



Confirmed Minutes

Present: Mr J Dawson (Chair), Ms Williams Ms J Pryce, Mr P Cropper and Ms T Wright (100% attendance)

In attendance: Mr A Shaw

Clerk: Mrs C Coupland

1. Apologies for Absence/ Declaration of Interest

There were no apologies received.

There were no declarations of interest recorded.

2. Minutes from Meeting held on 25th June 2018

Resolved:

- That the minutes be accepted as a correct record, subject to the amendment of typographical errors.

3. Matters arising

Health and Safety Report.

In Mr Hirst's absence the Clerk informed the committee on his behalf that a reporting process has been agreed with Mr M Smith-Connor, Vice Principal, to capture persistent issues with regards to Health and Safety matters on the College estate. A report proforma has been agreed to allow for the recording and reporting of persistent issues and track management action and resolution.

Ms Pryce explained to the committee that Ms Bates (Designated safeguarding lead) was instrumental in supporting the standard staff and students in Dublin when flights home were cancelled due to the snow. Ms Bates is currently on long term sickness leave. It is expected that she will return to work after the half term break. This action point will then be picked up with her on her to work. An update will be provided back to governors at the next committee meeting.

4. Year End Management Accounts – July 2018

Mr Shaw presented the management accounts for July 2018, the final month of the 2017-18 financial year, which will form the basis of the annual financial statements.

It was noted that the latest forecast cash as at July 2018 of £2,616k, was £347k above the budget. This is £133k higher than reported at the last meeting. The major reasons for the above budget position are mainly due to similar surplus (ignoring cash and one-off items) unspent contingencies and timing differences on Capital projects. As referred to in the September 2018 management accounts, the underlying cash position would be £100k higher as at July 2019 than shown in the forecast for 2018-20, but these excess funds have been set against i) extra property projects for Summer 2019, ii) extra £10k contingencies and iii) 30k other costs.

The Income and Expenditure account shows the out-turn deficit of £115k. However this has been adversely affected by £224k of uncontrollable non-cash costs mainly associated with the WYPF pension scheme (for the 94 support staff members). Without this, the surplus would have been £109k, £16k above budget. The Committee was satisfied by this explanation. Members also noted that the WYPF non-cash effects are added back when assessing financial health and therefore the college will continue to be assessed as just 'outstanding' financial health with a score of 260.

Resolved:

- **That the report be received**

5. Management Accounts – September 2018

Mr Shaw presented the management accounts to September 2018.

The Committee was advised that all current targets are expected to be at least met by July 2019, with student enrolment on target to at least meet the 2413 funded number, and that the latest forecast cash position as at July 2019 of £2,240k is £1k above the budget. Variances from the budget of £2,239k were considered by members, these were due to:

- the £100k extra underlying position as at 31 July 2018,
- less £25k extra transport costs for 2 extra services to Easter 2019 and £5k extra exam costs, with potential extra student numbers
- less £60k property strategy costs for Summer 2019, to add to the £100,000 for 2019-20 modelled in the 2018-20 financial forecast (although this may change with the full remodelling of the financial forecast for 2019-21, which will begin in November 2018)
- less £10k set aside for increased contingency

The Committee was also informed that the Income and Expenditure account shows that the operating surplus is expected to be £121k, being £30k below the budget of £151k, at the moment, due to the extra transport and exam costs as above.

Mr Shaw confirmed that the main ESFA funded student number, is currently 25 above previous years moving towards the day-42 census date. The committee was advised that an extra 25 students would generate an extra £103k lagged funding for 2019-20. In addition, the number of level 5 students are expected to be 9 new first years and 27 continuing into the second year. Each additional student above the 30 allowed would attract £4800 each. The first 1/3 payment from UCLAN will be in October 2018.

Mr Shaw advised the committee that there are a number of funding factors which are uncertain for 2019-20; which will be confirmed by the ESFA in January 2019. These include:

- The decreased retention factor in 2017-18 (as a result of 2 year linear A levels) could reduce lagged funding in 2019-20 by up to £115,000, if the promise of ESFA protection against this does not materialise
- The number of lower funded 18+ students (262 in 2018-19)
- Course weighting factor (2.42% uplift in 2018-19),
- Maths & English uplift (24.2% of students in 2018-19),
- High needs students (45 in 2018-19),
- Disadvantage factor (4.7% uplift in 2018-19).

Members were also informed of other income strands for one off funding grants to be received in 2018/19 including Capacity for Delivery of Work placements, Basic Maths Premium, Centre of Excellence (level 2 maths) and Erasmus Foreign Exchange Funding.

The Committee was advised that the contingency summary shows £98k still remaining. One staff member is currently on long term sickness absence. To date nothing has been committed from the increased general contingency of £110,000.

Members recalled that the pay award contingency is 2% (cost £140k) for all staff from 1st September for 2018-19. The committee was advised that the Unions however are currently pushing for 5%. Ms Williams explained to the committee that independent sixth form colleges, like HNC, will not receive any government funding to support teacher pay awards unlike schools and academies.

Mr Shaw confirmed to the committee that the extra 16-18 students have been able to be staffed within the agreed staffing budget of £8028k. This includes the 2% pay award assumption and £104k absence contingency.

