

# SHREWSBURY COLLEGES GROUP

## MINUTES

<b>Group :</b>	<b>FINANCE AND BUSINESS OPERATIONS</b>	<b>Date:</b>	26/06/2019
<b>Location:</b>	<b>PRINCIPAL/CEO'S OFFICE, WELSH BRIDGE CAMPUS, SHREWSBURY SIXTH FORM.</b>	<b>Time:</b>	5.30 p.m.
<b>Membership:</b>	G. Channon, R. Heath, D. Pulford (co-opted Committee member), R. Rosson, J. Staniforth (Principal/CEO), M. Thompson, P. Tucker and R. Wilson.		
<b>In Attendance:</b>	Member of the Senior Leadership Team: P. Partridge, Finance Director (FD)  Clerk to the Board, T. Cottee		
<b>Apologies:</b>	None.		

### 17/19. **Declarations of Interest**

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

### 18/19. **Minutes of Meeting Held 14 May 2019**

**Resolved:** That the Minutes of the meeting held on 14 May 2019, be approved as a true and correct record.

### 19/19. **Matters Arising**

Further to F&BO Min. No. 14/19, the Principal/CEO advised that a meeting had taken place that morning between college principals and with the Marches Local Enterprise Partnership (LEP) to consider the underspend from Growth Deal 3. This capital funding was to support Area Review outcomes and LEP priorities. The College would therefore be making an application to secure funding for the Brick workshop. The Committee reiterated that it supported the College's intention to pursue the development of the additional capacity, in order to meet demand in 2019/20.

### 20/19. **Management Accounts – Year to Date 2018 - 2019** (Appendix – Agenda Item 4)

The Committee considered a report (previously circulated) with respect to the management accounts featuring -

1. A Management Accounts report which highlighted the key results, measures and risks; and
2. An appendix, setting out the key movements, together with key assumptions.

The forecast outturn for the year, anticipated that the College would be c. £127k below budget EBITDA and Operating Surplus.

The financial health score was currently 190 due to the Current Ratio being depressed by the timing of capital expenditure. However, this should recover so the College achieved an overall financial health score of 200 at the end of the year.

The Committee sought clarification on how the College would achieve the full year forecast given the year to date actual position. The Finance Director clarified that achievement funding had not been included within the Year to Date position but would be recognised at the year-end as students achieve. The Committee reviewed and discussed the assumptions regarding achievement funding in more detail and were assured that these were in line with prior year methodology and achievement estimates used were appropriate.

There remained a number of significant uncertainties and risks in the forecast and facing the College in 2019-20, primarily regarding Apprenticeship delivery and recruitment, and elements of AEB delivery. The Finance Director referred to these, as follows -

- ESFA Adult Education (AEB) income elements remained below budget for the year to date; driven primarily by Trade Union and Distance Learning activity. However, Distance Learning activity was now on track to deliver against forecast. The budget for Trade Union Studies work and associated Functional Skills had been reduced to £750k for 2018/19, following downgrading of the TUS total forecast from £811k in March 2019. Going forward, the Finance Director had regular 1-2-1s with the GVP-Q&CM and Programme Leader to track performance against accurate forecasts. As a result of this more positive forecasts have been obtained from the Programme Leader although the College remains cautious in terms of reflecting these estimates in full in its May forecast. This remains a key area of focus area for 2019/20.
- The Finance Director reported that the College has agreed a new contract for the ongoing delivery of apprenticeships with SBC Training Limited to cover from April 2019 to March 2020. However, to date, the ESFA have only provided SBC with a low indicative contract value and have not yet confirmed the funding values that will be provide to SBC. SBC, in turn, has provided sufficient contract funding to the College to allow only continuation of existing apprenticeships. A significant increase to funding contract values is required to allow further new apprenticeship starts, hence the increase of this risk score. The SLT had agreed to take on some new starts 'at risk' in anticipation of the ESFA's approval of an amended contract of higher value to SBC which would then be passed down to the College. SBC within the past week indicated that they had received an improved allocation from ESFA but have yet to confirm what values they intend to subcontract and therefore whether this is sufficient for the College's needs.
- Funding from the remaining Old pre May 2017 apprenticeships remained forecast to be ahead of budget – primarily due to delays in completion for some of this cohort and the corresponding delays to claims for achievement funding in 2017/18, thus now earned in 2018/19. The Committee acknowledged that there remained an increasing risk that a proportion of these individuals would not achieve and noted this reduced proportion reflected in the forecast outturn. The College had taken a strategic decision to continue to support apprentices that were not now attracting on-programme funding, as it would provide value to the local economy and support students and will realise available achievement funding. To reflect the delays in completing these apprentices the achievement funding remained discounted to 65% for the 16-18 cohort and 75% for the Adult cohort. The Apprenticeship Manager was working closely with assessors to more accurately assess the likelihood of an apprentice achieving by end of July 2019.
- SBC had been provided with an early indicative value for the new 2019-20 Non Levy Contract by the ESFA. This indicative value was significantly lower than anticipated. The Finance Director advised that SBC had now indicated that the ESFA had issued them with a revised allocation but that SBC had not at this stage indicated how much of this would be made available to SCG but had indicated that they did not think that this would meet SCG's needs; This remains a risk to the College, as the size of the allocation to SCG needs to be finalised. The College would continue discussions with the ESFA to increase

the contract value with SBC, in order to deliver the volume of apprenticeship new starts the College required to deliver the 2019-20 budget;

- The College's ESF contract with Riverside Training came to an end at the end of April and the forecast had been reduced accordingly. The new ESF contract provider was not based within the Marches area and had indicated that it did not anticipate working with the College for any of this ESF funded delivery.
- In April, Pay remained over budget and in May, the position had further deteriorated. This is offset by lower than forecast restructuring costs than had been allowed for in the April month end forecast.

