

WOKING COLLEGE

MINUTES OF THE MEETING OF THE FINANCE & POLICY COMMITTEE HELD ON WEDNESDAY 28 FEBRUARY 2018 Mr J. Moffat*- Chair

Mr B. Freeman*
Dr. M. Mulheron*
Mr. T. Spraggs
Mr R. Volo*

* Present

In Attendance:

Ms K. Mercer - Finance Director
Mrs H Meredith - Clerk to the Trustees

1.	APOLOGIES FOR ABSENCE, QUORUM AND DECLARATION OF INTEREST	ACTION																														
1.1	Apologies were received from Mr Spraggs. The Clerk confirmed that the meeting was quorate.																															
1.2	There were no declarations of interest at the meeting.																															
2.	MINUTES OF THE MEETING OF 15 NOVEMBER 2017																															
2.1	<u>Accuracy.</u> The Minutes, which had been presented to the November Board meeting, were accepted as an accurate record and were signed by the Chair.																															
2.2	<p><u>Matters arising.</u> <u>Item 9.4</u> Members noted that the changes requested to the Disciplinary and Capability Procedure had been made and the amended Procedures had been approved by the Board on 29 November 2017.</p> <p>The Finance Director confirmed that the College did not need to prepare a set of dormant accounts from incorporation until 31st August 2017. The first set of accounts will instead be for an extended period from incorporation until 31st August 2018.</p>																															
3.	MANAGEMENT ACCOUNTS to JANUARY 2018																															
3.1	<p>The Finance Director presented the January 2018 management accounts which showed an operating surplus of £186K which is £60K (£75k last month) better than the budgeted surplus to date. The Finance Director highlighted several factors (below) which have caused the forecast for the surplus for the year to be reduced and took questions on these variances.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: center;">£'000</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Original budget surplus</td> <td style="text-align: center;">161</td> <td></td> </tr> <tr> <td>Add</td> <td></td> <td></td> </tr> <tr> <td>Local government pension saving as now academy so contributions fallen as deemed less risky</td> <td style="text-align: center;">+18</td> <td></td> </tr> <tr> <td>Additional ESOL contract income</td> <td style="text-align: center;">+7</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>High Needs Surrey County Council-revised figure</td> <td style="text-align: center;">-23</td> <td></td> </tr> <tr> <td>ESOL fees</td> <td style="text-align: center;">-5</td> <td></td> </tr> <tr> <td>Additional spending on toilets</td> <td style="text-align: center;">-19</td> <td></td> </tr> <tr> <td>Forecast surplus as at 31/01/18</td> <td style="text-align: center;">139</td> <td></td> </tr> </tbody> </table>		£'000		Original budget surplus	161		Add			Local government pension saving as now academy so contributions fallen as deemed less risky	+18		Additional ESOL contract income	+7		Less			High Needs Surrey County Council-revised figure	-23		ESOL fees	-5		Additional spending on toilets	-19		Forecast surplus as at 31/01/18	139		
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3.2	ESOL contract income from Woking Borough Council for Syrian residents was slightly higher but ESOL fees paid by individual students might be down about 10k by the end of the year- possibly due to the BREXIT effect with less people coming to the UK for short term work contracts.	ACTION
3.3	SCC have paid the College some top up money for high needs students so the loss for this contract had been revised from £46k to £23k.	
3.4	Additional spend on toilet blocks – it was decided to refurbish three toilet blocks in the summer instead of two blocks as they are all high priority and there are cost savings refurbishing three rather than just two.	
3.5	Members discussed the pay expenditure: income ratio. At the time of the Area Based Reviews FE Colleges were encouraged to reduce this to less than 65%. Currently the College ratio is 72.5% because as staffing costs increase the percentage increases. However members noted that the benchmark figure for academies is considerably higher at approximately 80%.	
3.6	The management accounts showed the result which has to be reported as an academy i.e. operating surplus adding back depreciation but not including deferred capital income and ESFA devolved capital grant. The forecast Academy surplus is £355k at the end of the year.	
3.7	Trustees were delighted to hear that a final donation of £10,000 had been received from the Deakin Trust which will be spent on performing arts spaces. After including this donation the revised forecast surplus is £149k.	
3.8	It was agreed to recommend the Management Accounts to January 2018 for approval to the Academy Trust Board.	
3.2	REVIEW OF RESERVES Members reviewed the reserves in the light of the cashflow forecast to end of August 2018. Members were satisfied that this demonstrated that the College currently has an adequate level of cash reserves. Members noted that applying the solvency (Charity Commission Tests) the cash flow and cash days in hand demonstrate that the College can pay its debts as they fall due.	
3.3	REVIEW OF PROFILE OF COLLEGE ACTIVITIES	
3.3.1	Members reviewed the College activities to ensure that these are within the College's Articles of Association in the context of income and expenditure. Members were satisfied that the only activities which the College engages in are shown in the management accounts. The College has neither subsidiary companies nor franchised operations.	Principal
3.3.2	Members noted that the College runs the Football Academy in partnership with Woking Football Club. Possible plans for 3 G football pitches on the College playing fields to be funded by a partner are still ongoing. Members reminded management that following conversion to an Academy the College will need permission from the DfE to enter into any long term lease in relation to the pitches.	
4.	BUDGET 2018 / 2019	
4.1	The Finance Director presented the budget assumptions for 2018/19 showing that although the College's cash balance remains healthy, the surplus reduces each year. Academies are not graded for financial health but if the College were graded it would be Outstanding for 17/18 and 18/19 but only Good for 19/20. Although academies are not required to prepare a two year forecast members agreed that this is a helpful practice noting that this indicated that the cash balance is forecast to increase over the two year period although the operating surplus reduces significantly.	Finance Director

