Mr Davis asked if there was any commonality regarding what had gone wrong with these schools. Miss Gallagher reported that it is usually as a result of the academy's demographics and how they manage their costs. It's not necessarily something that can be learnt.

Mr Wilkinson asked how we are doing as an Academy. Miss Gallagher replied that compared to some others we are in a much more comfortable position financially, some of which are in the local area. Mr Wilkinson asked how Huish Academy's processes stack up against other schools. Miss Gallagher commented that process wise we are where we should be as the report shows. Mr Davis stated that currently we are looking at class number and sets to try and find the optimum number efficiently and financially. The problem with that is that we don't have the number of specialist rooms to fit that optimum number of 268 per year.

Mr Richards asked Miss Gallagher if the Academy's contingencies seem at the correct level compared to other schools. Miss Gallagher replied that as the EFA are saying schools must balance their budget and pay for any capital works, building up reserves would be the best thing to do where possible. Mrs Wright asked if £300,000 seemed a reasonable sum. Miss Gallagher commented that it was hard to judge, but adding to it would certainly not be frowned upon. The EFA would though expect a plan for the future. Mrs Eastwood commented that we send a budget forecast in July to the EFA that has always asked for information regarding plans for the reserves, except for this year.

Mr Davis discussed a meeting he attended with Mrs Eastwood, made up of ten or eleven Academies from Devon, Dorset and Somerset. A very detailed discussion took place over budgets, and it appeared that all of the schools had a similar level of reserves of between £500,000 and £1,000,000. Discussion took place over how long schools could manage if spending continued at the same pace, and it was agreed 5-10 years would be the most.

Annual Report

Miss Gallagher explained to Directors that the accounts are in the same format as previous years. Mrs Wright commented on a spelling error at the bottom of page 4, 'Two councillors'. Mr Smith stated that Mr Clarke was not spelt with an 'e'. Mrs Wright asked if on page 8, 'those' was missing in 'Good practice is being consistently modelled to middle leaders and who are working together with Directors to raise standards across the Academy'. Mrs Wright asked if on page 8, under Governance Costs, the cost had gone up by £5000 from the previous year. Mrs Eastwood reported that it was included the appeal costs for decisions around severance.

Mr Richards and Mr Davis both gave thanks to Mrs Eastwood and the finance team for their hard working during the audit.

Miss Gallagher reassured Directors that the Audit process was very thorough and if there was anything untoward to be reported, it would be there to see.

Mrs Wright asked with Huish Leisure's accounts, related parties on page 9, the £6555 has been shown as a debtor as a refund is due. Mrs Eastwood explained that the Academy owed Huish Leisure for lifeguarding costs that had not been paid at the year end.

Miss Gallagher was thanked for her contribution to the meeting. Miss Gallagher left the meeting at 6pm.

Mrs Carne proposed that the Annual Report and Financial Statements be recommended to the full board for approval. Mrs Wright seconded the proposal.

<p>Part B:</p> <p>4 Minutes and Matters Arising</p> <p>These minutes had previously been distributed. Mr Wilkinson asked if on page 4, there was any further information regarding the disabled student due to attend in 2017. Mr Davis reported that Mrs Hills was contacting the local authority to discover the level of need and if any additional funding could be obtained. Mr Wilkinson expressed his concern over the timescale and how quickly 2017 would come around. Mr Davis offered to liaise with Mrs Hills again about what is exactly required.</p> <p>Mrs Wright asked about the car park disclaimer mentioned on page 3. Mrs Eastwood confirmed she would investigate.</p> <p>Mr Wilkinson asked if on page 5, the deficit budget set in the previous year was not worded very well. Mrs Eastwood confirmed that it referred to the budget set in the summer referring to the last financial year.</p> <p>Mrs Wright asked if on page 4 we had the final breakdown of the AGP costs from start to finish. Mrs Eastwood confirmed that there was an un-spent balance of £41,000 that had not yet been claimed. Mr Smith asked what unbanked section 106 money was. Mrs Eastwood explained that it was money that was committed to SSDC by housing developers, but had not yet been received. Directors discussed the level of detail required in the cost breakdown and Mrs Eastwood agreed to produce the information.</p> <p>Directors agreed and approved the minutes from the October meeting as a true and accurate record.</p> <p>Action Sheet</p> <p>Mr Wilkinson asked that item 10, 6th Form Heating Repairs read as patent/latent defects as per the minutes.</p> <p>Item 1, RAMIS Mr Wilkinson asked that the date be changed to 2015 as the work is still ongoing.</p> <p>Item 4, AGP Accounts, to be removed as will be completed at this meeting.</p> <p>Item 7, Electricity, to remain as ongoing due to time constraints.</p> <p>Item 8, 5 year budget, Mrs Eastwood confirmed this was currently difficult to produce as it depended on pupil numbers and information on what was happening to the ESG (Educational Services Grant).</p> <p>Item 9, Terms of Reference, to be removed as completed.</p> <p>Item 10, Sixth Form Heating Repairs, Directors discussed the money as being recoverable. Mr Davis asked Mr Wilkinson as he had expertise in the area, if he could point the Academy in the right direction. Mrs Eastwood agreed to try and find the initial contract for Mr Wilkinson to investigate.</p> <p>Item 11, Leaking Roof and Blocked Drains, Mrs Eastwood clarified that some repairs had taken place. Directors agreed to remove from the list as a new roof could take years and remedial repairs will take place.</p> <p>Item 12, Car Park Signage, Mrs Eastwood agreed to investigate. To remain on the list as ongoing.</p>	<p>AD</p> <p>AE</p> <p>AE</p> <p>AE</p>
--	---

