



**MINUTES OF THE FINANCE, AUDIT & PREMISES COMMITTEE  
Wednesday 3 December 2014 at 5pm**

Present: Mr J Wilkinson Mrs S Wright Mr D Smith  
Dr M Richards Mrs J Innis  
Mr R Cox Mr A Davis (Principal)

Also present: Mrs A Eastwood (Company Secretary & Business Manager)  
Miss K Gallagher (Baker Tilly)  
Mr G Cole (Premises Manager)  
Mrs K Chard (Clerk)

Apologies: Mr P Monaghan

Absent: Mr R Clarke

	<b>ACTION</b>
<p><b>1 APOLOGIES</b></p> <p>Mr Monaghan had given his apologies. No others had been received.</p> <p><b>2 DECLARATION OF BUSINESS INTERESTS</b></p> <p>No business interests were declared. Directors noted the Summary of Declarations of Interest which had been circulated with the meeting papers.</p> <p><b>Part A:</b></p> <p><b>3 ANNUAL REPORT AND FINANCIAL ACCOUNTS 2013/14 – Kerry Gallagher, Baker Tilly</b></p> <p>Directors welcomed Kerry Gallagher from Baker Tilly to present the draft Annual Report and Financial Accounts 2013/14. Mrs Gallagher discussed the accounts in detail and Directors were invited to ask questions.</p> <p><b>Huish Episcopi Academy – Directors – Annual Report and Financial Statement</b></p> <p>Miss Gallagher explained to Directors that pages 3-20 do not change much year on year.</p> <p><b>Directors Report</b></p> <p>Miss Gallagher explained to Directors that pages 3-13 consisted of the Directors Report. Mrs Eastwood clarified that a new section had been added on page 10, Key Performance Indicators. She informed them that the Finance, Audit and Premises Committee must be happy with the content of this report before it can be approved and recommended to the Academy Board.</p> <p><b>Governance Statement</b></p> <p>Miss Gallagher confirmed that pages 14-17 consisted of the Governance Statement. This will be approved by the Full Academy Board and is signed on its behalf by Mrs Wright and Mr Davis.</p>	

**Statement on Regularity, Propriety and Compliance**

Miss Gallagher confirmed that Baker Tilly had met with Mr Davis regarding regularity at the Academy and was satisfied that no instances of irregularity had taken place.

A Director asked Miss Gallagher how well she thought the Academy performed with its procedures around compliance and regularity. Miss Gallagher replied that she thought the Academy performed fairly well. Miss Gallagher confirmed that Baker Tilly reviewed all the minutes of the Board and committee meeting and was satisfied that the detail demonstrated a good level of discussion was taking place. She also said that it appeared that the composition of the Academy Board was broad and diverse and that the new Directors who had recently joined the Board would provide a fresh pairs of eyes.

**Statement of Directors' Responsibilities of Huish Episcopi Academy**

Miss Gallagher confirmed this document is a formality signed by the Chair and stating that Directors are aware of their responsibilities.

**Independent Auditor's Report to the Members of Huish Episcopi Academy**

Miss Gallagher clarified that page 20 was the auditor's report and fairly standard. She reported that Huish Episcopi Academy had received a clean audit report which would be unqualified.

**Statement of Financial Activities (SOFA)**

Miss Gallagher talked through the Statement of Financial Activities on page 21 and the Balance Sheet on page 22.

Miss Gallagher clarified the pension deficit had increased again and it was important that Directors understood that it was a deficit that would technically have to be refunded from somewhere at some point in time. Miss Gallagher stated that it was important that Directors were made aware of the continued increase in deficit and that it does sit on the balance sheet as a liability which Directors have a responsibility for.

Mr Cox mentioned that he found that the finance training session previously delivered by the SCC accountants in November had made it much easier to understand the figures presented. Mr Cox also asked if Baker Tilly were happy with the fluctuation in the bottom line figure, as this year's net movement in funds was £462,245 where last year it has been a small negative, Miss Gallagher clarified that this figure would most likely change year on year due to the pension scheme movement and timings of when income is recorded.

Miss Gallagher brought Directors attention to page 43, note 28, Related Party Transactions as being a key area of EFA focus. The last line of the last paragraph has been introduced 'Transactions between group entities have not been disclosed as is allowed under FRS8'. In previous accounts if there were no transactions to mention, nothing needed to be disclosed; now a statement has to be included to confirm that there have been no transactions.

