

**Minutes of a Meeting of the Finance & Capital Projects Advisory Group held on
Wednesday 24 February 2016 in the Directors' Room**

Present Mr T White (Chair)
Ms M Semple
Mr M Michaelides
Mr S Castle
Mr S Wilcox

Also present Mr M Cooper
Mr M Patel
Mrs B Calvert
Mr R Drury – (DMS Consult) for the LEP Capital Project agenda item
Mrs T Aust – Deputy Principal and Principal Designate

The meeting commenced at 18.10.

APOLOGIES & DECLARATION OF INTERESTS

64. Apologies were received from Mr J Allen. Mrs B Calvert was in attendance to clerk the meeting. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

MINUTES

65. It was **RESOLVED** that the minutes of the meeting held 25 November 2016 (Paper 1) be confirmed as a correct record and signed by the Chair subject to one amendment on page 3; date should read July 2015.

SUMMARY ACTION LIST & MATTERS ARISING

66. The '*Summary Action List*' was received (Paper 2) and the following updates were made available:

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	COMMENTARY / UPDATE FOR MEETING 24 FEBRUARY 2016
40	Project Manager's Risk Register to be made available in LEP Capital Project Reports	Agenda item 5
41	In LEP Capital Project Reports, it was agreed to record the overall budget costs including construction costs and to record any spend from the contingency with confirmation of the remaining contingency.	Agenda item 5

67. As all actions were addressed via agenda items, it was **RESOLVED** to note the '*Summary Action List*'.

LEP FUNDED CAPITAL PROJECT PROGRESS REPORT

68. The progress report was received (Paper 3) and introduced by Mr Drury from DMS Consult.

69. It was confirmed the contract commenced 10 August 2015 and is on schedule to complete against the contract completion date of 06 May 2015 – 39 working weeks. Although the works are currently on schedule there has been some slippage on the start of the Mechanical and Electrical works. The programme indicates a 2-week allowance for fitting out works at the end. These works have been incorporated and commenced early and, therefore, the slippage can be accommodated.

70. Against the budget of £2,738,000, the current forecast is to be within the agreed budget. The contingency budget stands at £47,316.

71. The report provided the Committee with a progress update on Woodbridge Park and the meetings held between Woodbridge Park Head, LB Hounslow and Rex Proctor (PM and Designers). Progress has been made to resolve outstanding issues. The target date for the School to move in and operate after October Mid Term is still on target to be achieved.

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

(Mr Drury left the meeting at this point)

MANAGEMENT ACCOUNTS UP TO 31 DECEMBER 2015

73. The 'Management Accounts up to 31 December 2015' were received (Paper 4).

74. The reported YTD operating result for the 5 months to December 2015 is a surplus of 317k compared to a budgeted surplus of £89k.

75. There were some sizeable YTD variations between actual and budgeted income and expenditure. In particular, SFA Adult Skills Budget funding (£222k adverse); High Needs Student funding from Local Authorities (£93k favourable); HE and full-cost fee income (£100k and £58k favourable respectively); payments to partner providers (£98k favourable) and expenditure on exam fees (£129k adverse) show significant movements. This last item and many of the other minor variances are due to timing differences. However, for other income and expenditure lines, changes to full-year forecast figures have been made taking a prudent approach.

76. The year-end forecast is for an operating surplus of £250k against the budget surplus of £25k, a positive year-end variance of £225k.

77. Based on current revenue and capital spend assumptions, it is not anticipated that there will be adverse cash flow issues during the period.

78. For capital expenditure, from the allocated £925k budget, £590k has either been spent or committed to date. The forecast is for no overspend against the allocated budget.

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

BUDGET PLANNING & CAPITAL BUDGET 2016/17

80. The College report 'Budget Planning 2016/17' was received (Paper 4).

81. The actual Education Funding Agency (EFA) and Skills Funding Agency (SFA) allocations for 2016/17 have not yet been received by the College. For most FE institutions, these are due for release by the end of February and end of March respectively. However, some information has already been released by the EFA, including 16-19 Student Number Statements and confirmation of the national funding rate for full-time 16 to 17 year olds. This information provides a good indication as to the funding the College will receive for its 16-18 provision. Aside from budget announcements and the Skills Funding Letter of December 2015, there has so far been little detailed information released by the SFA concerning next year's allocation.

82. The College is yet to receive from HEFCE a provisional grant letter and student number allocation for next year, which is due for release in March. The student number control was removed from all HEFCE-funded institutions in 2015/16 so, as in previous years, when actual student numbers were close to the minimum permitted, there is the possibility of some growth. However, this is likely to be challenging due to increased competition in the sector.

83. Based on initial estimates of funding allocations described above and other known or expected changes to income and expenditure, and with reference to actual and forecast performance for 2015/16, some I&E change scenarios have been drafted. These were attached to the report and reviewed by the Committee.

