

MINUTES

Group :	FINANCE AND BUSINESS OPERATIONS	Date:	13/06/2017
Location:	CONFERENCE ROOM H.4, WELSH BRIDGE CAMPUS, SHREWSBURY SIXTH FORM.	Time:	5.45 p.m.
Membership:	Michael Bishopp, Gordon Channon, Richard Heath, David Pulford, Rob Rosson, James Staniforth (Principal/Chief Executive) and Verity Underhill.		
IN ATTENDANCE:	Members of the Senior Leadership Team: Mark Brown, Group Vice-Principal, Information & Strategic Development Janet Stephens, Group Vice-Principal, Financial and Asset Management Clerk to the Board, Tracy Cottee		
APOLOGIES:	Verity Underhill.		

Prior to the meeting, the Committee Chair –

- Welcomed the newly-appointed Principal and Chief Executive, James Staniforth, to the College and his first F&BO Committee meeting;
- Welcomed Richard Heath, newly-appointed governor to his first Committee meeting;
- Advised the Committee that Janet Stephens, Group Vice-Principal, Finance & Asset Management (GVP – F&AM) would be leaving the College to take up the post of Chief Operating Officer at Telford College of Arts & Technology. He paid tribute to her professionalism and support whilst at the Sixth Form and through the merger process. He and the Committee thanked her and wished her well for the future. She was presented with a small gift from the Board;
- Advised the Committee that, as he would be retiring from the Board with effect from 31 July 2017, this was his last Committee meeting. He thanked officers, particularly the GVP – F&AM, and fellow committee members for their support.

13/17. Declarations of Interest

None.

14/17. Minutes

Resolved:

That the Minutes and Confidential Minutes of the meeting held on 07 February 2017, be approved.

15/17. Matters Arising:

None.

16/17. Management Accounts – Year to Date 2016/17 (Appendix 5)

The GVP – F&AM submitted a report (previously circulated) with the updated year to date Shrewsbury Colleges Group management accounts up to 30 April 2017.

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The May 2017 Management Accounts would be circulated to governors on Friday, 16 June 2017 and presented to the next Board meeting on 3 July 2017.

The key concerns remained Income Skills Funding Agency (SFA) recurrent grant, income Higher Education (H.E.) and Tuition and Exam Fees. Expenditure – Pay was also under scrutiny by the Group Vice-Principal Human Resource Development (GVP-HRD).

The GVP – F&AM referred to the latest combined pension deficit (FRS17 and Enhanced). She advised the Board to work with the Internal Audit Service going forward, to ensure that the pension body's key assumptions for calculating the deficit were robust.

Governors challenged the robustness of the revised forecast surplus. It was conceded that the Budget still contained a degree of risk in this forecast; however, the College was still seeking income in the form of Apprenticeship starts. The Principal and Chief Executive observed that, considering the turbulence experienced by the Group this year, this surplus forecast was a fair assessment.

Resolved:

That the year to date Management Accounts for the Shrewsbury Colleges Group up to 30 April 2017, approved and recommended to Board.

ACTION: REPORT TO BOARD

17/17. Group Financial Forecast and Draft Budget 2017/18 (Appendix 7)

The Committee considered the Group Financial Forecast and Draft Budget 2017/18 (previously circulated).

The Chair had met with the GVP-F&AM prior to the meeting. He invited the Committee to consider in detail the income figures and test their robustness and understand and test the expenditure forecasts. The Principal and Chief Executive confirmed that he was content with the paper presented.

In introducing the Draft Budget, the GVP –F&AM explained that -

- The College was moving into its second year of merger. The Plan presented supported the continued progression and integration of systems and processes to support the delivery of services for the curriculum provision;
- The Plan also recognised the numerous funding challenges and financial difficulties facing colleges nationally and, as a consequence, represented a prudent view of income streams.
- The operating outcomes demonstrated Good financial health. It was explained that the most obvious way for the College to improve its financial health grade to Outstanding would be to generate and retain significant cash surpluses. However, these cash surpluses would then not be available to reinvest in the College. It was considered that holding surplus cash above that expected to be needed would be contrary to the College's overall aim to deliver the best outcome for students.

The College was aiming for a financial health grade that meant that the College was generating sufficient cash to meet its obligations. A secure financial health grade of Good implied this and would be delivered by this Plan.

Capital projects were within the Plan and included the continued integration of IT systems. Additional sums had been included to fund the relocation of Art from London Road Campus (LRC) to English Bridge Campus (EBC). this would be the first phase of integrating curriculum teams and would help to realise the opportunities from merger.

