



MINUTES OF THE FINANCE COMMITTEE MEETING

Held At Esher College
Thursday, 23rd June 2016, at 6.00 pm.

Present:

Terry Price (Chair)
Emma Cheney
Dan Dean

Jane Grenander
David Irving

Stephanie Wiles (Director of Finance and Estates)
Rebecca De'Ath (Clerk)

1. BUSINESS INTERESTS IN AGENDA ITEMS

There was nothing to declare.

2. APOLOGIES FOR ABSENCE

Fran Stewart, Paul Collyer and Tim Oliver sent their apologies; Jane Grenander sent a message to say that she would arrive late (traffic).

3. MINUTES OF THE LAST MEETING

The minutes of the meeting of 3rd March 2016 contained an error in Item 9 – the College was looking at the requirement for a Business *Development* Manager. The minutes were otherwise agreed as a true record.

4. MATTERS ARISING

F2-001 The Director of Finance and Estates had amended the Cash Flow Forecast to show IT purchases.

F2-002 The Director of Finance and Estates had emailed Committee members after the last meeting to state that there would be financial penalties if the term of the College's deposit at Lloyds Bank was broken, but, if required, we could access the funds.

F2-003 The Director and of Finance Estates had finalised the Financial Objectives and would add in suggestions for wording changes to the Financial Regulations when this document is next drafted.

Business Development Manager

The Principal informed the meeting that a job description and person specification had been drafted for the post of Business Development Manager – an option suggested by the Financial Strategy Group last autumn to generate income. However, as the extent of the funding cuts that were anticipated did not materialise and an estate development opportunity had recently arisen which may generate more income; it was felt that the need for this post was less pressing. The position will be reviewed over the course of next year.

5. FINANCE AND BUDGET REPORT (01.08.15 – 31.04.16)

The Director of Finance and Estates reported that the College was more than on target to achieve this year's budget, with a £515k surplus anticipated (before depreciation and interest).

Changes made to the Report on the income side included the reclassification of income from trips previously shown on the Balance Sheet (and forecast at £300k); the Devolved Capital Fund was reclassified and included on the Income and Expenditure account; more income from Lettings and Interest has been received than expected.

The main area of underspend was teaching salaries, which was expected to come in £150k lower than budgeted (due to some reductions in staff hours, reallocation of work of leavers to areas with spare capacity, and some starting salaries being lower than expected).

Jane Grenander joined the meeting at 6.10pm

Q: Will the projected underspend on salaries be rolled through to next year? Salaries have been budgeted for by individual staff and by month. So, yes, they are permanent savings and are locked in for next year.

A question raised prior to the meeting by Fran Stewart who could not attend:

Q: Was the income received for two Looked After Children based on the excellent standard of care they received and would this figure reduce if this standard dropped? No, this sum does not relate to the quality of provision and appears to be a one-off payment.

The Director of Finance and Estates felt that this end-of-year result would lead to the College's financial health being rated as Outstanding for 2015/16 compared to a Good rating for the original budget.

Q: Have we made this point about our enhanced financial health rating to the EFA? Regularly via conversations through the ABR process.

The Committee approved this financial statement for the nine months to 30 April 2016.
(Proposer: David Irving; Seconder: Terry Price)

6. CASH FLOW FORECAST AS AT 30.04.16

The Cash Flow Forecast for August 2015 – July 2017 was presented for information. The meeting noted that the College had a healthy cash balance linked to the surplus as discussed on the management accounts and that a bank balance of £3.6m was projected for July 2016. Governors agreed that this was an excellent result.

7. PROVISIONAL BUDGET 2016-17 AND THREE-YEAR FINANCIAL PLAN

The meeting reviewed the forecast outturn for 2015/16, the proposed budget for 2016/17, and the financial projections for the following two years. The layout of the budget had been adjusted slightly to be in line with the EFA Financial Plan; Governors were informed that financial health is now based on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). Of note, a small increase in student numbers was planned for the next two years which would affect income in 2017/18 and 2018/19. Staff costs had been planned to allow for incremental increases along the pay spines. Exam costs had been increased to cover the fact that in 2016/17 all 6:1 students would take AS exams.