84. The net result of the initial draft estimate of year-on-year income and expenditure movements is that further net income or cost savings totalling around £450k would be needed to breakeven next year.

85. It should be noted that these scenarios do not include any assumptions about potential savings relating to direct employment of teaching or support staff. There is also no assumption about any further reduction in subcontracted provision which could be replaced by in-house provision that generates higher contribution percentages.

86. Methods by which the College is working to mitigate the impact of funding cuts and increasing costs include, but are not limited to, a combination of:

- Setting robust income targets by curriculum section and close monitoring of performance against these targets for specific income streams that provide opportunities for growth, such as Apprenticeships funding, Advanced Learner Loans and HE fees
- Close monitoring and analysis of staff utilisation to increase efficiency and drive down unnecessary agency staffing costs
- Increasing recruitment and class size; combining small groups
- Raising funded retention
- Reducing non-starters
- Reviewing delivery hours and methods
- Improving room utilisation
- Curtailing delivery of poor quality or cost-ineffective classroom provision

87. Whilst the revenue budget will not be set or approved before June, it is necessary at this time to agree an initial capital budget for 2016/17 so as to allow sufficient time for tendering processes and lead times for summer works and replacement programmes.

88. Based on revenue generated in-year from operating activities and assuming a 'breakeven' operating surplus outturn of £25k (as budgeted in 2015/16), a capital budget allocation of £1m would result in a cash-neutral position.

89. Following review, it was **RESOLVED** to approve a capital budget of £1m for 2016/17 and to note the outline indicative revenue budget 2016/17.

TUITION FEE POLICY 2016/17

90. The '*Tuition Fee Policy 2016/17*' was received (Paper 6). For the last two years tuition fees for SFA funded programmes have been linked to the SFA Funding Matrix. There are some minor changes. This attaches a tuition fee to a particular qualification. Whether the student has to pay the fee or not depends on their eligibility. The Policy sets out the key guidelines in this respect.

91. It was **RESOLVED** to recommend the Corporation approve the '*Tuition Fee Policy*

STRATEGIC PARTNERSHIP WITH AMBITIOUS ABOUT AUTISM

92. Following discussions at the Finance & Capital Projects Advisory Group meeting in September 2015 and the Corporation meeting in October 2015, the College signed a Memorandum of Understanding with Ambitious about Autism (AaA) to enter formal negotiations around the establishment of *Ambitious College* on the Isleworth campus.

93. This strategic partnership enables the College to make better use of the buildings, given the reduction in funding for classroom based learning for adults which has resulted in under-utilisation of our classrooms. As well as providing additional revenue, the partnership brings other benefits including professional development, and Apprenticeship opportunities, and will help establish West Thames as a centre of excellence in this area.

94. The December Corporation received the draft partnership agreement and draft lease which were used to establish a similar partnership with another college in London. These have now been reviewed by the College's own lawyers who have made very minor amendments. At that meeting, the decision to proceed was delegated to the Finance and Capital Projects Advisory Group.

95. The paper made available to the Committee outlined the financial arrangements which are to be proposed. Governors will see that, in addition to an annual rental, the charity is committing to a range of services which will add value. This is in line with the arrangement for the Ambitious College which is co-locating in a north London College. The charity has also advised that it is likely they will want to utilise other facilities at the College, i.e. the theatre for performing arts events. It is understood such utilisation will attract an appropriate rental fee. Governors were assured that all rental charges were reasonable and in line with those imposed by other colleges.

96. The proposal is as follows:

- Ambitious about Autism will pay an annual rent of £50,000
- Plus the following added value services with an estimated cash value of an additional £50,000:
 - 20 days of training and consultancy (equivalent to the value of £15,000) during the first year of the agreement. This will be focused on supporting College staff to develop their knowledge and skills of working with learners with autism. Beyond this, AaA will continue to work in partnership with College and will provide training and consultancy to the college, at levels to be agreed at the start of each academic year. The number of days and the precise focus of such training and consultancy will be agreed prior to the start of each year following the first year's operation
 - Ambitious College will pay the College a sum of £25,000pa (to be reviewed annually) to facilitate "in-fill" provision for its learners to existing courses
 - As part of the commitment to having a positive impact on the college and community, AaA will commit to an annual target for employing apprentices of no less than five and will use its best endeavours to identify suitable opportunities across the organisation

97. In addition Ambitious about Autism will pay an agreed sum for services, based on the proportion of the building occupied by them. These are likely to include utilities, cleaning, maintenance of external areas and relevant service media.

98. Ambitious about Autism will make some minor changes to the buildings to provide some specialist facilities for their students. They will also look to enhance some of our own facilities such as the training kitchen and the outside garden area in Supported Learning which will enhance our

own students' learning experience. All capital costs will be borne by Ambitious about Autism as outlined in the draft lease.