The continued risks for the College were the principal areas of uncertainty in the budget related to variable income, delivery of the Adult Education Budget (AEB) and the delivery of apprenticeships following the Levy changes.

In conclusion, the Draft Budget represented a secure Good financial health grade with the Education and Skills Funding Agency (ESFA) which kept the College within its banking covenants.

Cash flow was expected to follow the established pattern driven by the funding agencies' payment profiles; at this stage, there was still a degree of uncertainty surrounding the mechanics of funding apprenticeships. However, based on the cash flow forecast, the College expected to have sufficient cash to fund its operations. The ESFA's approach to financial health had become more focused on EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and the operating cash generated that this measure represents. The target for this budget was at least 5% EBITDA, which supported a Good financial health grade, which would be achieved.

The Committee Chair asked the GVP – F&AM and Principal to comment on their view of the Budget. The GVP – F&AM responded that the SLT considered the Draft presented to be a realistic budget; however, there were key elements of risk, which had been highlighted. Targets had been set on a realistic and prudent basis, with sufficient investment in capital built in.

The Committee Chair expressed some reservations about the trend for surplus figures projected, particularly in the year 2019 – 2020. He wondered if, say, in six months' time when he had had an opportunity to settle in, the Principal might consider performing a brief review to determine whether a greater surplus might be achieved in 2019 – 2020.

The Principal responded that he would not wish, at that stage, to consider any improvements to the surplus forecast, given the uncertainty around several key income lines and the need to fund investment already agreed. He also said he would be unable, in light of this uncertainty to consider, at this point, any ways of increasing income. Other committee members also observed that the Draft Budget should be considered in the light of outcomes for students.

The Committee was invited to review and agree the Financial Plan Objectives going forward. After discussion, the Objectives were agreed as follows –

- 1 – 'Maintain a Financial Health Grade of 'Good';
- 2 – 'Generate a minimum EBITDA of over 5%';
3. – Maintain an adjusted current ratio above 1.2;
4. – Maintain borrowing to Income ratio below 15%;
5. - Generate sufficient income to ensure adequate funding is available to:
 - a) recruit and retain staff;
 - b) Fund premises maintenance and repairs at a sustainable level;
 - c) Fund IT support and maintenance at a sustainable level; and
 - d) Replace/renew capital assets on a reasonable timescale.
6. – Maintain year-end cash reserves of at least £2,000,000 (taken the £2,000,000 from the forecast balance sheet);
7. – Maintain cash days of 30 or more at year-end;
8. – Maintain a positive general reserve (to be reviewed 2018/19); and
9. – Comply with Banking Covenants.

The Committee then reviewed the income forecasts set out in the Draft Plan, including –

- Income (EFA – Funding – based on allocation and SFA – Funding)
- Apprenticeships
- Higher Education
- Education Contracts/Other Grants
- Tuition Fees – slightly less as fewer overseas students planned
- Commercial activities

The Committee sought assurance that the income forecasts were robust and Principal replied that the forecasts were based on real applications expected.

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The Committee then reviewed the expenditure forecasts set out in the Draft Plan, including -
Expenditure –

- Staff Pay.
- Sub-contract costs
- Grant-related costs
- Exam costs
- Premises
- Other non-pay costs
- Bank Interest –
- Depreciation –
- Capital Expenditure –
- Cash Requirements and Cash Flow.
- Cash requirements – loan funding and leases.

The SFA Financial Plan Checklist was reviewed and completed. The Committee acknowledged that the College was still developing the Strategic Plan and was assured that this would not have any effect on the Financial Plan due to be submitted to the SFA by 31 July 2017. The Committee also acknowledged that the SFA had yet to produce the template to be completed and submitted by 31 July 2017.

The GVP – F&AM reported on two slight changes required to the Draft Budget and circulated a revised report to the meeting. These changes related to increases to income for High Needs and an increase in pay costs –the net effect of which would be a 2K increase to the bottom line.

Having carefully reviewed and discussed the Draft Budget and Financial Plan, the Committee

Resolved:

That Draft Budget and Financial Plan 2017 – 2019, as amended, including the Key Financial objectives be recommended to Board.

ACTION: REPORT TO BOARD

18/17. Fees Policy (Appendix 8)

The Group Vice-Principal Information and Strategic Development (GVP-I&SD) presented the Draft Fees Policy 2017 – 2018 (previously circulated) for review and recommendation to Board. The document set out for staff and students the College's approach to the remission, charge and refunding of fees. The Policy was based on the Government's Funding Rules with respect to 16 – 18, AEB and Apprenticeships; however, the College had some discretion in setting other fees, for example, H.E.

