

**Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on  
Wednesday 20 June 2018 in the Directors' Room**

**Present** Mr T White  
Ms T Aust  
Mr S Wilcox

**Also present** Mr M Cooper (Executive Director - Funding & Finance)  
Mr M Michaelides (Executive Director – Resources)  
Mr J Allen (Clerk)

The meeting commenced at 18.00.

**APOLOGIES & DECLARATIONS OF INTEREST**

31. Apologies were received from Mukesh Patel and John Bolt. The Committee asked for the Committee's best wishes be passed on to Mukesh. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

**MINUTES**

32. It was **RESOLVED** that the minutes of the meeting held 07 March 2018 be confirmed as a correct record and signed by the Chair.

**SUMMARY ACTION LIST & MATTERS ARISING**

33. The '*Summary Action List*' was received. It was confirmed all three action points are covered through agenda items. There were no other matters arising from the minutes

**MANAGEMENT ACCOUNTS UP TO 30 APRIL 2018 & LATEST OUTTURN 2017-18**

34. The '*Management Accounts up to 30 April 2018*' were received. From the report and discussions, the following key points were noted:

**(i) Year-to-date (YTD) Performance for 9 months to April 2018**

Operating surplus of £703k compared with budget of £452k. Key YTD variances against the budget were confirmed as follows:

*Favourable*

- £580k re staffing expenditure – volume-related savings (fewer students); unfilled vacancies and in-year deletion of posts not required
- £106k funding from Local Authorities for High Needs Students

*Adverse*

- £392k re HE fee income
- £184k re Apprenticeships
- £106k re full-cost fee income

**(ii) Full-year Income & Expenditure**

Forecast operating surplus of £580k (2.9%) compared with budget of £450k. The projected surplus excludes £145k general non-pay contingency which, if not required, would improve the forecast surplus to £725k.

Key full-year forecast variances against the budget were confirmed as follows:

#### *Favourable*

- £755k re staffing expenditure – volume-related savings (fewer students); unfilled vacancies and in-year deletion of posts not required
- £132k re LA funding of HNS – 2 students more than budget and significantly higher average cost per student
- £84k exam fees

#### *Adverse*

- £522k re HE tuition fees (around 50% down v budget)
- £245k re Apprenticeships – unsuccessful non-levy tender
- £157k re full-cost fees – Logistics and Courses for Business under budget
- £84k re Advanced Learner Loans – lower student uptake in 17-18

### **(iii) Cash Flow**

Cash flow is forecast to average around £4.9m between May 2018 and April 2019 with the projected low of £3.6m falling in March 2018.

### **(iv) Financial Health/Ratios**

- ESFA financial health grade is projected to be 'Outstanding' as at the year end (31<sup>st</sup> July 2018).
- Full-year staff costs as a percentage of income projected to be 63.4%
- Projected compliance with both Barclay Bank loan covenants

35. The Committee welcomed the positive financial position reported in the Management Accounts. The Committee asked as to whether consideration could be given to bringing forward any expenditure items for next year into this years' budget where this might be managed in accordance with accepted accounting practice and standards. It was confirmed the Executive is in the process of reviewing this.

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

### **COLLEGE BUDGET 2018-19 AND TWO-YEAR FINANCIAL PLAN 2018-2020**

37. The Committee received, for review and recommendation to the Corporation, the:

- College Budget 2018-19
- Commentary to Two-year Financial Plan for 2019 and 2020; and
- Two-year Financial Plan (ESFA template)
- Two-year Financial Plan (for internal use)

38. The economic climate in which the budget and plan had been prepared continued to be difficult with funding rates for students of all ages unchanged – a cut in real terms – and no indication yet that this will improve across the forecast period. Conversely, inflation rates are rising and there are increasing pressures on pay costs.

39. The College will receive over £0.5m less 16-19 programme funding in 2018-19 as it under-achieved against its 2017-18 student number allocation. This decrease, coupled with a drop of similar value in 17-18 HE fee income, and a HE grant funding cut of £100k, has put additional pressure to achieve a balanced budget. The College has planned to offset these income reductions by thorough review of the staffing cost base and non-pay costs across the College to make savings where possible. The Executive has also planned for increases in full-cost courses and other commercial income, Apprenticeships growth, and some recovery of fee income from HE students.

40. A pay award of 1% has been incorporated in the 2018-19 budget and financial plan to July 2020 at additional cost of approximately £130k per annum. This is subject to Corporation approval.

