Minutes of the Finance Committee
held on Friday 1 December 2017 at 8.00am
In the Boardroom
at Matthew Boulton Campus

Present:	Apologies:
Hilary Smyth – Allen (HSA) – Chair	Steve Hollis (SH)
Veronica Docherty (VD)	
Joel Blake (JB)	
Andrew Cleaves (AC)	
In Attendance:	
Simon Cosson (SC)	
Liam Nevin (LN)	

Apologies & Declarations of Interest

Apologies were received from Steve Hollis.

There were no other declarations at this point in addition to those recorded on the register of interests.

Item 1 – Minutes of the Finance Committee held on 5 July 2017

The open and confidential minutes were approved as a true and accurate record of the meeting.

Matters Arising and Action Log

The action log was noted.

The Chair requested and it was agreed that the business be transacted in a different order to that reflected in the agenda, in order to assist the Committee in reading across reports to gain a more informed view of the College's financial health, income risks and investment proposals.

Item 2 – Management Accounts

This item is recorded in a confidential minute.

Item 3 – Strategy Day Summary and Investment Proposals

SC summarized the paper and advised that the proposals for investment followed the agreement reached with governors at the Strategy Day in October, which had also been reinforced by the FEC stocktake conclusions on the steps necessary to support the College to get to "good" at its next Ofsted inspection. The investment plan was supported by a bid for funding under the government's "SCIF" programme and would entail approximately £500k of College investment and a further £290k from the SCIF programme. Of the College's proposed investment approximately £108k was needed to support the SCIF, but this would fall into 2018/19.

VD questioned whether the £108k SCIF contribution was "new money" and SC confirmed that it was and that in addition, approximately £300k investment by the College would be required in the current financial year.

Governors thereafter carefully considered the profiled expenditure set out in Appendix B and HSA requested that the profile be re-drawn with an additional column to separate out the funding required in future years to support continuation of the SCIF proposals (once the government funding ceased) and the continuing funding required to support the College's "stand- alone" proposals to support quality improvements. It was agreed that Appendix B would be updated in time to circulate it to governors with the papers for the Corporation meeting on 14th December and the figures contained in the appendix would also be checked for accuracy.

It was further noted that the recommendation to support the College funding of the SCIF bid of £108,250 was for 2018-19 and not 2017-18 as set out in the recommendation.

The Principal stated that he was also asking the Committee to support that, in principle, the College agreed to the ongoing costs of maintaining the improvements over subsequent years.

VD stated that she would expect the Academic Standards and Quality Development Committee to monitor the impact of the expenditure on improvements to the quality of teaching and learning. The Principal agreed and advised that all of the proposed activities supported by the additional investment were to build on current practice, and these would be captured in updates to the Post Inspection Action Plan.

HSA asked how the proposed investment would impact on the College as a going concern. SC advised that the additional costs were factored into the CFADS modelling for the purpose of loan repayments and that there was no impact on going concern.

HSA noted that if the expenditure was agreed prior to the approval of the Financial Statements by the Corporation whether that would have any bearing on the judgements made by KPMG in relation to the year-end accounts. SC stated that it would not because the expenditure was not in excess of the materiality thresholds adopted by KPMG and was within the scope of tolerances for cash balances.

HSA asked whether the College would fund all proposed expenditure if the SCIF bid was not successful and the Principal confirmed that this would be his request as it was imperative to get a "good" Ofsted rating.

HSA noted that the investment proposals were all consistent with the FEC recommendations and VD stated that the College had been encouraged to submit a bid under the SCIF fund.

The Principal advised the committee that the submission of the bid had not been straightforward as although the bid was submitted in time, the signatures from Solihull College had not been received by the deadline and were therefore submitted early in the following morning. He understood that the bid was in any event being considered on its merits but if it was deferred it would be considered in the next batch of applications in approximately two months.

HSA questioned the involvement of Solihull College and the Principal advised that this had been significant and constructive and was a continuation of the good working relationship between the two Colleges.

Accordingly it was

RESOLVED

That the Committee recommends to the Corporation that it:

- **Support the SCIF programme bid as summarized in the report**
- **Approves expenditure of £553k in 2017/18 to support the SCIF programme, offset by an anticipated contribution of £288.5k from the SCIF**

- **Approves additional costs as "match" to the SCIF fund in 2018/19 of £108,250**
- **That an update on progress against the priorities identified at the Strategy Day be presented to the March Corporation.**

Item 4 – Financial Statements

SC introduced the report and summarized the draft financial statements. The Committee was advised that there would be some small changes in the version to be submitted to the Corporation, but these were not material.

SC advised that the key points of note were that that there had been some adjustments to exceptional items, and a decrease in income on apprenticeships through partnerships, some of which was a deferral of income into 17-18 and some of which was a forecasting error.
In addition, there had been some additional costs on delivery pertaining to AEB which reflected the need to increase the speed of delivery prior to the end of July 17 in order that the College achieve its target of 97% of the AEB budget allocation.

VD questioned whether there would be additional lagged funding in relation to the extra AEB spend and SC confirmed that there would not.

SC drew the attention of the Committee to the significant adjustment to pension liabilities (approximately £700k) but also a substantial adjustment to pensions on the balance sheet (approximately £10 million benefit) which had resulted from the increased values in pension fund investments over the last twelve months.

