

Minutes of the meeting held at 5.00pm on 18 June 2019

Present: S Clarke (Chair) D Wildridge (Vice Chair)
E D'Souza C Higgins
N Savvas, Principal/CEO

In Attendance: S Jones, Vice Principal Finance and Resources
L Moody, Vice Principal Employer Engagement
P Ewan, Head of Finance
J Raffel, Group Director Finance
R Stevenson, Operations Director
A Wright, Head of Admissions and Student Futures
J Bridges, Clerk

No member declared an interest in relation to items of this agenda.

1 Apologies for absence

There were no apologies for absence.

2. Minutes of the meeting held on 22 May 2019

The minutes of the meeting were agreed as a correct record.

3 Matters Arising from the meeting held on 22 May 2019

3 Matters Arising – Any other business

The Chair was to invite governors to join the membership of the Committee however this has been resolved as the Appointments and Governance Committee has a recruitment campaign underway to seek members with Financial acumen.

6 Draft Budget 2019/20

The Draft 2019/20 and 3 Year Financial Forecast is covered under agenda item 6 of this meeting.

11 Any other business

A meeting of the Property Task and Finish Group has been convened for 10 July 2019 and calendar invitations have been sent to group members.

It was noted that the loan rate has been agreed to be fixed by special resolution that was passed at the Extraordinary meeting of the Corporation held on 6 June 2019.

Finance Items

4 Finance Report

At month nine, the actual year to date surplus position of £734K is better than the profiled budget YTD surplus of £608K.

Income overall is £783K better than YTD profiled budget, staff costs are better than YTD budget by £389K, but both positive variances are reduced by non-staff costs being higher than profiled budget by £1,046K.

There are a few lines with movement before the year end; HE and AEB lines for example and there is confidence that the surplus position will be slightly better than reported at the year end.

Action

The subcontractor partner costs of £336K have an element of additional income encapsulated within this figure; HNF for example. It was noted that this line in particular had varied substantially as we don't budget for more than is predicted to be received. In the year the profile of students we have supported has attracted additional funding and this is predominately why this income line has increased in the year from budget.

The Vice Principal Employer Engagement confirmed that Employer incentive costs include the ESFA grant of £100K which essentially is money in and money out from the College to the employer.

Balance Sheet

The balance sheet shows that the bank balance has reduced from £6,992K in March 2019 to £6,915K in April 2019. The Chair questioned if Fixed assets were really set to increase by £3.5m in the year. The Vice Principal Finance and Resources confirmed that this relates to an adjustment that is yet to be included of £1.5m for the Vintens project. Cash will increase correspondingly.

The current bank balance of £6,915K compares to the balance of £5,831K as at April 2018 which shows an increase year on year of £1,084K.

Summary

The April 2019 YTD surplus shows a positive variance to budget YTD of £126K, and is on target to achieve the forecast surplus. The forecast surplus has been reduced by £20K in April 2019, but this now includes the forecast cost of summer works and the revised surplus is now £263K compared to the original budgeted surplus of £133,707.

5 Key Performance Indicators

The total funded enrolments for this year stands at 2,977 against the funded target of 2,995 (18 short). The actual numbers will continue to increase as enrolments are added over the remaining months and as at the interim ILR run on 22 May 2019 the numbers stood at 2,989 (6 short of funded target).

HE FTE applications (as at June 2019) are 407 against the target for the year of 553FTEs. Actual accepted offers for 2019/20 is 154FTEs for first year students (against a target of 300FTEs for the year) which is an increase of 15.5FTEs on last year. It was recognised that the Committee received the 2018/19 HE enrolments in the last report and it would be interesting to know the enrolment position to date. The Assistant Principal for HE will be asked to provide this information.

RKirk

The total forecast expenditure (red status) is £916K above budget of £29,246K although the Committee recognised that this is completely mitigated in total by the other two KPI measures for income and pay expenditure (green status).

Staff costs to income ratio calculations for April TYD are calculated at 65.8% which is lower than the budget of 68.8% reflecting the lower than budget staff costs, and better than budget income as at April TYD.

All banking covenants are RAG rated green and are compliant.

The current bank balance of £6.9m has reduced from the balance in March 2019 of £7.0m. The budgeted cash balance was £5.9m in April 2019 so the actual balance is £1m higher than the budgeted balance.

The balance of the ESFA creditor has changed from a balance owed to the College of £757K in March 2019 to a balance owed to the College of £138K as the larger allocations start to come through in April 2019 and May 2109 as per the ESFA payment profile.