The Committee Chair enquired if there were any contentious figures in the Policy. The GVP explained that all figures had been discussed at SLT and any increase in fees proposed had been discussed and tested. The Policy featured the introduction of a voluntary contribution for full-time students at London Road for the first time; contributions had been in place at the Sixth Form for some time. Funds from voluntary contributions were used for the enrichment of the student experience and had been positively received. The impact of the introduction of the scheme to London Road would be monitored, as the Committee acknowledged the different demographic basis of students at London Road.

The Committee requested that the Draft Fees Policy be brought to the Committee earlier in the work cycle for 2018 – 2019. The Clerk advised the Committee that this had already been scheduled.

Resolved:

That the Fees Policy 2017 – 2018, be recommended to Board.

ACTION: REPORT TO BOARD

19/17. Estates Report Termly Report (Appendix 9)

The GVP-F&AM outlined for the Committee the progress of the Curriculum Relocation Project. This included –

- Relocating Sport BTec on a transitional basis to LRC (A level Sport would remain @ EBC);
- Art, Fashion and Photography would relocate to EBC ready for September 2017. The College was working to tight timescales to deliver the relocation. The Committee acknowledged the risks associated with this project and the Principal reported that after a series of curriculum relocation project meetings; potential options had now been discussed with curriculum leaders and the curriculum relocation plan had now been finalised and agreed. . He considered that the outstanding strategic issues remained how to invest to improve student experience and facilitate provision moves from one site to another.

The Principal left the meeting at this point.

The GVP-F&AM submitted a summary of estates projects completed for the three sites during the Spring Term.

Key priorities for the remainder of the Term included –

London Road Campus

- Curriculum Relocation Project –
- Cleaning – It was envisaged that an existing member of the cleaning team will take on the role of cleaning supervisor.

English Bridge Campus

- Heating system
- Gates Abbey Gardens - New gates had been manufactured for the Abbey Gardens exit from the building to be installed in an effort to combat on-going anti-social behaviour
- Bellrock Contract - The College would end its existing contract with 'Bellrock' facilities management as of 31/07/17. Catering would be undertaken in-house, Cleaning would be undertaken in-house or provided by a new contractor. PPM works would be completed with some elements undertaken in house and others undertaken by existing contractors. Grounds maintenance would be undertaken by an outside contractor

Resolved:

That the Estates Report be noted.

In accordance with Standing Orders, the Committee Chair allowed the following item as an urgent additional item.

20/17. Telecoms Ground Lease – Installation of Mobile Phone Mast

Further to F&BO Min No 17/09, the College had now received the formal legal documents (previously circulated) in relation to leasing one of its floodlights on the running track at LRC for a Telecom Mast. The Lease details had been circulated previously to Committee members. The proposal had been through the planning process and had subsequently received planning permission.

A Committee member had raised concerns with the GVP – F&AM and she had received the Solicitor's response to the queries.

Resolved:

That the Telecoms Ground Lease and Agreement for Lease be agreed, subject to Mr Pulford's questions and concerns being met to his satisfaction and that the consideration offered be market-tested.

21/17. Update on IT and Systems Progress to June 2017

The Group Vice-Principal, Information & Strategic Development (GVP-I&SD) presented a verbal report on the key projects for 2017 –

- Improved external connectivity to the Internet across the sites (Janet connection @ EBC & WBC and improved lease-line connectivity between LRC and WB/EB) had been conducted during Autumn 2016;
- Combined network identify project – work was underway to bring the two separate identities '@ssfc' and '@scat' together under a new domain created in January 2017 - '@scg'. Work was on-going to bring together the separate systems, including the migration of the students' record system from the QL system used @ EB/WB into a new REMS system used @ LR, integration of the new HR and payroll system and data migration work.
- Having worked to establish the infrastructure, a communications on project progress was now underway to inform staff and system users – their email and logon experience would not change. The project was on schedule and on time; however, the main sensitivity was to ensure that all student and staff PCs were connected within the summer recess. The resourcing of this was being explored with the Principal and GVP – HRD.
- Future projects included disaster recovery review and supporting investment in the curriculum relocation project through provision of new ICT

Resolved:

The Report was noted.

The Group Vice-Principal, Information & Strategic Development (GVP-I&SD) left the meeting.

22/17. Letter from Peter Lauener, Chief Executive and Accounting Officer of the Education and Skills Funding Agency (ESFA) (Appendix 6)

The Committee considered and noted a letter (previously circulated), from Mr Lauener, reiterating the importance of strong financial management and governance and to share some of the findings from the recent assurance work undertaken by the ESFA.