<p>Item 13, Disability Policy, Mrs Eastwood stated that it is actually an 'Accessibility Policy', and it's still ongoing.</p> <p>Item 14, Underspent Football Foundation Grant, to remain on as already discussed, still ongoing.</p> <p>Item 15, Sport England Improvement Fund, to remain ongoing.</p> <p>Item 16, Gift Aided Profit – Huish Leisure, Mrs Wright clarified that the item should read Huish Academy to keep all the profit, not Huish Leisure. Mr Davis offered to have the discussion at the next Huish Leisure board meeting with regards to them holding part of their profit and paying the corporation tax, as opposed to gifting it all to Huish Academy and paying no tax. Mrs Eastwood commented that other schools split more of the associated costs with their Leisure Centres, for example, grounds maintenance, which we do not. Directors discussed financial priorities and how items the Leisure Centre may deem important, the Academy may not, and hence their reluctance to gift over all of the profit.</p> <p>Item 18, Catering Contract, Mrs Eastwood confirmed that the contract ends in June 2016, but because it took a year to negotiate, the question was asked as to whether we should extend it to June 2017. Mr Davis reported that in terms of customer satisfaction Taylor Shaw are getting there, although it's not perfect. Mrs Eastwood commented that we have a productive working relationship with Taylor Shaw and things are moving forward. Mr Davis thought if we stayed with them for another year it may give them the opportunity to make changes that have been promised.</p> <p>Mrs Wright proposed extending the contract until June 2017 and Mr Wilkinson seconded the proposal.</p> <p>Mr Wilkinson asked if following the last meeting we had heard from the landlord regarding a property inspection and a list of dilapidations. Mrs Eastwood mentioned that we had not yet had a reply.</p>	<p>AD</p>
<p>5 POLICIES</p> <p>Financial Regulations and Accounting Policy 2015</p> <p>Mrs Eastwood explained that the summary sheet gave an overview of the updates. Two of the items were mentioned earlier by Miss Gallagher, page 20, related to party transactions and more clarity on page 45 regarding special staff payments. Mrs Eastwood stated that on page 20, item 3.5.3 was a new paragraph regarding best value if a conflict of interest is identified.</p> <p>Mrs Wright mentioned that the fifth bullet point on page 15 should read 'with' and not to supply the auditors 'will' all requested information. Directors discussed item 1.8.4 on the same page, duties of the Responsible Officer, to review minutes of 'all' Directors meetings to ensure sound and transparent financial decisions are being taken across the board.</p> <p>Mrs Eastwood explained that the charging policy had been removed from the document as, if it needed refreshing it, would be easier to update, but after discussion with Mrs Fielden, it now leaves the procedure document with no reference to a charging policy at all. Mrs Eastwood plans to insert a point stating that it is a separate document.</p> <p>Mr Wilkinson asked if, page 29, item 6.8, that the accepted tender should be the one that is 'economically most advantageous'. Should this say best value? Directors discussed and agreed it should stay as it is.</p> <p>Mrs Wright asked if item 3.3.2 on page 20, Management reports are circulated on a monthly basis to the Principal, Senior Leadership Team and Directors, should this</p>	<p>AE</p>

not read Finance, Audit and Premises Directors? Directors agreed that it should.

Mrs Eastwood drew Directors' attention to page 29, item 6.9, Tendering Procedures using a Consultant as being a new item after instructing a specialist consultant for the roofing contract just completed.

The document was approved by Directors subject to the above changes.

6 PREMISES AND HEALTH AND SAFETY

a) Facilities Development Plan and Capital Projects

I. Update on the status of the Facilities Plan and Capital Projects

Mrs Eastwood explained that items had been re-organised according to priority, using the previously agreed amount of capital. Mrs Eastwood asked for discussion regarding a meeting she had recently attended where asbestos was discussed. In 2028 it may be enforced that asbestos is removed rather than encapsulated. Mrs Eastwood brought to Directors' attention that the Academy had not had an asbestos survey completed for a few years. An asbestos register and management plan was maintained, and an annual visual survey was taken place.