It was noted that the forecast year end bank balance of £5,573K includes £1,341K of the expected cost to the College for Vinten's with a further £1,083K net payments expected in August to October 2019 making a total of £2,424K cash outlay. The timing of this is obviously dependant on when orders are raised and when the subsequent invoices are paid to suppliers, but the expected cash balance after all Vinten's payments have been made is expected to be £4,510K (year-end balance £5,593K less £1,083K) which is still substantially higher than the minimum cash requirement.

6 College Draft Budget 2019/20 and 3 Year Financial Forecast

At the May meeting of the Committee the draft budget was considered, discussed and agreed in principle. The budget has changed minimally within individual lines since this time but the surplus budget of £125K remains unaltered. These changes relate to a reallocation of budget within the sub-headings of staffing, non-pay costs and depreciation, and are all minor adjustments based on additional requests/information being available with minimal effect on individual lines of spend.

The capital budget has been amended to incorporate £111K of extra projects approved as part of the summer works programme. In addition to the budget, the three-year financial plan has been prepared and shows not only the budget year (2019/20), but projections for years 2 (2020/21) and 3 (2021/22). The Committee was content to commend the revenue budget and noted that the capital budget had increased marginally since the draft budget was presented to the Committee last month.

The Committee considered the eight financial objectives set for the College and they were content to leave these unchanged. The Committee suggested that we have another line in the monthly accounts that calculates the adjusted surplus throughout the year so that this will meet the monitoring of the eighth objective which is to 'seek to achieve an adjusted surplus as a % of adjusted income of 3%'.

With regard to the three year plan it was reported that there is a new requirement to complete a 24-month cashflow forecast which must reconciled to the 3-year financial forecast. This was presented to the Committee at the meeting and the Vice Principal Finance and Resources detailed the key assumptions and points to note on income, staff costs, other operating expenses and capital spend. It was noted this has been prepared with due regard to the Financial Planning checklist produced by the ESFA and is something that the ESFA requires Accounting Officers to confirm.

It was noted in the report that this year there is a new requirement to provide the ESFA with a 24-month cash flow forecast that reconciles to the financial plan. A summary of assumptions relating to the financial plan were provided to the Committee and the Chair confirmed that this is to be shared with the Corporation together with a copy of Annex A of the College Financial Planning handbook which must be shared with the Governing Body to provide assurance in respect of the production of the plan. The Committee recognised that the proposed budget for 2019/20 results in a change of financial health grade from

SJones
PEwan

Outstanding to Good before returning to Outstanding in 2020/21 and 2021/22. This is because although the proposed budgeted surplus is of a similar magnitude to the 2018/19 surplus (which was graded Outstanding), because the income has increased but the surplus has not, the College's sub-score relating to surpluses (EBITDA) has just reduced sufficiently to change the grade.

This grade reduction has no direct implications and is only a predicted grade and the College will seek to perform better than budget in order to ensure the outturn in 2019/20 results in the retention of the Outstanding grade.

The Committee questioned if the College had budgeted to increase the capital spend in 2021/22 by £2m to address the 'poor' rated property identified in the recent condition survey. The Vice Principal Finance and Resources confirmed that an assumption has been made that capital funding will be available for the £2.5m rated 'poor' in the condition survey at a 50% contribution and this income has been included in the forecasts for 2020/21 and 2021/22.

The Committee was asked to consider the three-year financial plan, the cashflow forecast, financial objectives and the budget and commend all four to the Corporation for approval at the meeting to be held on 8 July 2019. It was noted that the revised cashflow forecast will be sent to the Committee as soon as possible post meeting by email from the Vice Principal Finance and Resources. The Committee **approved** all four documents. **Proposed** by D Wildridge and **seconded** by C Higgins.

SJones

7 **Subcontracted Provision for 2019/20**

The report details the proposed subcontracting arrangements wef 1 August 2019. For most Sub-contractors, it was noted that the contracts will be for carrying only of the remaining learners that they have on programme with our non-levy funding. Currently, no new starts are to be allocated to Sub-contractors due to the reduced allocation of Non levy funding which will be retained for our own non levy provision. The amount of Levy funding is uncapped.

The Committee **approved** the due diligence and contracts to be allocated as detailed in the report. **Proposed** by C Higgins and **seconded** by D Wildridge.

It was noted that any additional/new subcontractors to be appointed after this date are to be presented to the Committee for approval via the new approval form route.

