

SHREWSBURY COLLEGES GROUP

MINUTES

Group :	FINANCE AND BUSINESS OPERATIONS	Date:	22/11/2017
Location:	PRINCIPAL/CEO'S OFFICE, WELSH BRIDGE CAMPUS, SHREWSBURY SIXTH FORM.	Time:	5.45 p.m.
Membership:	Gordon Channon, Richard Heath, David Pulford, Rob Rosson, James Staniforth (Principal/CEO), Michael Thompson and Paula Tucker.		
IN ATTENDANCE:	Member of the Senior Leadership Team: Paul Partridge, Finance Director Clerk to the Board, Tracy Cottee		
APOLOGIES:	None.		

36/17. **Declarations of Interest**

R. Heath declared a standing interest as an employee of Harper Adams University.

37/17. **Minutes**

Resolved:

That the Minutes of the meeting held on 10 October 2017, be approved as a true and correct record.

38/17. **Matters Arising:**

Minute Number 32/17 – Management Accounts

The Principal/CEO reported that the LEP Grant had been processed.

Minute Number 34/17 – Letter to Prime Minister

The Principal/CEO provided a brief update on the progress of lobbying regarding FE funding in advance of the Budget.

39/17. **Financial Statements Year Ended 31 July 2016** (Appendix 5)

The Committee considered a report with respect to the draft year-end financial statements, including (previously circulated).

- Indicative year-end position;
- Cash balances;
- Net assets, including the impact of the reduced pension liability following the FRS102 actuarial re-measurement process;

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- The Financial Health Score of Good (Good in 2015/16); and
- That the external auditors would consider going concern as part of the year-end process.

The Finance Director advised the Committee that governors were required to make an assessment of the College's going concern and that the auditors needed to be satisfied that the assessment was robust. The Committee accordingly reviewed a list of considerations and the responding management comments (previously circulated) in order to make their assessment. The Committee also considered a paper (previously circulated) regarding the cash flow, covenant and going concern projections for the 12 months from December 2017.

Governors were advised of the requirement to make an adjustment to the year-end Balance Sheet to correct an issue with the merged opening position at the start of 2016/17. Whilst this would reduce the College's overall financial health score, the score would remain within the 'Good' range.

The Audit Committee would consider the updated Financial Statements at its meeting on 28 November 2017. In conclusion, the Committee observed that the Draft Financial Statements were well-prepared and comprehensive and thanked the Finance Director and Finance Team.

Resolved:

That, having considered the draft Financial Statements, the report of the Finance Director and the reports on going concern, the Committee recommended to Board that

1. the Committee considered the Shrewsbury Colleges Group to be a going concern; and
2. the draft year-end financial statements 31 July 2017, be recommended to the Board for approval subject to minor amendments, clarifications and the adjustment reported to the Committee by the Finance Director being made.

ACTION: REPORT TO BOARD

40/17. **Management Accounts – Year to Date 2016/17** (Appendix 6)

The Finance Director submitted a report (previously circulated) setting out the financial results for the College for the two months from 1 August 2017 to 30 September 2017. The papers comprised –

1. a Management Accounts report which highlighted the key results, measures and risks; and
2. a revised Income and Expenditure and Balance sheet in a new format produced by the Finance Director designed to highlight key ratios and measures. The report also identified these key measures and explained how they were derived.

The Finance Director explained –

- that the format of the Management Accounts had been amended to align with the reported key financial measures with Education Skills Funding Agency (ESFA) financial health and benchmark measures while still reporting the underlying surplus or deficit as defined by statutory accounting standards;
- the main risks to successful delivery of the budgeted financial outcome; and
- strategic actions being taken with respect to sub-contracted activity.

The Chair asked Committee members for feedback on the new format of the Accounts. Members commented favourably that the new format was clear and well-presented; the additional prior year column being particularly appreciated. Members agreed that the revised format met their needs as a Committee. The new format provided an appreciation of the underlying strategic financial issues in the Accounts and would provide sufficient assurance as to the College's financial position.

In analysing the Management Accounts, the Committee discussed –

- that, at this point, the College was on plan;
- the impact on the budget of higher than budgeted subcontractor apprenticeship activities;

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- the vulnerability to the College's cash flow with respect to Apprenticeship non-levy income and levy income not being delivered; and
- the slight risk of the 2017/18 Education and Skills Funding Agency (ESFA) Apprenticeship funding allocation not being increased.

The Principal/CEO and Finance Director advised the Committee of mitigating plans by the College to monitor and manage these risks.

As discussed at F&BO Min No. 39/17, the Finance Director pointed the Committee's attention to the possible impact on these main risks to the College's Financial Health Score, which was currently 'Good'. The performance ratio (EBITDA as a % of income) was highlighted as an 'amber' as 6% was below the threshold which the College's health score would lose 10 points and which would therefore reduce the College's overall health score to 200. The Committee noted that the total score would have to drop below 180 in order for the Health score to cease to be 'Good'.

Resolved: That

1. the Committee accepted the revised format of the Management Accounts as presented;
2. the main risks to the successful delivery of the budgeted financial outcome and the College's mitigating actions be noted; and
3. the year to date Management Accounts for the Shrewsbury Colleges Group up to 30 September 2017, be approved and recommended to Board.

ACTION: REPORT TO BOARD

41/17. **Estates Report Termly Report** (Appendix 7)

The Committee reviewed the termly estates report which provided a summary of the estates projects completed during the Autumn term (previously circulated).