Mr Richards asked when the last survey was completed. Mrs Eastwood confirmed one was done pre academy conversion. A new survey would cost approximately £7,500, but couldn't be completed in the school holidays as it was quite intrusive.

Mr Smith thought there was no rush as 2028 was a long time away and not to rush into a survey. Mr Wilkinson was content at knowing the asbestos was encapsulated and all the other additional information was available. Directors agreed.

Mrs Eastwood suggested doing a piece of work around the information available for asbestos management across the site before reporting back to Directors.

AE

Mrs Eastwood raised the issue that we are struggling to get three quotes for the provision of new long jump pits. She asked directors to confirm that they were comfortable with the project going ahead without three quotes. The cost of the project is around £18,000. Directors agreed they were happy for Mrs Eastwood to progress without the three necessary quotes if efforts had been made to obtain them.

Mrs Eastwood then discussed master planning of the school site and the use of its facilities. A company called Futures for Somerset (a project management company that specialises in education) are working with some other local schools in order to develop a master plan of the site with prioritisation for bids for CIF funding. This plan would cost in the region of £8750. Mrs Eastwood asked if Directors would like her to pursue this for the Academy. Mrs Wright asked if we had that sort of money available at the moment. Mrs Eastwood replied that there was still money available in the DFCG. Mrs Wright thought that the amount for social spaces was more than the £1000 listed. Mrs Eastwood explained that the project had been reduced to tables and umbrellas. Mrs Wright explained that she thought the money could be better spent on supplying a proper area for wet lunch times as discussed previously. Mr Davis thought the money set aside for the covered areas would be better spent on CCTV and fencing in light of recent problems, but that the report may provide insight into future provision and optimum classroom/student numbers.

Mrs Carne commented that as previously discussed, everything over £6000 requires three quotes. Mr Smith thought that this report could help shape a five year plan and future development.

Mrs Eastwood promised to gather some more information and report back.

AE

II. Lighting Replacement Proposals

Mrs Eastwood reported that it would cost around £90,000 to replace the lighting across the school for LED, but MFL has been highlighted as a priority as students learning is being affected.

Mr Wilkinson suggested that once a classroom had been completed, LUX levels should be checked as the classroom may be too bright. Mrs Eastwood proposed that a third of the project was completed at a cost of £30,000. Energy savings would be evaluated and consideration given to extending this across the site.

Directors agreed that the £8,500 in the capital projects for MFL was already agreed, so were discussing a further £21,500 to complete the first third of the project.

Mr Wilkinson proposed that the LED lighting project be accepted and Mrs Carne seconded the proposal.

III. Sport England Improvement Fund Application

Mrs Eastwood had provided Directors with a summary report around the Sport England Improvement Fund application. It was confirmed that the Academy is currently only at the expression of interest stage. As Sport England bids come around regularly, but not often based around swimming this grant was of particular interest.

Mrs Eastwood confirmed the figures quoted were all estimates, but that the Academy would be looking at contributing around £75,000.

Mr Smith expressed concern at the timeline, if the decision is made on the 8 January, but the application deadline is the 14 March. This was not a lot of time available to create a proposal. Mrs Eastwood suggested a specific Finance, Audit and Premises meeting would need to be arranged just to discuss the bid. Mrs Wright asked if Mr Joel at that point would be able to provide information on running costs.

b) Summary of Work Carried Out During October Half Term.

Mrs Eastwood clarified this was for information.

c) Health and Safety Update

Mrs Eastwood reported that the Health and Safety working group met the previous week and Mr Richards was in attendance. One accident was reportable to HSE where a member of staff fell off a table as reported at the last Finance, Audit and Premises meeting. The annual Health and Safety audit was scheduled for 27th January 2016.

Mrs Wright asked about the two other injuries. Mrs Eastwood clarified that one was a sporting injury where the student's leg was broken in two places, but as a sporting injury it is non-reportable. The other was a member of the public who broke her wrist playing badminton. A full investigation was completed at the time and kept on file in case of any future claims.

7 FINANCIAL INFORMATION

a) Academy Management Report 2015

Mrs Eastwood explained that only a single sheet had been produced due to problems with generating the report from the FMS system. The estimated balance at year end of £753,575, £300,000 of which is the Academy's agreed level of reserves.

Mr Smith commented that going back to the beginning of the meeting and the accounts, he was surprised in the increase in the number of teachers listed, increasing from 78 to 90. Mrs Eastwood agreed to report back to directors on this point.