<p>4.2</p> <p>4.3</p> <p>4.4</p> <p>4.5</p> <p>4.6</p> <p>4.7</p> <p>4.8</p>	<p><u>Financial Grade</u> Of the nine S7 colleges only 5 are forecasting Outstanding this year and the number forecasting to be Outstanding in subsequent years will fall as they face the same funding pressures as Woking College. The reason for the reduction in the surplus is that the funding rate remains unchanged, despite increasing salaries and other costs. Members asked the Finance Director to continue to use the Financial Grade going forwards even though not required for academies, as a useful benchmarking tool.</p> <p>After discussion, members agreed that from the June 2018 meeting the Finance Director should start to report using the academy format (and no longer using the former FE format. For the new academic year the reporting would be in the academy format. This would mean that the budget papers for 18/19 presented at the June 2018 meeting would be in the academy format but management accounts would continue to be in the old format until the September 18 accounts.</p> <p><u>ESFA recurrent income</u> The College had not received its funding allocation at the date of the meeting. However, the proposed assumption is that the college will be funded for circa 1310 students compared to 1279 16-18 students in 17/18. The national rates for 18/19 are staying the same as they have been since 13/14). The College had not yet been given the other funding factors for 18/19. The College should be informed of the monetary value of the funding by the end of March. <i>[Since the meeting the College has been informed the funding will be for 18/19 will be for 1324 students]</i></p> <p><u>Pay costs</u> The COLA (cost of living allowance –general increase) of 1.5% had been assumed for both years but with the intention in 2019-20 of introducing a new SFCA pay scale. Incremental increases have been assumed in the forecasts on the old scales for 2018/19. The SFCA introduced a new set of scales for teachers from September 2016. It has been agreed with unions that colleges can take up to three years to move to the new scales. Although in the long term these are intended to be cost neutral in the short term there are additional costs, as salaries have to be frozen until the new scale catches up with the old. The College plan to introduce this in 2019/20 (i.e. meeting the three-year requirement). A provision has also been included in the 19/20 budget to review all salaries of staff not affect by the new pay scale i.e. teachers on management scales and support staff.</p> <p>Members noted that the college continues to face increases to pay costs due to factors outside its control i.e. apprentice levy 0.5% of the wage bill. Members discussed whether the levy can be used for staff training costs.</p> <p>Members discussed planned capital expenditure and invited the Principal to bring to the committee future capital plans for new buildings for consideration when reviewing the College reserves.</p> <p>It was resolved to agree that these assumptions should be used to prepare the draft budget for 2018 / 19 (subject to being updated at the time the detailed budget and forecast are produced in June 2018 to reflect further information then available).</p>	<p>ACTION</p> <p>Finance Director</p> <p>Finance Director</p> <p>Principal</p>
<p>5.</p> <p>5.1.1</p> <p>5.1.2</p>	<p>ESFA FINANCIAL MANAGEMENT AND GOVERNANCE VALIDATION VISIT</p> <p>The Clerk presented a paper updating the committee on the ESFA validation visit (audit) which took place on 23 January 2018 and which had been reported to the Board at its meeting on 7 February 2018. The Audit Recommendations were still awaited at the date of the meeting, although an email about the auditors’ feedback had recently been received.</p> <p>Members noted that several points made by the auditor in the feedback provided on the date of the audit had already been actioned since the validation visit including a number of changes made at the Board Meeting on 7 February, resolutions made by the Board on</p>	

