



## MINUTES OF THE FINANCE AND ESTATES COMMITTEE MEETING

Held At Esher College  
Thursday 28<sup>th</sup> June 2018, at 6.00 pm.

### Present:

Robin John (Chair)	Adrian Mills
Dan Dean	Hannah McKean
Ian Leigh	Tim Oliver

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

### 1. BUSINESS INTERESTS IN AGENDA ITEMS

There was nothing to declare.

### 2. APOLOGIES FOR ABSENCE

No apologies were received; Fran Stewart and Simon D'Arcy were not in attendance.

### 3. MINUTES OF THE LAST MEETING

The minutes of the meeting of Thursday, 8<sup>th</sup> March 2018 were agreed as a true record.

### 4. MATTERS ARISING

**FE2-001:** The College's Financial Regulations are scheduled for review next year.

**FE2-002:** £2million has been deposited with Lloyds Bank in two separate accounts for another six months – see item 6, below.

**FE2-003:** A paper considering maximum student intake was produced for this meeting. The College's view was that intake could rise as high as 2,000 students; however this is constrained by the availability of communal and social space, which is already close to capacity. Governors discussed the feedback from students about this at the session Governors had with them on Training Day, and their responses to in-house student surveys.

Asked how many students do not get offered their first choice of subjects, the Principal replied that a subject waiting list is arranged for the first 4 weeks of the autumn term; last year, 3 students did not get all their choices of subjects; the previous year all students' choices were accommodated.

### 5. FINANCE AND BUDGET REPORT (01.08.17 – 30.04.18)

In sum, the Director of Finance and Estates reported that income was likely to be lower than expected due to the variances in Bursary, Free School Meal and Trips income. Governors noted that

Trips income is always completely matched by expenditure, and does not therefore affect the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

Most of the income for Adult Education had already been received, but salary costs were still being paid, so the final result will show a lower surplus than that in the current Report.

Expenditure followed a similar pattern to the usual annual trend - most items were underspent, bar recruitment. It was unlikely that the College would meet the criteria for an "Outstanding" financial rating in the autumn.

Governors sought the following information from the Director of Finance and Estates:

Q: Looking at the expenditure variances, is my understanding correct that spend on Exams is £30k down? No – this is difficult to forecast. I base the exam projections on the current intake of students, and do not know what the actual intake is until October, when I do a re-forecast. Similarly, I re-forecast the salaries line based on leavers and starters in January.

Q: Is it worth putting more effort into ensuring that Adult Education brings in more income? This is a difficult question. Both Surrey County Council and Elmbridge Borough Council offer adult education, thus we are in a competitive situation. The College's offering is niche, and reflective of what the local community requires, thereby fulfilling part of the College's mission. In addition, there are costs in fulfilling the adult education offering, so the margin was not very high. Therefore there would need to be a considerable increase in adult education to make a material difference to the college's finances (although that is not to detract from the community benefits of undertaking this).

Q: Have you explored opportunities to let the grounds for Summer Camps? Yes. However we commission large build works for the holidays, and it would not be appropriate to have children on site at these times. We will continue to explore this.

The meeting noted the Financial Reports and agreed to recommend them to the Corporation for consideration. Governors thanked the Director of Finance and Estates for her excellent forecasting which led to such a good outcome.

## 6. 24 MONTH CASHFLOW FORECAST TO 30.04.18

Governors reviewed the figures, and discussed the fact that the College was projected to hold similar cash amounts in 2019 as in 2018 – i.e. it was a "cash-flat" picture. In terms of the decision as to where to lodge the two amounts of £1 million on deposit when the current terms expire in the autumn, the meeting delegated to the Director of Finance and Estates the freedom to research bank deposit rates next term.

**ACTION: Director of Finance and Estates** to research interest rates in the autumn as to where best to reinvest the 2 x £1 million cash amounts.

## 7. PROVISIONAL BUDGET 2018-19 AND THREE YEAR FINANCIAL PLAN

The meeting noted the contents of the Provisional Budget Report for the next academic year. It was explained that income was known due to lagged funding.

The budget and projections were based on the key assumption of, broadly, a 2% increase for most costs except where contracts had been negotiated (such as the audit fee).

The meeting discussed the fact that a 2% increase on salary spending year-on-year, along with flat funding, would mean that the College would have financial issues in a few years' time. They noted however that the projections were assumptions, and the picture could change in the future.

The LGPS pension scheme rates changed in August 2017, and the new rate of 20.3% is being applied. A triennial review is underway for the TPS, and a new rate of 18.48% is assumed from April 2019 (however if this is delayed until the September, it will give the College a cushion to fall back on).

