Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on Wednesday 07 March 2018 in the Directors' Room

Present	Mr T White Ms T Aust Mr J Bolt Mr S Wilcox
Also present	Mr M Cooper Mr J Allen

The meeting commenced at 18.45.

APOLOGIES & DECLARATIONS OF INTEREST

1. Apologies were received from Mukesh Patel. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting held 22 November 2018 (Paper 1) be confirmed as a correct record and signed by the Chair.

MATTERS ARISING

3. There was one action point from the last meeting and it was confirmed this is addressed through the agenda item 'CapEx".

MANAGEMENT ACCOUNTS UP TO 31 DECEMBER 2017 & LATEST OUTTURN 2017-18

4. The '*Management Accounts up to 31 December 2017'* were received (Paper 2). From the report and discussions, the following key points were noted:

(i) Year-to-date (YTD) Performance for 5 months to December 2017

5. The Management Accounts reported an operating surplus of £262k compared with budget of £252k. Key YTD variances against the budget were:

Favourable
- £417k re staffing expenditure – volume-related savings (fewer students); unfilled vacancies and in-year deletion of posts not required

Adverse
- £247k re HE tuition fees and HEFCE grant funding (>40% down v budget)
- £162k re ESFA AEB funding – timing differences (planned short course provision yet to come)
- £100k re Apprenticeships
- £78k re exam fees – timing differences

(ii) Full-year Income & Expenditure

6. Forecast operating surplus of £580k (compared with budget of £450k. The surplus includes £75k general non-pay contingency.

7. The release of provision of £150k for potential air-conditioning fan repairs/maintenance would increase the operating surplus further if this expenditure was not required. It was reported the expectation is that some of the £150k would be spent on repairs/maintenance, with the estimate that this could be in the rejoin of £80k, leaving circa £70k to add to the operating surplus.

8. The Committee noted the following key variances against the budget:

Favourable

- £780k re staffing expenditure – volume-related savings (fewer students); unfilled vacancies and in-year deletion of posts not required; c. £480k contingency in recast budget
- £143k re LA funding of HNS – 7 students more than budget and higher average cost per student

Adverse

- £569k re HE tuition fees and HEFCE grant funding (>40% down v budget)
- £221k re Apprenticeships – unsuccessful non-levy tender
- £120k re Central consultancy and professional services of which £100k specific contingency for Ofsted PIAP

(iii) Cash Flow

9. Cash flow is forecast to average around £4.7m between January 2018 and December 2018 with the projected low of £3.9m falling in March 2018.

(iv) Financial Health/Ratios/Bank Loan Covenant Compliance

10. ESFA financial health grade is projected to be 'Outstanding' as at the year-end (31 July 2018). Full-year staff costs as a percentage of income projected to be 63.3%. Projected full compliance with both Barclay Bank loan covenants.

11. It was **RESOLVED** to note the Management Accounts.

CAPITAL EXPENDITURE

12. The College report "Capex" (Paper 3) was received. The report presented to the Committee was an executive summary of the College's capital expenditure for 2017-18.

13. Following discussions at the last meeting, it was agreed the Committee needed greater oversight on capital investment, and this was to be done through:

- Improved visibility of the detail and breakdown of spend by area and type.
- Update of rationale methodology, now wider and includes detail of benefits:
    - Possible growth areas
    - Provide efficiencies
    - Reductions in operating costs
    - Compliance
    - Health & Safety

14. The report provided an update on current capital expenditure up to January 2018 against the capital budget of £1.2m. The report confirmed capital expenditure to date of £567k, with a further £642 either committed, or planned to be spent, before the year-end. There were no issues of concern reported to the Committee on any material variations against the agreed capital budget, or of any material variances against any of the specific projects.

15. The reported provided the Committee with a progress update on the key projects delivered, or currently in progress. These updates covered the following:

- £185k – rolling replacement programme of desktop computers
- £47k – upgrade of classroom projection to interactive devices
- £45k – Improve access to college Wi-Fi
- £24k – new campus signage and repairs/modifications to existing
- £116k – replacement of oil fire boilers and gas main upgrade at S+LC
- £246k – window replacement for two storey block at S+LC
- £140k – refurbishment of the 2nd floor at S+LC

16. The Committee was asked to recommend, for the Corporation to approve, a capital budget of £900k for 2018-19, a reduction of £300k on the previous year. The following key projects have been identified for 2018-19:

- £200k - reduced rolling programme of IT replacement (hot-desking)
- £106k - 2nd phase of heating system refurbishment at S+LC (radiators)
- £85k – air circulation repairs in B Block
- £70k - sub metering and BMS improvements
- £10k - airstream refurbishment and av/electrical works
- £20k - improvements to digital signage / wayfinding

17. It was **RESOLVED** to recommend, for the Corporation to approve, a capital budget of £900k for 2018-19.

18. In making this recommendation, it was noted that the current capital projects, identified as being required in 2018-19, do not include any capital implications that could arise from the curriculum planning process currently being conducted for 2018-19. The Committee informed the Principal that, if arising from the curriculum planning process, additional capital expenditures were required over and above the £900k, this should be presented to the Committee for further review, with a sound business case demonstrating the expected returns from the additional investment. Capital expenditures should come from the cash generated by the College. Reserves should only be used if there is a demonstrable case to show that the investment from the reserves will generate a return.

