



MINUTES OF THE FINANCE COMMITTEE MEETING

Held At Esher College
Thursday, 2nd March 2017, at 6.00 pm.

Present:

Robin John (Chair)	Tim Oliver
Dan Dean	Terry Price
David Irving	

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

1. BUSINESS INTERESTS IN AGENDA ITEMS

There was nothing to declare.

2. APOLOGIES FOR ABSENCE

Apologies were received and accepted from Jo Gardner; Fran Stewart was delayed and arrived as the meeting closed.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting of 10th November 2016 were agreed as a true record.

4. MATTERS ARISING

There were no actions or matters arising from the previous minutes.

5. FINANCE AND BUDGET REPORT 01.08.16 – 31.01.17

The Director of Finance and Estates reported that the College was on track to achieve a "Good" financial health rating.

In terms of income, most of the negative variances listed in the Report resulted from the deferment of income to match the spend pattern. Of note, the General Fund was slightly below budget as the £150 contributions from students are voluntary and it is difficult to predict how many students/parents will pay this; Adult Education income was already higher than full year income for last year, which was excellent; the interest forecast had been revised downwards, and would be discussed under item 6, below.

The key variances in expenditure centred on salaries – the biggest area of spend – and most were the result of a timing difference related to the annual pay rise (budgeted from September, but not yet paid). Other salary variances related to costs not budgeted for, but which were predicted to

balance out over time and result in full-year costs being close to budget. Curriculum costs were £31k below budget, as staff are restricting spend to essentials. All other costs were on-line.

Governors sought clarification from the Director of Finance and Estates on these points:

Q: Can you confirm that the student experience will not be adversely affected as a result of the Teachers being “careful” in their spending on materials etc.? Absolutely; protecting the student experience is a priority.

Q: I note that your year-end predicted variances (such as for transition funding, teaching salaries, exam costs) are expected to balance out and the budget forecast is thus not being adjusted. What is the forecast for exams based on? This year’s student figures initially, then I re-forecast the exam costs in October when the College had firmed up student numbers and submitted the ILR.

Q: Will the switch from AS to 3 A levels see exam costs fall? Yes; at the moment, half the student population is following the legacy system, and half are on the reformed A level system; all are completing AS level this year for the last time. There will be savings next year, but the full A level cost has nearly doubled. So long term these are only going to be savings resulting from the drop to 3 A levels in most cases.

Q: The budget to 31 July forecasts a reserves figure which does not relate to the reserves figure quoted in your balance sheet The Director of Finance and Estates thought that it was the pension and would investigate this and report back to all members via email.

ACTION: Director of Finance and Estates to report back on the inconsistency in the figures to committee members by email. *[Clerk’s note: in her email to committee members of 03.03.17, the Director of Finance and Estates explained that an adjustment of the £1.653m for pensions has now been added to update the Management Accounts and that this represented only a presentational change to her Report.]*

Having reviewed the Management Accounts for the six months to 31 January 2017, Governors commented on how close the actual figures were to those budgeted, and agreed that they had no further comments subject to a satisfactory explanation as to the inconsistency in the reserve figures identified above.

6. TWENTY-FOUR MONTH CASHFLOW FORECAST

The Director of Finance and Estates explained that, in sum, the College is not making any significant capital spend. The forecast was for a balance of 3.7million; the actual figure was £3.9million. Governors put the following questions to her:

Q: If there is no significant capital expenditure, and our EBITDA is showing a small surplus, will the closing cash figure be the same amount? Cash and the calculation of revenue/expenditure are not the same hence the difference.

Q: The College does not have a lot of Creditors – does their number rise and fall over the year? Not really; this is just a forecast.

Q: Why has the income from EFA reduced so much by this point in the year? The amount we receive is front-loaded, and it tails off over the financial year.

Q: I note the Lloyds Bank fixed rate 12 month deposit account ends in a few weeks’ time. Will this be renewed, and what interest rate is the College being offered? The main account gave us 0.4%

interest, but this has reduced to 0.1%, which will lead to a reduction in interest income this year of about £4k. We currently have two deposit accounts with Lloyds Bank, one running to March 2017, the other to October 2017. I would propose putting another £500k on deposit, but with a different anniversary point to build in decision-points – for example running to June or for 9 months running to December. I have received quotes from Lloyds of 0.5% for 3 months on deposit; 0.6% for 6 months and 0.7% for 9 months, and a little higher for 12 months. Additionally, regarding the amount due to end its term later this month, I propose to roll that over for a further year.