41. Increased staff costs are due to a combination of volume increases arising from incremental costs associated with planned income growth and price inflation due to the assumed pay award and payment of annual increments.

42. A revenue budget and plan are presented with a projected surplus of £200k in 2018-19 and £250k in 2019-20. The risks underpinning the budget were summarised in the report and were confirmed as follows:

- Failure to recruit planned student numbers leading to a revenue budget deficit
- Inability of the college to draw down the full Adult Education Budget allocation and do this cost effectively.
- Inability of in-house teams to deliver planned growth in commercial income and apprenticeship provision
- Threat of increased competition from HE institutions and potential impact on HE fee income to be collected from students and from HE Franchise partners
- Low take up and impact of Advanced Learner Loans on fee income from adults
- Failure of subcontractors to deliver planned funding targets.
- Staff costs/numbers estimates may be underestimated, particularly in areas where changes in operation are envisaged

43. The calculated Financial Health Grade for the forecast period as per the ESFA template is 'Outstanding' in 2017-18 and 'Good' in 2018-19 and 2019-20.

44. The Executive Director Funding & Finance confirmed that more work is being done to improve further the sensitivity analysis before the final budget paper is presented to the Corporation for approval.

#### **UPDATED CAPITAL EXPENDITURE PLAN 2018-19**

45. The capital expenditure report confirmed the College will be investing £900k into Capital Expenditure (CapEx) for the 2018-19 Academic Year. This will be used to make improvements to College facilities that include any specialist equipment, furniture and IT resources.

46. Although a large proportion of this will be spent on improving the College's Estate, IT and Resources, it was confirmed the College will be setting aside some capital funding for any new curriculum/business support based projects.

47. Priority will be given to those projects which:
- ✓ Develop the existing curriculum and provide future proofing
  - ✓ Create New Provision where there is growth in the sector
  - ✓ Establish dedicated areas/spaces/hubs within the College (Zoning)
  - ✓ Make quality improvements for priorities identified through our leadership & management projects and post-Ofsted inspection action plan

48. The Capital expenditure planning process is already underway, having been launched at the start of June 2018 and to be completed by the end of June 2018, and finalised by 09 July 2018. The full detail will be made available to the Finance Committee once all bids have been finalised and gone through quality assurance.

49. It was **RESOLVED** to note the report.

## RISK MANAGEMENT

49. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee. The Audit Committee has requested that each Committee be asked to review as to whether there are sufficient and robust sources of 'Independent Assurances' against each risk that fall 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.

50. It was confirmed no risks have been deleted since the last Committee meeting. The scoring of three of the risks has changed since the last Committee meeting, these being:

- The net score of risk #18 has reduced to 8 as the College is on track to fulfill its Adult Education Budget (AEB) contract value and may well exceed the allocation.
- The net score of risk #36 has reduced to 3 as the YTD value of AEB funding, for Trade Union Education and Pre-Employment Training (PET) courses, has already exceeded the full-year budget and is projected to exceed the aggregated target by around £90k by the end of the year.
- The net score of risk #45 has increased to 10 as Aramark has served notice on the College given their intention to terminate the catering contract unless the College makes a financial contribution to their operation, which is currently running at a loss.

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

## DEVELOPMENT PLAN 2018-19 AND KEY FINANCIAL KPIS

52. Made available at the meeting were proposed targets, milestones and KPIs for Goal 3 from the Development Plan 2018-19 - '*Excellent Environment and Resources*'.

53. The following points were **AGREED**:

- For KPIs, to set a minimum target and a range target
- To include a KPI on bank covenants
- Following the full survey on room utilisation that will be conducted at the start of the 2018-19 academic year, to then set targets for room utilisation.

54. It was confirmed the recommendations arising from the FEC visit and subsequent report are to be included in the Development Plan.

## DATE OF NEXT MEETING

55. Wednesday 14 November 2018 at 6pm.

The meeting closed at 20.30

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chair)

### SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
48	The Capital expenditure planning process is already underway, having launched at the start of June 2018 and will be completed by the end of June 2018, and finalised by 09 July 2018. The full detail will be made available to the Finance Committee once all bids have been finalised and gone through quality assurance.	14/11/18
53	Development Plan Goal 3: <i>Excellent Environment and Resources</i> . <ul style="list-style-type: none"><li>• For KPIs, to set a minimum target and a range target</li><li>• To include a KPI on bank covenants</li><li>• Following the full survey on room utilisation that will be conducted at the start of the 2018-19 academic year, to then set targets for room utilisation.</li></ul>	14/11/18