Thereafter SC advised that there had been an adjustment in restructuring costs to accommodate the staff redundancy costs incurred over the summer, which had originally been planned to accommodate within the 2017-18 accounts. In addition the legacy liabilities of £1.7 million had now been agreed with the ESFA and these had therefore also been booked in the accounts.

Finally, SC advised that the College had received the reconciliation from the ESFA on the 30th November. This would need to be checked but it was not expected that any significant changes would arise from it.

VD noted that the reconciliation could affect future income and SC advised that although the College did not expect any AEB funding to be reclaimed, approximately 500k of student loans would have to be repaid in February and that this was included within the budget.

HSA noted that in the last year's financial statements KPMG had raised going concern issues as an emphasis of matter and therefore questioned the basis upon which they did not see the need to do so this year. SC advised that they had drawn assurance from the fact that the legacy liabilities had now been determined, and that progress had been made with both the banks and the ESFA on the re-negotiation of the loan to a clear timescale leading up to ministerial decision in May 2018.

VD asked what the relationship was between the College's finances and the Ofsted judgment and whether an unsatisfactory financial health grade could influence the Ofsted judgements. The Principal confirmed that these were separate matters.

The Principal advised that whilst the financial statements reflected considerable challenges for the College, it was worthy of note that the College had increased income by approximately £3 million. The College had performed significantly above the forecast in the Independent Business Review from 2015.

Accordingly it was

RESOLVED

- **That the financial statements for 2016/17 are recommended to the Corporation subject to any minor amendments arising from final reconciliations and editing.**

Item 5 – Partnerships Update

There being no discussion on this item

Accordingly it was

RESOLVED

- **That the Sub- Contractor financial forecast for 2017/18 be noted**
- **That the Sub-Contractor forecast performance by funding stream for 2017/18 be noted.**

Item 6 – Property Disposals

This item is recorded in a confidential minute

Item 7 – Pay Award 17/18

This item is recorded in a confidential minute

Item 8 – Review of IT In-Sourcing

There being no discussion on this item

Accordingly it was

RESOLVED

- **That the report be noted.**

Item 9 – Financial Comparison with Selected Multi- Site Colleges

SC introduced the report and advised the Committee that income per learner was significantly lower than that of other colleges in respect of both 16-18 and 19+ learners. Grimsby in particular was successful in generating high income per student and they would be discussions with their officers to establish whether there were any lessons for the College.
HSA stated that the information was very useful in providing assurance generally in relation to financial management and that the Corporation should receive this information annually and in advance of the strategy day. It was agreed that SC would report back to the Committee on average income per student once further enquiries had been undertaken with Grimsby.

Accordingly it was

RESOLVED

- **That the report be noted.**

Item 10 – Review of Income Risks for 17-18

SC summarized the paper setting out the risks in relation to the current year's budget and assessing those by each of the main areas of income for the College, and the mitigations that were being employed. In addition, whilst apprenticeship growth was reported in the paper as approximately 4%, the current figure was closer to 10%.

The Principal advised that one of the risks was that the College had forecast £3 million in income for non-levy apprenticeships, but the allocations had still not been determined by the ESFA.

HSA stated that the information was very useful but it would benefit governors further if a sensitivity analysis could be produced which modelled the impact of movements in income and cost, the level of tolerance that the College had to adverse movements and how this might impact upon going concern. SC agreed to provide this information to the Committee.

VD stated that she was surprised to see that BCU were competing with the College in the manner described in the report and the Principal explained that he had already raised this concern with the Pro-Vice Chancellor of the University.

HSA asked what assumptions had been made about "A" level income and SC advised that the assumption was that any reduction in income would be replaced by income from other 16-18 provision. If the Corporation decided to reduce or remove "A" level provision there would be an orderly phasing out of provision that would allow alternative sources of income to be developed in parallel.

Accordingly it was

RESOLVED

- **That the income forecast for 2017-18 be noted**

{note – during discussion of item 2 it was noted that there was an error in the forecast and it was agreed that the paper supporting item 10 would be reissued}

Item 11 – Annual Work Programme

There being no discussion on this item

Accordingly it was

RESOLVED

- **That the annual work programme be approved**

Item 12 – Committee Terms of Reference

LN introduced this item and advised that minor changes were proposed to the terms of reference of the committee as set out in track change in the amended terms of reference before the Committee.

HSA stated that the Committee would benefit from an additional member with finance experience, being a co-opted member without necessarily being a full member of the Corporation. LN advised that he and the Principal were seeing a recruitment consultant to seek support for a teaching and learning specialist to support the Board and would reflect on whether a further member of the Committee might also be identified in this way. Recruitment of a co-opted member may require some revision to the Instrument and Articles and this would be addressed if a suitable candidate was sourced.

Accordingly it was

RESOLVED

- **That the Committee recommend its revised terms of reference to the Corporation**

Any Other Business

4 SHA noted the FEC stocktake report contained within the pack and stated that she considered the report to be a constructive summary of the issues to be addressed by the College.

Thereafter the Committee reflected that having now considered all of the papers, there was clarity in respect of both the 2016-17 accounts and the forecast for the current financial year that warranted the Committee's support of the investment recommendations made by the Executive in relation to item 3 and the Pay Award in item 7.

Date of next meeting: 16 February 2017

Signed... **Date** 7/3/18
Chair