Mr Davis asked about related party transactions and if Miss Gallagher had any advice around the subject, particularly around the use of contractors. Miss Gallagher stated that what the Academy did not want was staff using Academy suppliers and getting any discount by claiming to work for the Academy. Miss Gallagher mentioned that the chances are quite high in a remote area like this that staff might use the same supplier as the Academy. Miss Gallagher said that our conflict of interest file should create a trail to prove that the Academy has not paid over the

odds for any services or goods. It is about being transparent and that you could stand up to any criticism over the decision on the best way to spend Academy money. Staff should know what is and what is not acceptable and should not go to any supplier and 'trade' under the Academy name, but equally it is important that any Academy money is spent correctly.

**Huish Leisure Ltd – Directors Annual Report and Financial Statements**

Miss Gallagher took the Directors through this report. Mrs Wright asked if on page 2 where it says principal activities, it should say something about providing activities for the local community. Miss Gallagher replied that there was no requirement and it was up to the Academy how much or little was said. Mr Cox said that sometimes it's important to keep things as broad as possible so as not to hold the company in a 'straight jacket'.

Miss Gallagher mentioned that it had been decided to retain 50% of the profit within Huish Leisure which would be subject to Corporation Tax. Miss Gallagher clarified that this was a sensible decision to make as it shows the proper running of the trading subsidiary.

Miss Gallagher reported that 'hot off the press' information had been received in the last few days that would need to be applied to Huish Leisure profits when gift aided over to the Academy. Currently these profits are classed as a donation, but a change has been made and they will need to be classified as a distribution of dividend from next year. This will make it harder for companies to give up all of their profits, which may potentially leave them insolvent. Miss Gallagher predicted that more trading companies will retain profits for this reason. A post balance sheet note will need to be added to this effect.

Mr Clark asked if there was a legal requirement to report this amount of information and turnover, to which Miss Gallagher responded that yes, this was about as brief as we could get. As Huish Leisure is a trading subsidiary it is subject to Audit requirements in the same way as the Academy.

**Audit Findings Report**

Miss Gallagher took the Directors through the Audit Findings Report. Miss Gallagher confirmed that large items that are going to be checked every year are around the General Annual grant (GAG), and the Pension Scheme Deficit, both due to the large numbers involved. Also included is general income recognition other than GAG, Leisure income and any capital grants. Baker Tilly are happy that there is nothing at all to report in all these areas.

Mr Cox commented that he found Baker Tilly's comment on depreciation a little odd that it is an 'estimate'. Miss Gallagher clarified that depreciation is categorised as an accounting estimate, a management judgement based on how long an asset may last.

Miss Gallagher confirmed that all the items mentioned in Section 3 of the Audit Findings Report are fairly minor in nature. Retention on the building project had not at that point been brought into the accounts. Allocation difference had been made within Direct and Support costs and amounts had been reallocated. The same had happened with some supply costs, they had not been mapped to the same place as 2013. Again, amounts had been reallocated. The same principle had been applied to school trips; balances had been reallocated within the accounts.

Mrs Eastwood reported that these balances had been incorrectly allocated by the accountant the Academy uses at Education Finance. Mrs Eastwood and Mrs Chard had discussed having more time to check the accounts more thoroughly next year before they are sent to the Auditors.

Miss Gallagher discussed that on page 7, a timing adjustment had been made for the takings of Huish Leisure Ltd which had been banked in the last week of August.

Section 4 shows the number adjustments for items in Section 3.

Miss Gallagher stated that Section 6, Deficiencies in Internal Control, only listed one item, the finding that a credit card balance for £17 that had been entered in the wrong financial year. 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 under Accounting Disclosures, had identified that Key Performance Indicators had been omitted from the initial accounts. Mrs Eastwood clarified that she had not realised that was a new additional requirement.

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

**Mr Cox proposed that the Annual Report and Financial Statements be recommended to the full board for approval. Mr Smith seconded the proposal.**

**Part B:**

**4 Minutes and Matters Arising**

These minutes had previously been distributed. Mrs Wright stated that there was a technicality that under 'present' Mr Roger Clark was listed, but he had not completed his paperwork and such had not yet been appointed as a Director and should be shown as an observer. Mrs Wright asked if anything could be done as Mr Clark had not submitted his papers. Mr Davis agreed to follow this up.

Mr Davis mentioned that on page 5, Leisure Centre financial information, the 50% profit retained mentioned earlier, Mr Davis would prefer it was stated that the default position was that the funds would contribute towards capital projects associated with the leisure centre. However, we would retain the discretion to use those funds as the Academy saw fit, to enable flexibility around how the funds could be spent.

Mrs Wright commented that there was a typing error on page 2, which should read 'and the December meeting 'where' the accounts were signed off and submitted to the EFA'.

Mrs Eastwood stated that there was another error on page 6, bottom paragraph, 'They had spent a 'considerate' amount of time going through all the tender documents ensuring they met the criteria within the tender document'. This should say 'considerable'.