19. The Committee welcomed the detail of the report. In terms of future reporting on capital expenditure, the following was agreed:

(i) At the next meeting, to receive an updated capital expenditure plan for 2018-19 that will include any outcomes arising from the curriculum planning process;
(ii) At each meeting of the Committee, to receive updates against each capital project the budget allocated, the spend to-date, the expected spend to year-end, and any variance against the project's capital budget; and
(iii) To conduct an in-depth annual review of capital expenditure at the spring term meeting of the Committee.

INDICATIVE FUNDING ALLOCATIONS AND PLANNING PARAMETERS 2018-19

20. The College report *'Indicative Funding Allocations and Planning Parameters 2018/19'* was received (Paper 4). The following key points were noted from the report:

- Draft initial revenue budget with operating result projected as £200k surplus (1% of adjusted income).

- Projected reduction in ESFA 16-19 student number allocation to 1,896 (from 2,093 in 2017-18) with associated decrease in 16-19 programme funding allocation estimated at £779k.

- Funding for core adult education still protected in cash terms so AEB allocation unchanged from 2017-18 at £3,235k

- Apprenticeship provision is still a high priority but income will be difficult to grow following the College's loss of an ESFA funding contract for new Apprenticeships starting with non-levy providers. Targeted 10% growth on 2017-18 forecast income will, therefore, need to come through delivery to large, levy-paying employers. Subcontracted provision with WTC as the subcontractor may be an option.

- Projected HEFCE grant funding reduction of £89k (38%). Budgeted HE fee income down £325k year-on-year but 2018-19 figure assumes £155k increase v 2017-18 forecast outturn

- Projected pay costs reflect delivery costs of assumptions re course provision growth/shrinkage. 1% pay award assumed. Cost of incremental drift estimated at £70k. Incremental staff cost savings targeted at £150k.

- Proposed capital budget of £900k (a reduction of £300k) recommended for approval by Corporation

21. It was reported that, since the paper was drafted, an additional student allocation of £116k has been notified to the College and that this will be used for contingency, as the current indicative budget has no contingency set aside. If the contingency is not used, the year-end surplus would be circa £300k. Although a better position than originally thought, this would still be well below the forecast in the 3-year financial forecast that was submitted to the ESFA.

22. Further work will be undertaken to firm up the budget. The final budget, supported with a sensitivity analysis, to be an agenda item at the June meeting of the Committee.

23. It was **RESOLVED** to note the indicative budget for 2018-19.

DRAFT TUITION FEE POLICY 2018-19

24. The draft '*Tuition Fee Policy 2018-19'* (Paper 5) was received for review.

25. It was **RESOLVED** to recommend that the Corporation, at its March meeting, approve the fee policy.

RISK MANAGEMENT

26. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 6). The Audit Committee has requested that each Committee be asked to review if there are sufficient and robust sources of 'Independent Assurances' against each risk that falls under the terms of reference of the Committee, and if identified 'Governor Oversight' arrangements are adequate and fit for purpose. The Clerk advised that the Committee could also add to the Risk Register any new risks that were identified through discussions during the meeting.

27. It was confirmed the scoring of four of the risks had changed since the last Committee meeting, these being:

- The net score of risk #8 has increased to 24, as the College was unsuccessful in its bid for an ESFA Apprenticeships contract through the Non-levy ITT process.

- The net score of risk #12 has reduced to 12 due to relative stability of ESFA and HEFCE funding policy. The most significant change in recent years – the changes to funding for Apprenticeships brought about by the implementation of the Levy – is reflected elsewhere in the Risk Register.

- The net score of risk #36 has reduced to 12 as the YTD value of AEB funding for TU Ed and PET courses is ahead of budget and is projected to exceed the aggregated target by around £60k by the end of the year.

- The net score of risk #38 has increased to 10 as the number of students taking up Advanced Learner Loans has dropped slightly in 2017-18 and is likely to result in an income shortfall against budget of around £50k. Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk falling under the terms of reference of the Committee.

28. The risk pertaining to the under recruitment of planned student numbers has been split into three separate risks for specific funding streams, each with different scores. The Committee welcomed this approach as it provided a greater analysis of the risk for each separate funding stream.

29. It was **RESOLVED** to note the Risk Register.

DATE OF NEXT MEETING

30. The next scheduled meeting is Wednesday 20 June 2018 @ 1800.

The meeting closed at 20.30

Signed: ______________________________ Date: _____________
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
18	If, arising from the curriculum planning process, additional capital expenditures were required over and above the £900k, this should be presented to the Committee for further review, with a sound business case to demonstrate expected returns from the additional investment	20/06/18
19	For future reporting on capital expenditure, the following was agreed: (i) At the next meeting to receive an updated capital expenditure plan for 2018-19 that will include any outcomes arising from the curriculum planning process;	20/06/18

	(ii) At each meeting of the Committee, to receive updates against each capital project the budget allocated, the spend to-date, the expected spend to year-end, and any variance against the project's capital budget. (iii) To conduct an in-depth annual review of capital expenditure at the spring term meeting of the Committee	From 20/06/18 onwards Spring meeting 2019
22	Further work will be undertaken to firm up the budget. The final budget, supported with a sensitivity analysis, to be an agenda item at the June meeting of the Committee.	20/06/18