



MINUTES OF THE FINANCE AND ESTATES COMMITTEE MEETING

Held At Esher College
Tuesday 20th November 2018, at 6.00 pm.

Present:

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

Simon D'Arcy (Co-opted)
Stephanie Wiles (Director of Finance & Estates)
Kerry Webb (Clerk)

1. REGISTER OF INTERESTS

The Chair of the Corporation (Tim Oliver) declared that as the elected leader of the council he would sit on meetings to approve CIL applications (the College having just submitted a CIL application). Approval for applications would, however, be subject to the usual voting approvals and he therefore had no direct influence.

2. APOLOGIES FOR ABSENCE

All members of the committee were present.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting of Thursday, 28th June 2018 were, subject to a minor wording change, agreed and signed.

4. MATTERS ARISING

FE3-001: The Director of Finance and Estates had researched interest rates for deposit accounts – complete.

FE3-002: The Director of Finance and Estates was satisfied that appropriate procedures were in place to determine whether electronic payment or cheque payment was appropriate – complete.

FE3-003: The Director of Finance and Estates has commenced the bidding process for CIL and CIF bids to contribute to the extension costs – complete.

5. REVIEW OF TERMS AND REFERENCE

Q. Referring to Delegated Powers (2) “Where an urgent decision is required on unbudgeted building matters and this falls outside the powers delegated to the Principal, the Chair of the Corporation, and the Chair of the Finance and Estates Committee shall jointly be empowered to take any decisions up to a limit of £500,000.” Is everyone comfortable with that figure? Yes.

The Governors approved the Terms of Reference.

6. UPDATE ON PROPERTY STRATEGY AND PROPOSED CIF 2018/19 BID

6.1 Planning Applications

The Director of Finance and Estates submitted a pre-application to Elmbridge in June, for the canteen extension with additional classrooms, the dance studio block with LRC extension and a further LRC (back up plan) extension. The Council response had been broadly positive but noted that the proposed dance studio block extended beyond the current building line. Recommendations were also made for standard assessments to be carried out (flood risk assessment, an environmental ground assessment).

As the College is now progressing towards a full application for planning permission, the Director of Finance and Estates sought advice from the committee for next steps, i.e. Design and Build or Plan, Design and Build. It was noted that, if working directly with an architect, the College would need to ensure that they had the appropriate level of professional indemnity cover. The point was explained that whilst the builder would take responsibility for the building risk, he would not take responsibility for the design risk, and we would therefore need to be sure that, if the building proved defective in some way, that it was clear where responsibility for that defect lay.

It was agreed that the Director of Finance and Estates should speak with Loxton & Associates (the architects on the project) who will be able to provide options for proceeding. This would help provide some clarity to Governors to assist their decision making.

It was noted that it is possible to put in multiple planning applications, so we could submit the larger scale and smaller applications at the same time. It was suggested that the Director of Finance and Estates contact the local ward councillors to show them the outline plans.

Q. What is the lead time for planning applications? Normally between 8 and 13 weeks.

Q. Is the £40k spent to date within the limits of the standing order? The cost has been incremental rather than one-off spending.

Fran Stewart and Simon D’Arcy kindly agreed to be available to assist the Director of Finance and Estates with any queries or guidance she may require during the process.

ACTION: Director of Finance and Estates to consult with Loxton & Associates to understand options available to College for next steps for the project. Director of Finance and Estates to report back to committee.

6.2 CIF Bids

The Director of Finance and Estates outlined the CIF bids that the College is preparing to submit.

- (i) Fire Safety upgrade, this is the College’s priority bid. The Finance and Estates Director reported that a Fire Safety Officer visited the College recently to review the College’s procedures following the fire incident. The feedback had been very positive confirming that there were good processes

and procedures in place. The Finance and Estate Director confirmed she will put a plan in place to process any recommended actions coming out of their report. The Fire Safety Officer also offered to provide a letter of recommendation in support for the College's fire safety upgrade bid ; and

- (ii) Canteen extension and additional classrooms

Q. Is the College in the greenbelt? No.

Q. Looking at the College map, is there any reason why any of the pitches could not be moved? The layout has not been finalised, however it is unlikely that the pitches could be moved as the cost of moving them is likely to be high.