Further 3 pre-questions from Fran Stewart :

Q: Is this a prudent budget? Yes; realistic, achievable contingencies have been stripped out of the projections. I am confident that this is an achievable budget, and that it supports the college's core mission. We are now in a better position for 2016/17, (EBITDA of £90k and a 1% operating surplus generated), which is a long way from where we were this time last year.

Q: Is the LGPS pension revaluation itemised in the budget forecast for April 2017 and is it a three year review? The actuarial valuation is carried out every 3 years. This year's is in progress. In interim years the Actuary rolls the calculation forward.

Q: Given the impact the last time the LGPS pension review was done, are there any early indications of potential costs or share of any shortfall that we might have to make up? No. There are no early indications of this. We have a strong employer's covenant, and have not been influencing the pension figures by making more draw-downs. I am merely flagging this matter up as a risk.

Governors discussed the assumption of a return of VAT via academisation (page 2, boxed figures) and concluded that converting to academy status would be an advantage financially, as VAT payments of approximately £200k could be reclaimed each year for a one-off cost of £40k (some of which could be clawed back). This would mean our Financial Health rating went up a grade to Outstanding.

Finally, the meeting noted that Governors had considered the key assumptions behind the budget including those based around income (e.g. "lagged" student numbers; including income from trips; tighter budgeting of Adult Education income) and those based around expenditure (e.g. staff costs built from the bottom up and rolled over monthly). Governors had also challenged the robustness of these assumptions via the above questions.

The Committee thanked the Director of Finance and Estates for her stewardship of the College finances which had left Esher in a good state to weather future challenges. It was unanimously agreed to recommend the provisional budget for 2016/17 and two year projections thereafter to the Corporation for approval.

Adult Education - Financial Position

The Principal reported that the College had been focussing on addressing the fact that the Adult Education service had been operating at a loss. The Director of Finance and Estates had separated the costs of this service from the main budget and revised the financial projections. Working with the Adult Education Manager, measures had been put in place to minimise loss by not filling a staff vacancy and to increase income based on new course offerings. The College will be monitoring this closely going forward.

8. AMENDMENT TO FINANCIAL OBJECTIVES

Suggestions made at the previous Committee meeting by Governors had been included in the revised Financial Objectives which would now be included in the Financial Accounts. These were reviewed and unanimously approved.

9. EDUCATION FUNDING LETTER (FINANCIAL STATEMENTS 2014-15)

The meeting noted the letter from the Education Funding Agency acknowledging the College's audited financial statements for 2014/15 and confirming that Esher's financial health grade was Outstanding.

10. REVIEW OF COMMITTEE TERMS OF REFERENCE

The Committee's Terms of Reference (approved in July 2015) had been strengthened at the behest of the Financial Strategy Group (FSG) to include a new responsibility to review the College's medium-term financial forecasts annually at this meeting. The aim of this was to determine whether the financial position had deteriorated, and if so, what measures may be required to address this issue.

This addition was unanimously approved by Governors.

11. ANY OTHER BUSINESS

There was none.

12. DATE OF NEXT MEETING – 3rd November 2016 (subject to Corporation approval).

The meeting closed at 6.45 pm.

Attendance was 63% (5 out of 8 members)

Signed.....

Date.....

SUMMARY OF GOVERNOR CHALLENGE [C] /SUPPORT [S]

C/S	Item	Topic
C & S	5	2015/16 Budget Report: challenge about the treatment of salaries in the budget; support for the College shown by suggesting it contact EFA to ensure that it is aware of Esher's heightened financial health rating.
S	6	Cash Flow Analysis: Governors' support for the Director of Finance and Estates via their recognition of the excellent cash flow position that the College was in.
C & S	7	Provisional 2016/17 Budget: Governors' challenge over the prudence and achievability of the budget via their questioning and their subsequent support of the budget by confirming that they understood the key assumptions on which it was based.
C & S	10	The Financial Strategy Group strengthened the Finance Committee's TORs by adding in an additional responsibility to scrutinise the medium-term financial forecasts and set in place measures if the position were to deteriorate.