The Committee noted progress with respect to –

- Relocation of provision across the sites; and
- Ongoing and planned activities.

Condition Improvement Fund Grant applications were due to be submitted in December 2017, for additional funding for building condition improvement works. Grant awards were normally confirmed in March.

The Committee Chair observed that, whilst the comprehensive details set out in the report were appreciated by governors, going forward, he suggested that the number of reports to the Committee be reduced and focus more on 'exception reporting' and the strategic estates issues going forward, such as the College's strategic use of the three campuses and estate improvements.

The Finance Director also advised the Committee that earlier in the year, a condition survey across all sites had been undertaken. The resulting report had now been received and had identified a number of significant issues as well as recommending various routine maintenance activities. This report would be used to develop and update the current Estates Strategic Plan and to develop a 3 - 5 year prioritised program of potential project works which would also be used to inform the College's medium term financial planning. The Director of Finance commented that he would appreciate the Committee's input on this going forward and the Chair observed that the Strategic Planning Event on 26 January 2018, would benefit from a strategic discussion on estate matters, including the possible impact of the condition survey's recommendation on the College's budget going forward.

Resolved:

That the Estates Report be noted and that, going forward, the Reports focus on 'exception' reporting and strategic issues.

42/17. **Health and Safety Policy Update** (Appendix 8a)

The Finance Director reported that –

- the College Health and Safety Policy had been reviewed and updated as part of the merger process in 2016; the Policy had a formal annual review date of October 2017;
- The Health and Safety Manager did not consider that there had been any substantive changes in the nature of the health and safety risks facing the College as a result of changes during the past year.
- During November 2017, the College's Internal Audit Service (TIAA) was undertaking an Internal Audit of the College's Health and Safety systems and policy. The formal review, including relevant recommendations was scheduled to be completed by December 2017.

Resolved:

That, as a result of the low risk and the timing of the internal audit review, the formal review of the current Health & Safety Policy be postponed in order to allow any findings or recommendations from the audit to be incorporated into the Policy as part of the annual review.

43/17. **Health & Safety Report (academic Year to date)** (Appendix 8b)

The Finance Director submitted the termly Health and Safety Report (previously circulated) covering the following issues:

- Health and Safety Training;
- Reportable Incidents – None;
- Fire Evacuation Procedures – completed at each campus;
- Fire Risk Assessment update - Finance Director to investigate status of fire risk reports for EB & WB;
- Fire Prevention actions update;
- Accidents – 22 to date
- First Aid – London Road – noted as area for improvement
- PPM compliance – up to date and compliant
- Health and Safety Committee – meeting due to be held in December 2017.

Resolved:

That the Health and Safety Report be noted.

44/17. **Over Draft Facility – Request for Delegated Authority** (Appendix No. 9)

The Finance Director presented a report (previously circulated) setting out that –

- the ESFA funding profile would result in a minimum cash position for the College during the period from late February until the middle of April of each year.
- Whilst current cash-flow forecasts did not anticipate that the College would require an overdraft and reasonable steps would be taken to manage the College's cash position to avoid the need for short term borrowing, there remained some uncertainty regarding, in particular, the amount and timing of apprenticeship levy funding receipts.

The Committee agreed that, in order to ensure that the College was able to meet its obligations, it would be prudent to ensure that the College had in place appropriate short term facilities.

Resolved:

That the Finance Director be granted delegated authority to enter into an appropriate short-term overdraft facility on behalf of the Shrewsbury Colleges Group, sufficient to ensure the liquidity of the College during the period from January 2018 to April 2018.

45/17. **Education and Skills Funding Agency (ESFA) Financial Dashboard** (Appendix 10)

The Committee considered and noted (previously circulated),

1. A letter from the ESFA, in response to receipt of the College's latest financial plan for 2016/17 to 2018/19 and associated information; and
2. A financial dashboard compiled by the ESFA. This incorporated various key performance indicators and measures those against both target benchmarks and benchmarks achieved in the sector.

Governors had considered the last letter and dashboard at its meeting in October 2017 (F&BO Min No 31/17 refers). The Finance Director observed that the College should continue to monitor the impact on the College's Financial Health Score of –

- The required adjustment to the Financial Statements; and
- The impact of the Condition Survey recommendations on planned capital expenditure all whilst delivering good quality provision.

Resolved:

That the letter be accepted and noted.

46/17. **Risk**

That were no new risks identified for the risk register.

47/17. **Additional Business**

In accordance with Standing Order 3.3, the Chair agreed that the Principal/CEO could bring the following additional matter to the attention of the Committee, not being on the agenda -

Letter from P. Lauener, Chief Executive and Accounting Officer, Education and Skills Funding Agency

The Principal/CEO explained that he had received this letter (circulated at the meeting) very recently, setting out important issues with respect to standards of governance and accountability in colleges in the sector. The letter included Mr Lauener's observations on the best means of assessing and improving financial management and governance, including some questions to consider with governors. The Principal/CEO made reference to these questions and invited Committee members to assess the letter's contents and comment to the Chair if there were any gaps in the Committee's current assurance framework that required follow-up.

48/17 **Date of Next Meeting** – Tuesday, 06 February 2018 at 5.45 p.m. Venue – CEO/Principal's Office, Welsh Bridge Campus.

The meeting concluded at 19:05