



MINUTES OF THE FINANCE COMMITTEE MEETING

Held At Esher College
Thursday, 10th November 2016, at 6.00 pm.

Present:

Robin John (Chair)
Dan Dean
Jo Gardner
David Irving

Tim Oliver
Terry Price
Fran Stewart

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

All members were present.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting of 23rd June 2016 were agreed as a true record.

4. MATTERS ARISING

There were no matters arising from the previous minutes.

5. REVIEW OF THE MANAGEMENT ACCOUNTS FOR YEAR ENDING 31 JULY 2016

The Director of Finance and Estates reported that at the end of the financial year, the College's income was higher than forecast. This was due in part to the reclassification of trips' income, (which was included in the Management Accounts for the first time this year), and lower than budgeted staff costs.

The following questions were put to the Director of Finance and Estates:

Q: Why does the College have less staff than was budgeted for? We have a strategy of reviewing posts where staff resign or ask to go part-time, in order to determine if responsibilities can be re-allocated to existing staff. New appointments are sometimes on lower salaries than those on which

the budget was based. It makes sense to assume the appointment of an experienced teacher, but this is often not the case.

Q: Why did you re-classify the trips' income? This has always been grossed up in the annual accounts and this came up as a variance in the Area Based Review. In line with the ABR recommendation, we are now grossing up at both budget and management accounts level.

Q: Can you explain curriculum costs being below budget? A 50k budget had been set aside for the purchase of new textbooks to meet the curriculum changes. Some books were not available, and mostly e-books were purchased, giving an underspend of some £37k. We have set aside £31k for book purchases this year.

Q: I would like to present you with a challenge – how much of the surplus for the year was a conscious decision to amass such an amount, or the result of good fortune? And how much is one-off, and how much has been built into next year's budget? The surplus is much less if you take off depreciation, this shows a net surplus of £83k. The surplus is a strategy – we set a realistic budget, but take decisions throughout the year to achieve a higher surplus. This is in line with future indicative financial health targets of an EBITDA of 3-5%.

The Principal explained that the Director of Finance and Estates had done a lot of work to ensure that budget planning is done in ever more detail and becomes even more accurate.

Governors stated that they wanted to ensure that the financial buffer being built up by the College was not at the expense of the students.

Q: Have you got anything else to tell us about the LGPS pension deficit? I have put a note at the end of my Report. If we become an academy, our Employer's Covenant health will improve.

Q: If our Covenant improves, will the College have to contribute more to the scheme? No, the deficit stays the same, it is the time over which you can pay it that can change. The worse the rating of the Covenant, the less time the College has to pay the deficit.

Q: Has the College budgeted for a change in contribution rate? We don't know what the triennial valuations will be, so cannot budget for this yet.

The meeting discussed the advantageous impact that higher interest rates in the future will have on the pension fund deficit, and the Chair thanked the Director of Finance and Estates for her Report. It was agreed to recommend to the Corporation that the Management Accounts be approved.

Proposer: Robin John Seconder: Terry Price

6. DRAFT REPORT AND FINANCIAL STATEMENTS FOR 12 MONTHS ENDING 31 JULY 2016

These Statements followed the style of previous years, with the addition of meeting the requirements of Financial Reporting Standard 102. They were for Finance Committee to review; the Audit Committee has the responsibility of approving them.

Q: Have any FRS 102 adjustments been brought to the Reserves? Yes, £10k on holiday pay accrued, nothing material.

The meeting recognised the Director of Finance and Estates' excellent work in producing these Statements. It was agreed to recommend to the Corporation that (subject to Audit Committee

consent) the Financial Statements be approved and signed by the Principal and the Chair of the Corporation at that point.

Proposer: Fran Stewart Seconder: Terry Price

7. REVIEW OF MANAGEMENT ACCOUNTS FOR 3 MONTHS TO 31 OCTOBER 2016

The Director of Finance and Estates explained that at this stage of the year, the College had increased its surplus by £82k over that originally forecast. This will be continually assessed as the year unfolds. Income was lower than the budget, due to the timing of trips, as explained in item 5. She ran through the key variances, one of which related to incorrectly coded members of staff, and another to the timing difference relating to the fact that a pay award for 2017/17 has not yet been agreed.

Q: Is the forecast of outturn largely on target at this point in the year? Yes, it is.

The Committee thanked the Director of Finance and Estates for the College maintaining its strong financial position at 31 October 2016. The meeting unanimously approved the Management Accounts for the first three months of this year.

8. TWENTY-FOUR MONTH CASHFLOW FORECAST

The meeting noted that there was £3.68m in the balance account as at July 2016.

Q: How regularly does the Education Funding Agency income come in? Every month, although the figure is higher in August, and tails off by the following July.

The Chair thanked the Director of Finance and Estates for her Forecast.

9. UPDATED FINANCIAL FORECAST FOR ACADEMY APPLICATION

A 3yr financial forecast was one of a number of papers to be submitted with any application for conversion to academy status. The Director of Finance and Estates planned to base her assumptions as per previous years and roll the EFA funding forward. The DfE Transition Grant would be shown as income for this year, but legal and other conversion costs would be shown on its own line with expenditure.

Q: How much of a grant have we been given to cover conversion costs? We have been allocated a grant of £21,825 with associated costs budgeted at £40,000.

Q: What are we spending this money on? Most will be spent on legal services. A small amount will be spent on financial advice and on auditors to change our accounting period, and for a change in accounting date on our financial software.

Q: Is this £40k for conversion costs based on a fixed quote for legal services? Yes. The SFCA conducted a tender exercise on our behalf, and we chose Eversheds, obtaining a fixed quote from them.

Governors discussed the effect of increased student numbers on the EBITDA figures, and the positive outcome on the bottom line. They also discussed the legal ramifications in becoming an academy, and whether the academy would be a “body corporate”. The College would be effectively moving

from the private to the public sector; there would be no financial liability for individual governors or Trustees.

10. ESTATES COMMITTEE FEEDBACK

The Principal explained the College’s priorities for the estate - more teaching space, private study and social space. The Estates Committee was exploring the options for the development of the estate; it would be prudent to be guided by the Finance Committee’s view as to what proportion of the College reserves might be available for funding this.

Governors discussed the importance of determining the cost of supporting the students against potential related revenue streams and the need to be clear what purpose a possible growth strategy would serve, and the specific facilities that might be required.

It was felt that £1million should remain as a buffer for future emergencies, leaving £2million that could be availed upon for estate development. The meeting agreed that the minimum level of reserve funds should not drop below £1million and that the remainder of the reserves could be put to productive use to support the development of the estate.

11. ANY OTHER BUSINESS

There was none.

12. DATE OF NEXT MEETING – 2nd March 2017

The meeting closed at 7.13 pm.

Attendance was 100%

Signed.....

Date.....

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

C/S	Item	Topic
C	5	<u>Management Accounts 2015/16</u> : challenges about staffing levels; the income from college trips; the level of planning for the surplus outcome and seeking assurance that this would not be at the expense of the student experience; LGPS pension scheme deficit.
C	6	<u>Financial Report for Yr end 2015/16</u> : Questions put to the college about whether any FRS 102 adjustments had been required.
C	7	<u>Management Accounts to 31 October 2016</u> : To seek confirmation that the FOO was on target.
C & S	9	<u>Financial Forecast for Academy Application</u> : Governors asked how the Transition Grant would be spent and ensured that the college had protected itself by obtaining a fixed quote from the chosen law firm.
S	10	<u>Estates Committee Feedback</u> : support demonstrated for the college in ensuring that sufficient reserves were ring-fenced for emergencies and that the remainder could support potential estate development.