Mr Davis reported that he had investigated bus safety mentioned in 'Any Other Business' after the school bus fire at Ashcott. Bus Safety has been talked about in assemblies and staff on duty have been asked to check seat belts are being used.

Mr Wilkinson asked if the Asbestos Management Plan was being brought to this meeting as it was not on the Agenda. Mrs Eastwood replied that the Academy had an asbestos test taken the previous which will affect the register. The updated document will now be brought to the next meeting in February.

Mrs Eastwood asked Mr Cole if he would comment on the lead pipe query from the previous meeting. Mr Cole reported that the level of lead in all water samples taken by Wessex Water was below the minimum safety threshold of 10ug/l and therefore deemed safe to consume.

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Mr Cole stated that the way the previous minutes read regarding the issue over stagnant water in the pipes during the holidays was not overly clear. Mr Cole clarified that water is actually held in tanks, not pipes. Mr Cole confirmed that systems are purged after every half term holiday.

**Directors agreed and approved the minutes from the October meeting as a true and accurate record.**

**Action Sheet**

Mr Cole reported that Fire Safety Training DVD had been shown at the last Health and Safety Meeting, so we were now 99% RAMIS compliant.

Mr Davis reported that Item 2 could also be removed from the action sheet as fire alarms across the site have now been integrated and are subject to weekly testing, this included the Leisure Centre.

Mrs Eastwood commented that Item 3 had also been completed and could be removed.

**5 PREMISES HEALTH AND SAFETY**

**a) Summary of work carried out during half term**

Directors noted the document circulated with the agenda.

**b) Facilities Development Plan and Capital Projects**

Mrs Eastwood started by saying that she was looking for a decision to move £89,000 from unallocated reserves to capital projects. Mrs Eastwood distributed hard copies of the Site Development Plan which had been distributed to Directors via email in November. Mrs Eastwood explained the format and content of the report. As part of the EFA's Condition Improvement Fund (CIF) 2015 to 2016, the Academy is able to submit up to two projects to a limit of £500,000. The bidding process is open until 19<sup>th</sup> December. The criteria changes every year, but it is likely that the projects currently being considered for the Condition Improvement Funding Bid would be part of the roofing replacement scheme and Phase 3 of window replacements. Phase 1 and 2 have already been completed and paid for by the Academy. Surveys done in 2012 on the roof would include £530,000 of work in total. These figures would be updated.

The Academy is currently considering a combination of funding arrangements. This includes applying for £150,000 from the EFA under the bidding process with also applying for £100,000 Salix loan. Salix is a loan scheme that Academies can borrow money specifically against capital works which produce an energy management saving, without requiring permission from the Secretary of State. This can be paid back over a period of up to 10 years and would be paid from our monthly GAG. If the Academy applies for Salix funding, the EFA will look more favourably at our application. Mr Davis confirmed that Salix is government backed. Mrs Eastwood had also proposed that the Academy put in £50,000 (as part of the £89k request) from their reserves against the project. Again, the EFA would look more favourably on a project that was part funded by the Academy.

Mr Wilkinson asked if there was a maximum application of £500,000 would it be worth the Academy applying for it all, and not just £326,000. Mrs Eastwood confirmed that the proposal would be around priorities in terms of roofing areas. Mrs Eastwood stated that a lot of work had already been done around preparing the documentation for this bid and the Academy had engaged a consultant to

work with them on preparing the bid on a no win, no fee basis.

Mrs Eastwood asked for two decisions, one to be able to bid for the loan, and the second to transfer the £89,000 from unallocated reserves to complete capital works.

Mr Smith asked if it was possible in future to have a short report to go with this capital projects document, to give opportunity to read in advance. Mrs Eastwood confirmed she would provide this.

**Mr Cox proposed agreement and approval for the loan application, submission to the Capital Bid and the movement of £89,000 from the Unallocated Reserves. Mr Smith seconded the proposal.**

Mrs Eastwood clarified that three quotes have now been received for the new kitchen in the Upper School Hall. Aspen came in at £24k, Carford at £21k and 3D Design at £20,000. The decision has been made to go with Carford who also installed the Academy's Sixth Form kitchen.

**c) Synthetic Pitch Update**

Mrs Eastwood confirmed that we have had three visits from Football Foundation approved contractors, and another one booked for the next day. The Academy does not get the final decision from the Football Foundation until the end of February. If the decision comes back that funding is available, the decision comes back to Directors for approval. There is a 16 week completion period for the project, work is hoping to start at Easter.