The Clerk circulated to the Committee the recent Association of Colleges (AoC) document, 'Effective Governance: Encouraging Good Financial Scrutiny – Financial Questions for Governors' and the Committee Chair commended its use going forward.

23/17 Health and Safety Report (Appendix 10)

The GVP – F&AM submitted the termly Health and Safety Report (previously circulated) covering the following issues:

- Reportable Incidents – None
- Fire Evacuation Procedures – 1 false alarm at LRC site.
- Accidents – 27 to date; 3 more than this time last year. All were of a very low nature.
- First Aid - whilst existing first aid arrangements were generally satisfactory, this was potentially an area for review / further improvement.
- PPM compliance – Emergency light fitting remedial works had been completed at EBC. Emergency light fitting remedial works at WBC had been scheduled.
- Health and Safety Committee – New SCG Groups had been established for each campus and the first meetings held
- A Health & Safety Audit schedule had been produced to include all buildings, at all three campuses

Resolved:

That the Health and Safety Report be noted

Governor Representative Feedback

The Governor Representative for Health and Safety reported that the ramp to be installed @ EBC would be portable.

Resolved:

That the Health and Safety Governor Update be noted.

24/17. Risk

There were no new risks identified for the risk register.

25/17. Committee Evaluation

The Committee completed the Committee Evaluation Sheet, as part of the Board's Governance Self-Assessment Programme.

During the previous academic year:-

	Evidence/Comments
1. In its annual cycle is the Committee covering all the areas of business as laid out in its terms of reference in the Scheme of Delegation?	Yes – the Terms are compliant with funding agencies' requirements and have been reviewed twice this year The Committee plans its workload in advance – evidence – Committee Workplan Meeting reports are aligned with the Committee schedule of business.
2. How does the committee scrutinise and challenge issues in accordance with its role as a committee of the Governing Body?	The Committee expects properly presented reports – and receives thorough, well-presented information – particularly on the Management Accounts, for example. The skills level of committee members is such that it can challenge with confidence – e.g. TeleMast Agreement for Lease. Evidence of challenge in the Minutes – not meeting financial targets/awareness of need for financial security.
3. How does the Committee feel it contributes to the Board, therefore adding value to the College?	Minutes are forwarded to the Board of Governors to ensure that all are fully informed of the Committee's discussions / recommendations / approvals. The Committee looks in detail at the financial situation of the College and scrutinises diligently the financial information presented. Issue – do other Board members understand what this committee does? Do other Board members overly rely on this Committee's work? The evaluation concluded that there was sufficient information passed to Board.

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<p>4. How efficiently are meetings conducted? Are all members encouraged to contribute to the discussion and formulation of recommendations where appropriate?</p>	<p>All meetings held as scheduled, no incidences where Chair was absent. All meetings were quorate. Meetings generally last approx. 2hrs. Recommendations and approvals made as required. Full contribution evidenced. It was agreed as part of the review, to remove the HR remit from the Committee, in order to improve the effectiveness of the Committee.</p>
<p>5. How appropriate is the size of the committee? Is there extra knowledge or expertise that additional (co-opted/external) members could bring to the committee?</p>	<p>Membership reduced due to review of committee membership by Board and to focus skills in membership.</p>
<p>6. Does the Committee receive all the information/ presentations/papers it requires to fulfil its terms of reference? Is the information delivered in an appropriate and timely manner?</p>	<p>Agendas normally despatched 7 days in advance. Electronic despatch introduced. Improvement – need a Header Sheet for every report to assist members in understanding what is required of them. . The reports are focussed and to the point, good use of RAG and graphs and tables (e.g. Draft Three-year Plan) and are of the correct length. Members understand Data is presented in a format members could understand.</p>
<p>7. Are the timings and frequency of meetings appropriate to enable the Committee to complete its annual cycle of business?</p>	<p>The Committee has met on 4 occasions. Evaluation confirmed that the day (Tuesday) and time (5.45 p.m.) are right. Meeting times were acceptable - but could be changed to suit circumstances in future (i.e. demonstrating flexibility)</p>

26/17 Date of Next Meeting – Tuesday, 10 October 2017 at 5.45 p.m., Venue to be arranged.

At this point, the Board Chair added his gratitude to the Committee Chair, Michael Bishopp and the Group Vice-Principal, Finance & Asset Management. The Chair responded with thanks to all the Committee members for their input, particularly during the merger and again thanked the Group Vice-Principal for producing clear reports. He wished everyone all the very best for the future.

The meeting concluded at 20:16