99. Management are seeking approval to commit to this partnership on the terms outlined in the College report. The charity has been served notice to leave their current temporary location, and will therefore be seeking to start the arrangement in August 2016. Current learners and their parents will need time in the summer term to familiarise themselves with the new arrangements therefore the lease needs to be signed before Easter.

100. The Committee suggested the lease needs to include additional information on the reasons for the suggested rental value, more on the value added to be gained from the partnership, and if they do not use College facilities that they would still be liable to pay for the use of the facilities.

101. As the decision to proceed was delegated to the Finance and Capital Projects Advisory Group, it was **RESOLVED** to commit the College to the partnership on the terms outlined in the College report and for authority to be given to the College to sign the lease with Ambitious about Autism, subject to the lease to be amended to include additional information about rental and Value Added.

RISK MANAGEMENT/RISK REGISTER

102. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 8). 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 if any new risks were identified through discussions during the meeting.

103. It was reported the scoring of three risks has changed since the last meeting and these were confirmed as follows:

- Risk #16 has reduced to 12 as the regular meetings with budget holders are now established with improved reporting on staffing budgets
- Risk #20 has increased to 20 as the recruitment of 16-18s is more challenging and we are at risk of not meeting our 2015-16 target
- Risk #43 has reduced to 12 as the LEP project is more than half way through and is on target to complete in time and on budget

104. 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.

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

NEW FE SORP

106. The College report '*New FE SORP*' was received. The report provided the Committee with the following:

- Background/timetable
- Presentational changes to the Financial Statements
- Other important considerations due to the new SORP

- Financial Health Score
- Potential impact on bank loan covenants

107. FRS102 is a new UK accounting standard which replaces all previously issued UK finance standards including Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRS). It seeks to bring UK accounting standards in line with International Financial Reporting Standards (IFRS). The report summarised the key reporting and accounting changes in the new SORP which will affect the College and provides the assessment of College management regarding the impact of the change. FRS102 is similar in many respects to the existing UK Generally Accepted Accounting Practice (UK GAAP).

108. FRS102 will apply to the FE sector for all accounting standards beginning on or after 1 January 2015. This adoption of FRS102 will be at the same time as universities, charities and smaller companies. In response, a new Further and Higher Education Statement of Recommended Practice (F&HE SORP) has been developed to provide guidance to the sector in the preparation of statutory accounts. This means that WTC will have to apply FRS102 to its accounts for the year ended 31 July 2016. However, as comparatives will also be needed, the college needs to ensure that it captures its comparative data for the year ended 31 July 2015.

109. The key presentational differences were summarised as follows:

Subject	Old SORP	New SORP	Changes	Impact of Change
Primary Statements	Income & Expenditure Account	Statement of comprehensive Income	Donations and other grant income moved to separate section	Low
	Statement of Total Recognised Gains & Losses	Consolidated Statement of Changes in Reserves	Disclosure of comprehensive income for the year	Medium
	Balance Sheet	Balance Sheet	Deferred Capital Grant split between creditors due within the next year and after more than one year	High
	Cashflow Statement	Statement of Cashflows	Includes cash and cash equivalents	Low
Notes to the Financial Statements	Not Applicable	Key Management Personnel	Requirement to disclose total salaries and benefits of key management personnel. But may be difficulties in identifying key management personnel	Low

110. The change of presentation for capital grants in the *balance sheet* is significant and has been graded as a high impact item. Capital grants have historically been treated as a College reserve, but this will change to recording them as a liability which is split between due in more than one year, and due in less than one year (long and short term respectively). This will have a significant impact on both measures of liquidity and the value of net assets (the net worth of all College assets and liabilities). This was shown in Appendix 2 of the report 'Balance Sheets as at 31 July 2015' with Net Current Assets reducing from a previously reported value of £4.163m (a current ratio of 2.8) for the year ended 31 July 2015 to £2.139m (a current ratio of 1.5). Under the new SORP, net assets will reduce from £48.9m to a net liability of £1.778m, a reduction of some £50m.

111. The SFA are in the process of re-assessing their measurement criteria to determine the financial health of Colleges. Banks have also indicated they will seek to revise loan covenants to ensure colleges are not disadvantaged by the impact of the revised accounting treatment.

112. Although clarification is still required on a number of items, provisional decisions could be taken at the current time on some matters and confirmed when more information is available in the year and when the College knows more about how stakeholders (SFA and the Bank in the main) will be measuring performance.

113. Following review of the report, it was **RESOLVED** to note the update and to add the new FE SORP requirements to the Risk Register.

ANY OTHER BUSINESS

114. There was no other business

DATE OF NEXT MEETING

115. Wednesday 22 June 2016, starting at 1800.

The meeting closed at 20.30

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
100	Ambitious about Autism: The lease needs to include additional information on the reasons for the suggested rental value, more on the valued added to be gained from the partnership, and if they do not use College facilities that they would still be liable to pay for the use of the facilities	22/6/16
113	To add the new FE SORP requirements to the Risk Register.	22/6/16