

**Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on  
Wednesday 22 June 2016 in the Directors' Room**

**Present** Mr T White (Chair)  
Mr M Michaelides  
Mr S Wilcox  
Ms T Aust (Principal)

**Also present** Mr M Cooper  
Mr M Patel  
Mr J Allen  
Mr Drury (Part of the meeting only)

The meeting commenced at 18.00.

**APOLOGIES & DECLARATION OF INTERESTS**

116. Apologies were received from Mr S Castle. There were no declared interests against any of the agenda items. It was confirmed that the meeting was quorate.

**MINUTES**

117. It was **RESOLVED** that the minutes of the meeting held 24 February 2016 (Paper 1) be confirmed as a correct record and signed by the Chair.

**MATTERS ARISING**

118. The '*Summary Action List*' was received (paper 2). It was confirmed the two action points from the last meeting have been actioned. Against an earlier matter discussed by the Committee, it was confirmed the accounting treatment used by the College for catering is correct.

**LEP FUNDED CAPITAL PROJECT REPORT**

119. Tabled at the meeting was the project update report issued by DMS and the report was introduced by Mr Drury. The following key points were noted:

- LEP funding drawdown is slow but is happening with payments received for Quarter 1, Quarter 2 and Quarter 3. The payment for Quarter 4 of £292,275 is due later this month.
- The project remains within budget of £2,738,007 and within the agreed timetable for completion.

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

(Mr Drury left the meeting at this point)

**MANAGEMENT ACCOUNTS UP TO 30 APRIL 2016**

121. The Management Accounts up to 30 April 2015 were received (Paper 2).

122. The operating year-to-date (YTD) result for the 9 months to April 2016 was a £559k surplus compared to a budgeted deficit of £93k. The main lines contributing to the positive £651k YTD variance were explained as follows:

Table 1 - Analysis of variance between year to date actual and phased budget					
Description	Type	Mgmt	Variance		Comment
	I/E	A/c	Fav/(Adv)		
		line	£000	£000	
SFA: Adult Skills Budget:(ASB)	I	2	15		Additional Funding (£200k received in year)
2013/14 payment (not budgeted)	I	in 2,3	41		Payment for surpassing target-not accrued
				56	
Heath House Overage (net)	I	in 16		263	Not budgeted
ESF Contract with Barking & Dag College	1	in 16		65	Not budgeted
Donation of AirStream	1	in 16		45	
Other	I			37	
Pay	E			223	Underbudget - vacancies not filled, severance costs to come etc
Partner Payments - ASB Delivery	E			(77)	Additional contracts
Exam Fees Payable	E			(10)	Timing difference
Marketing	E			41	Timing difference-spent to come in summer
Central Consultancy & Professional Services	E			(37)	LEP Project Fees (not budgeted)
Premises	E			(39)	Latent defects and other maintenance
Net other movements	E			84	
				<b>651</b>	

123. In terms of the year-end forecast, known variations to budget have been taken into account. The net result of the changes made so far is a positive variance of £170k with a year-end forecast surplus of £195k, compared to the original budget surplus of 25k.

124. The College's bank is seeking to replace the two existing covenants with two new ones following the new SORP. The proposed two new covenants will be on cash flow and gearing ratio. It was confirmed further discussions with Barclays are required before this can be agreed. It was confirmed any changes to the existing Convenats will require Corporation approval.

125. The SFA calculated financial health grade, for last year as at 31 July 2015, was 'Outstanding'. However, under the new methodology to be used in light of the new SORP requirements, the College is projected to be graded 'Good'.

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

## COLLEGE BUDGET 2016/17 AND 2 YEAR FINANCIAL FORECAST

127. The 'College Budget 2016/17' (Paper 4a), the 'Commentary of the 2-Year financial Forecast' (Paper 4b), and the '2-Year Financial Forecast' (Paper 4c) were received.

128. The budget is prepared within the context of the ongoing difficult economic climate where public services, including FE colleges, face continued challenging cuts to spending.

129. The commentary to support the College budget outlined the changes in income streams for 2016/17 and provided a detailed analysis on forecast expenditures. In addition, a detailed analysis was made available on forecast capital expenditure, cashflow, financial targets for 2016/17, and a risk and sensitivity analysis.

130. The Two Year Financial Forecasts for 2016/17 and 2018/19 have been completed using the required framework prescribed by the funding agency. The assumptions used to inform the 2016/17 budget have been carried forward into the second year of the financial plan.

131. Circulated at the meeting was the 'Checklist' taken from the SFA Financial Planning Guidance document. The checklist has been designed for colleges to use to check on the key assumptions within the budget. The completed checklist was noted with no issues of concern identified.

132. Following a thorough review, it was **RESOLVED**:

- (i) To recommend that the Corporation, at its meeting on 13 July 2016, approves the College Budget 2016/17 with gross income of £20,890m and gross expenditure of £20,815km, giving a "Line A" operating break even surplus of £75k;
- (ii) To recommend that the Corporation approves a capital expenditure programme for 2016/17 of £1m in total;
- (iii) To recommend that the Corporation approves the Two Year Financial Plan 2016/17 – 2017/18; and
- (iv) To give delegated authority to the Chair to approve any technical revisions, if required, by 31st July in view of late changes arising which include late funding notification changes from the funding bodies.

#### **AREA REVIEW ESTATES PAPER**

133. At the request from the Chair of the Corporation, the Committee received, for review, the Area Review Estates Paper (Paper 5). It was noted the data contained in the report was not fully reliable as colleges were not consistent in their approach as to how they collated their own data. However, the Committee did agree that data on room utilisation was an important indicator for governors to receive and review on a regular basis.

#### **TREASURY MANAGEMENT POLICY**

134. The '*Treasury Management Policy*' (Paper 6) was received for annual review.

135. Following the review, it was **RESOLVED** for the Executive to make the necessary arrangements to invest £2m of the College's reserves into a 12-month fixed interest account, and to make this investment with a new bank (Lloyds).

#### **RISK MANAGEMENT/RISK REGISTER**

135. 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 as to whether 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, that '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 had been identified through discussions during the meeting.

136. The scoring of two of the risks has changed since the last committee:

- Risk #8 has increased to 20 as, despite planning and monitoring of targets, the in-house delivery of Apprenticeship volumes is well below the target numbers
- Risk #21 has increased to 25 due to considerable under-performance of the subcontract with System Training

138. At the request of the Group, one new risk, relating to implementation of the new SORP for FE, has been added to the register. This will have no financial impact and should have minor reputational impact only.

139. Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk that falls under the terms of reference of the Committee. .

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

#### **ANY OTHER BUSINESS**

141. There was no other business

#### **DATE OF NEXT MEETING**

142. The next scheduled meeting is Wednesday 29 September 2016 @ 1800.

143. The meeting closed at 19.50

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