AE

b) Leisure Centre Financial Information (Including AGP)

Mrs Wright stated that Directors were told that the AGP figures would not be shown as part of Huish Leisure, they were promised separately. Mr Davis replied that it was agreed that the income and expenditure would be shown as a separate line in the main Leisure reports, with a more detailed report being provided to the HLL Board. Mrs Wright asked why there was no expenditure showing. Mrs Eastwood replied none had yet taken place.

Mrs Wright asked who was holding the sinking fund. Mrs Eastwood commented that the money would sit in Huish Leisure’s bank account until the end of the financial year, when it would be removed and put in a separate interest bearing account. Mrs Wright asked where any profit would be held after the sinking fund was removed, Directors discussed that if there was any it would sit with Huish Leisure and advice would be taken from RSM.

Mrs Carne asked why the estimated outturn for the AGP looked so low. Mrs Eastwood explained that that was right, and at the moment it did not look like any surplus would be made. In its first year of trading some of the projections around income relied on certain pitches being let at certain rates, and on Saturdays and Sundays. Mr Davis reminded Directors that we only really started trading when the clocks went back, and no football development manager had yet been appointed. Mrs Eastwood stated that this post would be advertised the first week in January.

Mrs Wright asked who would pay for the football development manager. Mr Davis replied that the income from the AGP would.

If we were in such a situation that Huish Leisure could not support itself, he would speak to Mr Joel as the Academy could not support it.

c) Academy Financial Plan

Mrs Eastwood clarified again that the five year plan was not yet available.

8 FINANCIAL MANAGEMENT

a) Risk Register

Mr Smith explained that a meeting had taken place between himself, Mrs Eastwood and Mr Wilson-Chalon to discuss making the risk register a more useable document. Mr Wilson-Chalon had gone away to re-draft the policy.

Mrs Carne commented that maybe after the previous discussion the AGP score should be changed. It is listed in category four, financial, item three, likelihood as grade five, impact as two. Mr Smith suggested leaving it as it is, but monitor the situation very closely as it is still very early days.

Directors discussed whether the asbestos survey and the landlord’s inspection should be added to the list and decided they did not need to be yet.

b) Bank Account Summary

Mrs Eastwood explained that with regards to the school fund (unofficial funds) the year end balances are incorporated into the annual accounts.

<p>Mrs Smith enquired about the Grammar School money, to which Mrs Eastwood replied that she would add to the summary sheet.</p> <p>Mrs Eastwood clarified that the School Fund Business Reserve Account contains a historic balance that is used for music lesson assistance, but the remaining amount could be used towards another project. The account holds approximately £37,000.</p> <p>c) Efficiency Plan</p> <p>Mrs Eastwood explained that the Academy is looking to produce an efficiency plan because efficiencies are taking place but not being documented, and it would be nice to move the project forwards in some form.</p> <p>Mr Davis commented to Directors that as staff leave they are not automatically re-appointed any more, and one of the school nurses left a month ago to retire. The other remaining nurse stepped up to cover the hours, but has now handed in her notice to leave at Christmas. A nurse costs the Academy around £21,000 a year, so in the interim our proposal is to train a receptionist from the Student Support Hub to cover the first aid responsibilities', which brings us in line with other schools in the local area.</p>	<p>AE</p>
<p>9 AUDIT COMMITTEE</p>	
<p>Mr Smith reported that he thought the audit process had been very robust, and the audit report was as good as one could expect.</p> <p>Mr Smith asked Directors if they had an idea of an area of interest that they would like further insight into, to please let him know.</p> <p>Mrs Smith asked if Miss Gallagher had been asked why she had returned for the third year when previously she had stated that she wouldn't. Mr Smith clarified that Miss Gallagher was not hands on as far as the audit went; her only input was in the presentation. Mrs Eastwood reported that Miss Gallagher said that the audit principal was normally in place for a maximum of ten years, but the audit manager was approximately three years.</p> <p>Mrs Eastwood informed Directors that a responsible officer's check on purchasing was taking place on the 9 December.</p>	
<p>10 ACADEMY IMPROVEMENT PLAN</p>	
<p>Mr Davis reported that in terms of the Academy improvement plan, there is not a great deal of finance allocated. The biggest financial item is Incyte which is an external quality assurance company we have just used for middle leadership training at a cost of around £4,500.</p>	
<p>11 REVIEW OF DECISIONS MADE</p>	
<p>Mr Richards confirmed it was a good meeting.</p>	
<p>12 ANY OTHER URGENT BUSINESS</p>	
<p>None</p>	
<p>13 DATE OF NEXT MEETING</p>	
<p>Tuesday 1 March 2016</p>	

Meeting closed at 7.30 pm.