Q: Have you asked other banks for interest rate quotes to use as a bargaining ploy? No – it is clear from the Forum of College Finance Directors across the UK that few banks are offering decent rates, and that Lloyds remains one of the best.

The meeting noted the 24-month cash flow forecast and agreed to the deposit of an additional £500k into Lloyds for a period running to December 2017, and for the second account to continue to March 2018.

ACTION: Director of Finance and Estates to move £500k into Lloyds Bank and renew the second fixed rate deposit account for a further 12 months, as agreed above.

7. REVIEW OF THE COMMITTEE TERMS OF REFERENCE

All the terms of reference of each committee were being reviewed at this point to ensure consistency of review date. The meeting agreed to recommend that the Corporation approve the continued use of the current Terms of Reference, subject to a minor clarification: “virement” should be explained with an example, e.g. the movement of funds between budgets.

ACTION: Clerk to amend the TORs, and **the Chair** to give a verbal report at the next Corporation meeting.

8. LOCAL GOVERNMENT PENSION SCHEME REVALUATION UPDATE

The meeting was informed that the FRS102 LGPS pension deficit was £1.6million. The actuarially calculated pension deficit had reduced from £473k based on the valuation in 2013 to £51k as at the March 2016 valuation. The employer’s current primary contribution rate was 21% and the current annual deficit contributions were £35k. This would drop to 20.3% in April, saving the College £20k a year on current budgeted costs. The new annual deficit contributions will be £22k.

The Director of Finance and Estates explained that if the College became an academy, the employer’s covenant would be stronger as the government would guarantee the LGPS pension liability. The College’s contribution would then reduce to 18.9%, with new annual deficit contributions of £9k. This would lead to a reduction of about a further £28k per annum.

The Governors agreed that the reduction in deficit between 2013 and 2016 to £51k was very good news, and they thanked the Director of Estates and Finance for her part in this.

9. ANY OTHER BUSINESS

The Director of Finance and Estates reported that she had confirmed with the College’s insurers that there would be little impact on the insurance policies if the College became an academy – just a change of name. Similarly, the Banks did not envisage any difficulties, and would only need to see documentary evidence of a change of status. Asked if the Banks would need the College’s accounts

closed and new ones opened, or whether the existing accounts could be ported across, she said that she would research this.

ACTION: Director of Finance and Estates to seek confirmation from the Banks as to whether the College could keep the same accounts, or would have to open new ones.

Finally, the Principal informed Governors that the back entrance to the College would be locked on the evening of March 29th (Corporation meeting); access would be via the front vehicle entrance only.

10. DATE OF NEXT MEETING – Thursday, 22nd June 2017

The meeting closed at 6.45 pm.

Attendance was 71% (5 out of 7 members)

Signed.....

Date.....

SUMMARY OF ACTIONS

F2-001	<u>Item 5. Finance and Budget Report:</u> Director of Finance and Estates to report back on the inconsistency in the reserve figures to committee members by email. [<i>Clerk's note: action completed; explanatory email sent 03.03.17</i>]
F2-002	<u>Item 6. Cash flow Forecast:</u> Director of Finance and Estates to move £500k into Lloyds Bank for a period to December 2017, and renew the second fixed rate deposit account for a further 12 months to March 2018.
F2-003	<u>Item 7. Terms of Reference:</u> Clerk to amend the TORs, and the Chair to give a verbal report at the next Corporation meeting.
F2-004	<u>Item 9. Any Other Business:</u> Director of Finance and Estates to determine if the College could continue with its existing accounts if it became an academy.

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

C/S	Item	Topic
C	5	<u>Finance and Budget Report:</u> Governors emphasised that any restrictions in spend on the curriculum should not adversely affect the student experience. They also queried inconsistency in the reserve figures.
C S	6	<u>Financial Report for Yr. end 2015/16:</u> Questions put to the College to clarify their understanding of the cash flow forecast. Governors supported the College by giving advice about where and when to place monies on deposit.
S	8	<u>LGPS Pension:</u> Governors recognised the part that the Director of Finance and Estates had played in the reduction of the LGPS pension deficit.

S & C	9	AOB: Advice given by the meeting to ensure that the College determined if it would port its existing accounts to the new academy if it changed its status, or if it would have to undergo the lengthy process of closing them and opening new accounts.
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