**d) Health and Safety Update**

Mr Richards reported that a Fire Safety DVD was viewed at the meeting on the 25<sup>th</sup> November that will now be rolled out to the rest of staff. A copy of the recent Health and Safety Management report had been circulated and Mr Cox queried the large numbers of accidents and asked the definition of a minor or major incident. Mr Davis clarified that a Violent Assault could be students involved in a fight or a pupil hitting a wall. Mrs Eastwood confirmed that a F1 could be a superficial graze and a F2 would be a break or serious injury.

Mrs Wright commented that on page 2, 'comprising' should say 'compromising' on the first line.

Mr Clark asked how bad a situation would need to be before it was reportable to the Health and Safety Executive. Mrs Eastwood commented that various factors made up this decision and that a list could be brought to the next meeting explaining these.

Mr Cole left the meeting at 6.50pm.

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**6 FINANCIAL INFORMATION**

**a) Academy Management Report 2014**

Mrs Eastwood discussed the report highlighting the fact that on page 2 the grey highlighted box shows the difference in funding since the previous report. On page 3 the pie chart showed 79.6% of expenditure related to staffing costs (between 75% and 80% is considered normal). This figure included Huish Leisure and catering staffing, both of which get re-charged. This would reduce the % to 76%

On page 4, Mrs Wright queried whether in the expenditure against C009 (capital pitch project) if the £5,000 was from the Academy and the rest from SCC. Mrs

Eastwood confirmed that yes this was right, and would be allocated as part of the fixed asset to the cost of the pitch in next year's accounts when it is actually physically built.

Mr Wilkinson asked if on page 9, the ACMF figure was transposed correctly as it is stated as £45,590 at the top and £45,950 at the bottom. Mrs Eastwood clarified that yes this was an error, it should read £45,590.

Mrs Eastwood discussed the importance of the figures on pages 8 and 9 as the movement of money between budgets which are taken within the delegated limits.

**b) Leisure Centre Financial Information**

Mrs Eastwood confirmed that the Leisure Centre is currently showing a profit of £10,000.

**c) Support Staff Pay Award**

Mrs Eastwood confirmed this had been difficult to calculate, as it was not a straightforward 1% rise across all. The Academy has accrued £6,500 towards the award, but amounts vary in relation to pay scales and one off payments are also included. The total cost to the Academy from 2014 to 31 March 2016 is £29,000. As well as the £6,500 accrual, the Academy had already budgeted for the 1% pay award of £14,700, so the additional cost to fund the award is approx. £6,000.

Mr Smith asked if Mr Davis thought the pay award would be received positively. Mrs Eastwood and Mr Davis confirmed that they thought it would be.

**7 FINANCIAL MANAGEMENT**

**a) Bank Account Summary**

Directors noted.

**b) Risk Register**

Directors reviewed the document. Mrs Eastwood has changed the status of risk to colours to blue (mitigation measure complete – risk no longer exists), green (no issues materialising – risk under control), yellow (there are issues arising – but risk is under control) and red (significant issue exists – risk not under control and needs attention). Mrs Eastwood brought Directors attention to Category 4, Item 4 'Uncertainties around funding and reducing budgets' as a new item.

**8 AUDIT COMMITTEE**

**a) Responsible Officer Terms of Reference**

Mr Davis reported that he had met with Mrs Wright, Mr Smith, and Mr Wilson-Chalon to come up with this updated version of Terms of Reference. Mr Cox mentioned that he found the document very useful, and asked if everything went to plan, would Mr Smith be a non-voting member of the Finance, Audit and Premises Committee as Responsible Officer. Mr Davis confirmed this was correct. Mrs Wright commented that page 4 at the top 'of' should be removed. Also, under 'Duties of Responsible Officer' it should say 'to chair the items on the FAP agenda that relate to the Audit Committee'.

Mr Davis asked if Mr Smith could bring a CV or short pen portrait to the next board meeting, so Directors have the appropriate information to make an informed decision.

<p><b>b) Anti – Fraud Checklist</b></p> <p><b>10</b></p> <p><b>9</b></p> <p><b>10</b></p> <p><b>11</b></p>	<p><b>Anti – Fraud Checklist</b></p> <p>Mrs Eastwood discussed the points one at a time to which Directors agreed yes to each individual one. Point 10, was noted as not applicable. Mrs Wright asked if this would go to the full board. Mrs Eastwood confirmed that yes it would.</p> <p><b>ACADEMY IMPROVEMENT PLAN</b></p> <p>Rolled over to the next meeting.</p> <p><b>REVIEW OF DECISIONS MADE</b></p> <p>Mr Smith commented that it had been a very constructive meeting.</p> <p><b>ANY OTHER URGENT BUSINESS</b></p> <p>None.</p> <p><b>DATE OF NEXT MEETING</b></p> <p>Thursday 26 February 2014</p>	
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Meeting closed at 7.30 pm.