Governors were surprised at the apparent volume of manual cheques signed by College staff and asked the Director of Finance and Estates to explore whether the College could reduce the use of cheques to increase effectiveness.

**ACTION:** Director of Finance and Estates to explore whether it would be more cost-effective for the College to set up more electronic payments in future.

The meeting agreed the financial projections for the next two years showing that the College achieved at least a 1% surplus on EBITDA.

The Financial Forecasts were recommended to the Corporation for further discussion.

## 8. ESFA LETTER RE: FINANCIAL STATEMENTS 2016-17

The meeting noted the contents of this letter.

## 9. UPDATE ON PROPERTY STRATEGY

The Committee had considered proposals for the Property Strategy with the Architect at the last meeting. The plans had now been costed, and were at the pre-planning stage. The two buildings (canteen extension and rehearsal space with LRC extension) would cost £5.2 million in total, which the College could not currently afford. In addition to such an investment in extra facilities in order to achieve higher student numbers, the College would still have to fund the usual refurbishments and maintenance.

A more cost-effective option might be to install glass extensions, which would cost approximately £500K. They would, however, be unlikely to last for 20 years, and would deteriorate quickly. Furthermore, classrooms could not be built above these structures. The College was also in need of a science lab and further classrooms, which could not be provided this way. Another option in the longer term would be to try to obtain CIF funding.

The meeting discussed opportunities for achieving matched Community Infrastructure Levy funding via Elmbridge Borough Council, and it was agreed that the College should attempt to seek funding via this method and the other funding a CIF bid.

**ACTION:** Director of Finance and Estates to commence the bidding process for potential CIL and CIF funding.

## 10. HEALTH AND SAFETY REPORT

The Audit Committee had scheduled an external assurance audit of the College's Health and Safety procedures to take place earlier in the year. The subsequent Report gave significant assurance about the College's procedures, and only 4 minor findings were raised. These have already been implemented.

There were 21 accidents in College reported to date (compared to 16 at this time last year). None required reporting to the HSE, and were mainly sporting, handling or slipping injuries.

**11. RIGHT OF WAY**

The Principal wished Governors to be aware that a neighbour has a right of way over College land (near the back entrance). He had offered to sell the right to the College a year ago, but legal advice was that this was not worth pursuing as a restrictive covenant on the land meant that it could not be built on, and it was therefore worthless. The neighbour has since had the covenant removed, and there is the possibility that he can now build on the land. There is a safeguarding issue in terms of the students if there is a right of access over land that is not fenced off from the College, and the College continues to seek legal advice, in an attempt to resolve this matter.

Governors noted this matter.

**12. MINUTES OF THE ENVIRONMENTAL SUSTAINABILITY GROUP MEETING (10<sup>th</sup> MARCH 2018)**

The Director of Finance and Estates presented the annual Environmental Statement which details the sustainability actions taken by the College during the year and plans for the future.

The meeting noted these minutes, and thanked Hannah McKean for volunteering to fulfil the Environmental Link Governor role.

**13. ANY OTHER BUSINESS**

The meeting agreed that the Governors' -Quality improvement Plan for 2018-19 should have a performance indicator against target 1c (to achieve a financial health rating of Good) which would refer to approval of the 2017-18 audited accounts.

**14. DATE OF THE NEXT MEETING – Tuesday 20<sup>th</sup> November 2018**

*The meeting closed at 7.03 pm.*

*Attendance was 75% (6 out of 8 members)*

Signed.....

Date.....

**SUMMARY OF ACTIONS**

<b>FE3-01</b>	<u>Item 6. 24-month Cash flow Forecast</u> : <b>Director of Finance and Estates</b> to research interest rates in the autumn as to where to reinvest the 2 x £1 million deposits.
<b>FE3-002</b>	<u>Item 6. 24-month Cash Flow</u> : <b>Director of Finance and Estates</b> to explore whether the College could reduce the amount of cheques signed manually by staff.
<b>FE3-003</b>	<u>Item 9. Property Strategy</u> : <b>Director of Finance and Estates</b> to commence the bidding process for potential CIL and CIF funding to contribute to extension costs.

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

<b>C/S</b>	<b>Item</b>	<b>Topic</b>
C & S	5	<u>Finance and Budget Reports</u> - Governors suggested ways that the College might increase its revenue from lettings, and asked whether these avenues had been explored.
C	7	<u>Three-year Financial Plan</u> – Governors challenged the amount of cheques signed manually by Finance staff, and asked the College to explore whether it might be more cost-effective to find ways of setting up electronic payments instead.
S	9	<u>Property Strategy</u> – Governors suggested that it would be appropriate for the College to take a longer-term view of obtaining external funding contributions to fund plans to extend College space.