**Resolved:** That, having considered the report, the Committee received the Management Accounts for the period to 30 April 2019.

21/19. **College Financial Forecast and Draft Budget 2019 – 20** (Confidential Appendix – Agenda Item 5)

The Committee considered the Draft Budget 2019 – 20 (previously circulated) including an assessment of the ongoing challenges facing the College; in particular, in light of the lower than planned outturn for 2018/19.

In summary, the Draft Plan –

- would deliver a Financial Score of 180 - 'Good';
- was cash-positive;
- would meet the College's covenant requirements;
- met all the Financial Objectives set, with the exception that EBITDA had been reduced and was lower than originally planned and was just under the College's target of 5% of income, at 4.89%. Capital expenditure was restricted by the lower than planned EBITDA.

The I & E operating position would be (£227k).

The Committee reviewed the key risks/assumptions set out in the Draft Budget, including –

- Testing of the assumptions used for income in relation to higher education including non-prescribed fee income, apprenticeships and AEB in 2019-20;
- Testing of the assumptions used for 16-18 enrolments in September 2019 which would drive income in 2020-21;
- The inclusion of additional income to fund the Teachers' Pension cost increase past 2019 - 20 despite their being no commitment from Government to do this;
- The continued use of £4000 as the base funding rate for 16-18 year olds;
- The ongoing uncertainty regarding available Non Levy funding for apprenticeships as a result of delays to confirmation of ESFA funding allocations and the subcontract relationship with SBC Training.

The Committee considered that the key/risks and assumptions set out in the Draft Budget reflected the challenges facing the College and agreed that the Draft Budget should not assume an increase in the funding rate and should reflect a prudent forecast on enrolment.

The Committee also acknowledged that, as part of the Draft Budget –

- the College was developing further a more effective delivery model for apprenticeships;
- made provision for growth in High Needs funding, mainly as a result of the strong work of the High Needs Team leading to increased applications; however, securing the appropriate funding through Shropshire Council remained a risk;
- featured challenging but deliverable Non-pay Budget, and noted that Buildings repairs and maintenance costs had been reduced to achieve this in the short term;

After extensive consideration, the Committee

**RECOMMENDED TO BOARD:** the Draft Budget 2019 – 20.

22/19. **Estates Update** (Confidential Appendix – Agenda Item 6)

The Committee reviewed the confidential termly estates report which provided a summary of the priority estates improvement activities planned for 2019 – 20 (previously circulated), a summary of the campuses and priority expenditure identified in the 2017 Condition Survey, highlighting areas completed and priority areas for 2019 and 2020.

**Resolved:** That the Estates Report be noted.

23/19. **Health & Safety Report (Academic Year to date)** (Appendix – Agenda Item 7)

The Finance Director submitted the latest Health and Safety Report (previously circulated) which provided an update on Health and Safety across the College.

The focus of work had been in –

- Addressing the Fire Risk Assessment Action Points following external risk assessments conducted at all campuses; and
- The commencement of a programme of Health & Safety Audits.

The Committee also reviewed –

- a numerical summary of accidents and incidents during the period;
- progress against mandatory health & safety training.

The Lead Governor for Health & Safety reported that he was confident that the health and safety function was being conducted effectively.

**Resolved:** That the Health and Safety Report be noted.

24/19. **Risk**

As part of the discussions on the College's Risk Register and Board Assurance Framework agreed by Board (Board Min No. 67/17 refers), the Committee examined those risks within its remit to ensure that they have either been identified or adequately discussed at the meeting.

The Committee concluded that the risks connected with the Committee had been identified and that there had been sufficient discussion of the issues at the meeting.

A Business Continuity Audit would be conducted during 2019/20.

25/19. **Committee Evaluation** (Appendix – Agenda Item 9)

The Board has agreed that self-assessment is of most benefit when boards promote the use of more high-level, developmental approaches that encourage a clear journey 'towards excellence', as compliance should be a 'given'.

The Committee undertook its annual evaluation as part of the Board's governance assessment process.

## 26/19.2019 – 2020 Schedule of Meetings

As part of evaluation, the Committee had agreed that meetings in 2019/20, should be consistently aligned with the College's financial reporting cycles and that the number of meetings be increased, to ensure regular and rigorous analysis of the College's financial position.

The Draft Calendar of Meetings would be considered by Board at its meeting on 08 July 2019.

## 27/19. **Insurance Renewal** (Confidential Appendix – Agenda item 10)

In accordance with Financial Regulations, the Committee reviewed the College's Insurance Portfolio and the outcome of the recent tendering exercise to secure a new insurance provider, which had resulted in improved cover and cost savings for the College (previously circulated).

The Committee reviewed key elements of the proposed cover and other improvements to the existing insurance arrangements and were satisfied that the arrangements represented value for money and that the level and range of cover proposed met the College's requirements.

The meeting concluded at 7.45 p.m.