5.1.3	<p>7 February 2018 and declarations signed by all Board Members. One point outstanding was due to the Financial Statements' Auditors having to refer amendments required to their Engagement Letter to their technical department as these had never before been required.</p> <p>When the full report has been received an Action Plan will be prepared and shared with the Board for decision particularly in relation to any constitutional recommendations, such as relating to the overlap between two Trustees and Members. The Auditor had confirmed to the Finance Director that the College will be given a sensible period to respond to the report's recommendations</p>	<p>ACTION</p> <p>Clerk</p>
5.1.4	<p>It was agreed to bring forward this item to the next meeting of this Committee.</p>	
6.	<p>FINANCIAL REGULATIONS</p> <p>6.1 The Finance Director presented the final version of the Financial Regulations to the Committee. These were updated in December 2017 and approved by the Board on 7 February subject to two amendments which have since been made to the version of the Regulations presented to the meeting.</p>	
7.	<p>POLICIES FOR REVIEW</p> <p>7.1 The Finance Director presented a paper on the review of the Reserves Policy reminding committee members that pre-academisation the last review of the Reserves Policy in June 2016 resolved to keep cash reserves at a level of £600k or have an overdraft to keep to this level. The Audit Committee had asked this committee to do more work on reviewing the Reserves Policy. The committee considered a guidance paper on developing Reserves Policies for Academies produced by Buzzacott. This suggested key factors to take into consideration are as below:</p> <div data-bbox="252 1025 1324 1563" data-label="Diagram"> <pre> graph LR FP[Future plans] --> RP[Reserves policy] U[Uncertainty] --> RP FM[Funds management] --> RP </pre> <p>Future plans</p> <ul style="list-style-type: none"> •Major capital projects •Curriculum investment •Expansion <p>Uncertainty</p> <ul style="list-style-type: none"> •Levels of government grants •Pupil numbers •Contingencies •Additional costs <p>Funds management</p> <ul style="list-style-type: none"> •Next year's budget •Working capital and cash flow requirements •Maintenance and ongoing capital investment <p>Reserves policy</p> </div> <p>7.2 The Finance Director reported that as an FE College all of Woking College's funds were unrestricted. As an Academy all ESFA funding is restricted under the terms of the Funding Agreement with ESFA meaning that all funding must be spent as per the terms of the Funding Agreement.</p> <p>7.3 <u>Funds management</u> The committee discussed how much cash they require the College to hold for funds management bearing in mind that the College no longer suffers the same uneven payment profile as prior to academisation. Members noted that the college monthly salary bill with on-costs is in the region of £400k and discussed whether to base the reserves figure on this or whether the college needs any reserves as an academy.</p> <p>7.4 <u>Uncertainty</u> Members agreed that the level of uncertainty has been greatly reduced by conversion.</p>	

7.5	<p><u>Future plans</u></p> <p>Members asked the Principal to consider future plans for major capital projects – either to be spent each year or to consider earmarking surpluses to save for the cost of a new building. The Finance Director agreed to do more work to answer questions from the committee as to the risk of clawback if the College starts to amass a surplus for future capital projects. The Committee asked the Principal to present a Property Strategy to the next meeting as part of setting the Reserves Policy and budget. It was agreed that the Finance Director will also do more work on developing a Reserves Policy to present to the next meeting to be agreed in conjunction with setting the budget.</p>	<p>ACTION</p> <p>Finance Director</p> <p>Principal</p> <p>Finance Director</p>
7.6	<p>The Finance Director reported that a small percentage of the Condition Improvement Fund is available for condition and capacity bids and suggested that the College might apply for a capacity bid in October 2019.</p> <p style="text-align: center;"><i>The Finance Director left the meeting at 7:47pm</i></p>	
	<p>Any Other Business : Review of College Policies</p> <p>The Chair of the Corporation has been reviewing a list of College Policies and suggested that the policies which need to be reviewed by the Board are those where the Board may need to be involved for example at the level of an Appeal , in addition to key policies such as Safeguarding, Prevent and Health and Safety.</p> <p>It was agreed that a full list of College Policies should be brought to the next meeting of this committee to agree those which need to be reviewed by the Board and to agree a cycle for review of these.</p>	<p>Principal / Clerk</p>
8.	<p>DATE AND TIME FOR NEXT MEETING</p>	
8.1	<p>The next meeting will take place on Wednesday 13 June 2018 at 6:30pm</p> <p>The meeting closed at 7:50 p.m.</p> <p>H M Meredith , Clerk to the Committee</p> <p>Signed:Date:.....</p>	

Matters arising Action Log from FPR meeting 28 February 2018

	ACTION REQUIRED	BY WHEN	BY WHOM	STATUS
1	Academy will need permission from the DfE to enter into any long term lease in relation to the pitches- Principal; to action when needed.	When needed	Principal	
2	Although academies are not required to prepare a two year forecast members agreed that this is a helpful practice	June 2018	Finance Director	
3	Members asked the Finance Director to continue to use the Financial Health Assessment Grade going forwards as a useful benchmarking tool.	Ongoing	Finance Director	
4	From the June 2018 meeting the Finance Director should start to report using the academy format	June 2018	Finance Director	
5	The Principal to bring to the committee future capital plans (a Property Strategy) for consideration when setting the Reserves Policy and budget	June 2018	Principal	
6	Finance Director will also do more work on developing a Reserves Policy	June 2018	Finance Director	
7	The Finance Director agreed to do more work to answer questions from the committee as to the risk of clawback if the College starts to amass a surplus for future capital projects.	June 2018	Finance Director	
8	When the full report from the ESFA Validation visit has been received an Action Plan will be prepared and shared with the Board for decision	When received from ESFA	Clerk / Finance Director	