The Director of Finance and Estates explained that the College has £4m of cash reserves and the reserve policy states that the level should never go below £1m. The proposal would be to use £1m for the canteen extension, £1m for the flexible space for dance and other sporting activities and possibly sell some land to cover extra costs, ideally leaving at least £2m in reserves.

The governors agreed in principle that, if the bids were successful, the College would meet the up to 20% contribution towards the fire safety upgrade project and 40% toward the extension.

Q. (To the Director of Finance and Estates) Have you looked at Capital rent, like PFI? As this would effectively be like borrowing money it would affect the College's financial health rating. It may also end up as a finance lease.

Q. Might we be able to get a Sport England grant? This would be explored for the refurbishment of the netball courts/tennis pitches. It is likely the College would need to show increased community use and demonstrate how the facility would be used by outside organisations. Floodlighting (of certain specification and height) would be needed to allow evening use but the College would need to ensure they were on no later than 9pm. For the 4G pitch, the Football Foundation should be explored or the CIL strategic fund.

The Principal raised concerns about staff workload pressures and the strain on internal resources, particularly regarding the Director of Finance and Estates. There are many projects on the go with varying demands on her time. Fran Stewart said she had worked with several surveying companies who can assist in grant bids, prepare quotations and specifications and only charge a fee if the bid is successful.

It was agreed in principle that the Principal and Director of Finance could seek professional advice regarding preparing grant bids etc but to be careful not to get tied into working with specific consultants and ensure they can still get best value for the College.

The Governors thanked the Director of Finance and Estates for all her hard work, appreciating that she had a wide range of different projects demanding her attention.

6.3 CIL Bids

A CIL bid was submitted in October for two additional cycle shelters, as it was considered that there were not currently enough shelters for the number of pupils and staff who cycle to the College. This was further evidenced by cycles routinely padlocked to lampposts. The Governors agreed that any initiative to encourage students to cycle was a positive move, both for health benefits and to ease parking congestion.

7. HEALTH AND SAFETY REPORT

The Director of Finance and Estates informed the meeting that during the summer the second automated gates had been installed at the College, the kitchen had been deep cleaned and routine maintenance checks, legionella testing and PAT testing on portable appliance had been undertaken.

There had been 5 accidents this term in College reported to date. None required reporting to HSE.

8. ENVIRONMENTAL STATEMENT OF PLANNED AND PRIOR ACTIVITIES AND MINUTES OF THE ENVIRONMENTAL SUSTAINABILITY GROUP MEETING 17TH OCTOBER 2018

During the Environmental Sustainability Group meeting they had discussed what they had done to date and what they planned to do for this academic year. One of the actions was to plan for more cycle racks which was currently in progress with the CIL bid.

9. REVIEW OF MANAGEMENT ACCOUNTS FOR YEAR ENDED 31ST JULY 2018

The Director of Finance and Estates had nothing further to report. The Committee noted the "outstanding" financial health grade.

Q. What is the variance between actual and budget for trips income? All trips' income and expenditure are matched so it does not affect the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). It is difficult to budget for as the number and nature of trips each year varies.

The Director of Finance and Estates circulated a paper showing the reconciliation between the management and statutory accounts for the year ended 31 July 2018. The committee was happy with the reconciliation.

The Governors approved last year's Management Accounts.

10. DRAFT REPORT AND FINANCIAL STATEMENTS FOR 12 MONTHS ENDED 31ST JULY 2018

The Director of Finance and Estates confirmed that these had been discussed at the recent Audit Committee meeting and the Committee had approved them subject to some minor changes. She noted that a governor had kindly provided some suggested amendments. These were broadly presentational, mostly wording and nothing had changed the substance of the reports. She did however note that page 47 Note 21 there were some calculation errors which have now been corrected.

The Director of Finance and Estates confirmed the College had received a clean audit opinion and had confirmed that the statutory accounts reconciled to the management accounts.

The Governors thanked the Director of Finance and Estates for her compliant financial statements and agreed to recommend the Financial Statements to the Corporation for approval (subject to the changes that had been identified).

11. REVIEW OF MANAGEMENT ACCOUNTS FOR 3 MONTHS TO 31ST OCTOBER 2018

The Director of Finance and Estates confirmed that she had no major issues to highlight.