8 **Full Time FE Applications 2019/20**

For the 16-18 age category, we are currently **5%** higher (128 up) than this point last year for both applications and offers.

The Committee was pleased to learn that the College is in a much stronger position this academic year compared to last year with only an additional 114 'offers' needed prior to September and historically (based on our conversion rates) we have recruited in excess of 200 students throughout the summer so there is confidence that the 2019/20 allocation (2,995) will be met.

9 **HE Applications 2019/20**

The report detailed the minimum numbers set for recruitment to all HE courses for 2019/20. These targets are based on current numbers this year for levels 4

and 5 and a need to increase new student recruitment to cover this year's shortfall in numbers. The target for recruitment of new enrolments is 300.

Currently we have received 382 applications for courses with the UoS at WSC, and 154 accepted offers, an increase of 15.5 on last year when we had 138.5. The Committee recognised that HE recruitment is nationally in decline and our marginal increase however small is seen as positive particularly when compared to the other Colleges in the UoS collaboration our numbers are increasing with comparable conversion rates too.

It was recognised that it is important that we recruit 150 additional students between now and the start of teaching in September 2019 in order to meet our target and it was recognised that this will be a challenge to achieve. The team are working hard to provide a compelling offer so that we can attract the students and a targeted marketing plan demonstrating the benefits of learning locally and our other USPs are constantly being promoted. The Principal/CEO advised that contingency plans were being considered should the situation arise where the target numbers are not achieved.

10 2019/20 Insurance Renewal

In accordance with the Financial Regulations, the College Secretary is responsible for the College's insurance arrangements. Where contracts are over £50K three competitive tenders are required in order to comply with the College's tendering procedures. The award of contracts over £50,000 (recently changed to £100,000) are to be approved by the Resources Committee. The renewal date for insurance is 31 July each year.

Last year three alternative insurers were approached to tender for the insurance programme upon the expiry of the 3-year Long Term Agreement with Aviva that expired 31 July 2018. Aviva have held the insurances of the College since 2015 and maintained their rate structure for this period. Last year Aviva offered a new 3-year rate stability agreement based on the existing rate structure and the only fluctuations in premium payable by the College therefore being the sums insured and estimates against which the rates are charged.

The intention this year is not to move our insurance arrangements away from the incumbent Broker as premiums sourced last year are held for the next two years (to 2020/21). During the 2020/21 academic year it was noted that we will revisit and tender the contract again.

The Committee **approved** the renewal. **Proposed** by D Wildridge and **seconded** by E D'Souza.

**11 Property Items
Property Update
Vintens STEM Centre**

It was reported that the refurbishment contractor, for practical completion, is still on target, the classrooms and interconnecting areas give an overall excellent impression of a high quality re-fit. Stage 1 Learning Areas are due to be handed over within the next week and Stage 2 Tower (office) Block is estimated to complete 21 August 2019.

The project 2 (Hanger One) however proving to be challenging, as after initial indications that the contractor's prices would fall below that of the QS estimate this has not proved to be the case. Attempts to VE (Value Engineer) the works

proved insufficient, however, an alternative design was suggested and Coulsons are confident that this is achievable and will deliver a suitable result. At the time of writing Pick Everard are working to check HVAC (Heating, Ventilation and Air Conditioning) and electrical load assumptions to confirm the validity of the design changes. As a plan D Portakabin have been asked to attend site and quote for supplying a part solution to complement a part refurbishment option. There is a Property Task and Finish Group meeting scheduled for July so more detail will be reviewed by the group then.

Abbeygate Sixth Form College

The report noted that the DfE appointed contractors, Wates, are now on site and pre-works have commenced.

The Abbeygate Sixth Form College (ASFC) project team have the detail from the College (WSC) regarding fittings that need to be provided in the Gateway building. The DfE have a number of contractors tendering for the fit out works and a site tour has taken place.

Animal Care Move to Main Campus

The planned first stage move to relocate Animal Care on the main campus of the College has taken place. The Centre is generally ready with the exception of some finishing off work in the non-critical rooms.

Summer Works

Following approval contracts are being placed and the plan moved forward to progress the list as presented.

12 Any other business

i. 3rd Line Support Contract

Confidential item under paragraph 18(2) of the Instrument and Articles of Government

Date of next meeting

Wednesday 6 November 2019 at 4.00pm. One Sixth Form College.

The meeting closed at 6.15pm