Mr Shaw also reminded the committee that as mentioned at a previous meeting, there are still other cost increases due in the next few years in relation to staffing. For example, the Teachers Pension Scheme is being re-assessed for April 2019. The current employer contribution rate of 16.48% is likely to increase to 23.6% from September 2019, adding a further £293k cost per year for the College. The SFCA has indicated that the DfE would fund the increase for 2019/20 (to March 2020) but there has been no commitment beyond that. Mr Shaw also explained that the WFPF is also being revalued in April 2019 and the employer contribution rates could also rise as a result.

Mr Shaw reminded the committee that a number of capital projects had been completed over the summer break, namely to expand the dining/social area into the library; convert the workshop/ design area into 4 classrooms, work room and student hub; expand the science staff work areas and create a new modern Design workshop adjacent to the Art & Design areas in the Art/ Media building. Mr Shaw advised the committee that the works were completed at a cost of £427k, £65k below budget. Ms Williams explained that most areas were ready for new students at the start of the academic year however regrettably there was some disruption to students learning with the delay in completing works on the modern design workshop. Some snagging work is also scheduled to place during the October half term.

Mr Shaw confirmed to members that the draft forecast 2019-21 will be formulated, based on Day 42 student numbers, the £4000 per student, the retention factor, and other ESFA funding factors. The Financial parameters for this forecast from 2018-20 onwards were recommended by the committee and subsequently approved by the corporation in April 2018, as continuing:

- To just maintain 'Outstanding' financial health,
- To just generate an Operating surplus
- To maintain cash levels at above £2.1million, but allow to reduce to £1.4million with agreed capital developments.

The parameters will be reviewed again by the committee in March 2019. As always, the main driver of the financial plan is student numbers

Mr Shaw explained to members that the College is to pay around £250k recurring and £180k one off capital VAT during 2018-19. Any future academisation, would force the crystallisation of the existing £1.26million of college loans (as at July 2019) at an estimated cost of £1561k. A new alternative loan may be achieved with annual repayments of about £225k, over the remaining 8 years of the loan, being £38k per year more than the existing £187k. There are also the obvious other considerations of academisation, as discussed back in September 2016, together with some other initial and ongoing potential costs. Treat in isolation, £280k VAT per year could absorb 2 years-worth of 2% pay awards, for example.

Resolved:

- **That the report be received**
- **For Mr Shaw to draft 2019-21 financial forecast, based on Day 42 2017-18 actual student numbers when this is realised.**

6. ESFA Conditions of Funding.

Mr Shaw presented to the Committee the conditions of funding agreement for 2018 – 19 between the college and the secretary of state for education. The ESFA Conditions of Funding set out the terms and conditions by which the ESFA funds Services in Sixth Form Colleges and is referred to in, and form an Appendix to the College's own Financial Regulations. Members noted that the Conditions are updated annually and released in the summer, thus are not available to discuss at the same time as the updated Financial Regulations in June.

Resolved:

- **To receive the report**
- **For the report to be made available to all governors via Moodle**

7. Barclay's Loan Covenant amendment

Mr Shaw advised the committee that the remaining bank loan agreement is with Barclays Bank - The 20 year £2.25million (current balance £1.3million) is not due to mature till August 2027.

Mr Shaw explained that following the introduction of FRS102 for the 2016-17 financial statements, one covenant clause in the existing loan agreement didn't tie in with current financial statements reporting.

Members were informed that previously the covenant clause stipulated that "audited accounts of the borrower could not show a historical cost deficit for each of the last 2 consecutive periods of 12 months" The historical cost surplus/ deficit is calculated by taking the operating cost surplus/ deficit and adding back the revaluation reserve release to income (which is in effect adding back the inflated depreciation of higher revalued property)

With the new FRS102 Consolidated Income Statement replacing the Income & Expenditure Account, this revaluation release is not added back to the face of the Consolidated Income Statement, together with WYPF pension charges.

Mr Shaw went on to explain that in order to give a neutral position to when the loan was first drawn down, the agreement has been revised by Barclays to include the amended covenant to give this same effect.

Resolved:

- **That the updated Barclays Loan Agreement be approved.**
- **For Mr Shaw and Ms Williams to sign the updated Loan Agreement.**

8. Bank Mandate signatories

Mr Shaw informed the committee that in light of staff changes, the approved bank signatories needed revising to include Mr Marcus Smith-Connor (newly appointed Vice-Principal) and to delete Ms Sonia Ross who is leaving the college at Christmas 2018.

Resolved:

- **To update bank signatories as stipulated**
- **For Bank Mandate forms to be completed for Mr Marcus Smith – Connor.**

9. Any other Business.

There was no other business.

10. Learner Impact Reflection

The impact of discussions and scrutiny of the Committee's work in improving the outcomes and experience for all learners was considered and the following agreed:

- Ability to financially support all elements of the strategic plan for the college.
- Ensuring the Financial viability of the college to continue to provide outstanding outcomes and learning experiences for future students.
- Listening and responding to the Student Voice to ensure the continuous and ongoing improvement of the college
- Assurance that the college remains compliant to the conditions of the Funding Agreement and that the colleges funds are used appropriately to benefit all learners.

11. Determination of confidentiality

No items were deemed confidential.

- 11. Date of next meeting: Tuesday 28th November 2018 from 5pm (to be joined by Audit Committee at 6.00pm)**