Income variances were similar to last year. The general fund was slightly lower than last year. However, additional communication has led to an extra £6k income. It was confirmed that next year information will be sent out with the admissions pack. It is hoped that interest receipts will be marginally more in 18/19 than the previous year as interest rates are marginally higher.

Q. Is the level of voluntary contribution in-line with other colleges? All colleges ask for contributions of varying levels, some schools ask for monthly direct debits.

Q. Do students pay a car park charge? No, students must however get a permit to park at the College. We do not want to make travel to the College for our students difficult by charging for the car park. It would also lead to increased parking on the surrounding roads. Demand for car parking on site is low at the beginning of term and peaks in the summer term once more students have passed their tests.

With regard to expenditure, in salaries there is a coding issue between support staff and teachers, which will be rectified. The pay rise which was effective from September 2018 has not been agreed or paid, but budgeted for, so this variance is a timing issue. There will be some variance due to staff leaving not yet replaced and changes in fractions. The exam costs will be re-forecast based on actual student numbers next quarter.

Q. Do we need to identify additional marketing costs? We have agreed an extra £15k into the marketing budget to explore social media marketing activity. If, through the marketing plan, the College then identifies the need for additional funds, we can then look to increase this.

With regard to Fixed Assets, the Director of Finance and Estates confirmed that she is reviewing the capital expenditure spend with the IT Director and after this review they may request an increase in this year's budget.

Q. Why is there a 20% drop in adult education last year compared to 2016/17? Last year the College didn't run as many counselling courses and some courses were cancelled due to lack of demand. This year (2018/19) adult education income has increased, partly because the College offers a level 4 Counselling course. However, these courses cannot run every year. It was agreed that the Head of Adult Education should predict where there might be a fallow year due to fewer courses offered and feed this into the budget to project ahead.

Q. There appears to be an increased number of provisions locally offering 12 week or one term taster courses, particularly in subjects such as Philosophy, Psychology and Economics. Is offering an "Introduction to..." course something we could look into? Yes, this is something we should explore.

The Governors approved the Management Accounts for the three months to 31st October 2018.

12. 24-MONTH CASH FLOW FORECAST

The Director of Finance and Estates confirmed that the cash flow for the 3 months ended 31 October 2018 was broadly in line with expectations.

13. ANY OTHER BUSINESS

13.1 Deposit Accounts

£500k of College funds is coming off deposit and needs to be reinvested. The Director of Finance and Estates had been contacted by Metrobank who were offering a rate of 1.55% for 12 months and 1.40% for 90 days, subject to undertaking the "Know your Customer" process.

It was agreed that Metrobank was a reputable bank and was therefore deemed a safe option. The committee agreed that they were happy for the Principal and Director of Finance and Estates to proceed with either length option, as they saw fit.

ACTION: Director of Finance and Estates to arrange reinvestment of £500k into a suitable deposit account.

13.2 Re-Visiting Converting to an Academy

The topic of re-visiting whether the College should convert to an Academy was raised, particularly with reference to the future financial position of the College considering the Government’s current position that they will not fund additional pay increases over 1% for Sixth Form Colleges but they will fund the extra for academies.

During discussion the following was noted:

- There is no indication whether the Government agreeing to fund the pay increase over 1% for academies is a short-term or long-term strategy. In addition, the SFCA is currently challenging this position and pushing for this funding to be consistent across educational institutions.
- What might be the gain? In addition to the pay rise funding, the College would receive approximately £200k VAT rebate.
- A large amount of the work for the process to convert to an Academy has already been undertaken and we would be able to pick up from where we left it. The deadline for applying for conversion is March 2019, but it is not yet clear whether this applies since the College’s application has already been approved.

It was agreed that the Director of Finance and Estates, in conjunction with the Principal, would prepare a high-level paper for the next Corporation meeting showing headline numbers and focusing on key pros and cons of converting to an Academy. It was noted that due to workload and timeframe, this paper could not include extensive forecasting and cash flow forecasts but would aim to outline the key points. It should also summarise what had changed since we last looked at the situation.

Q. Are we going to set-up a sub-committee? It was agreed in the first instance; the headline paper would be reviewed at the Corporation meeting and a way forward would be agreed. This may involve setting up a sub-committee, or if Governors felt they had enough information at this time, voting on whether the College should convert.

The Governors wished to extend their gratitude to the Principal and Director of Finance and Estates for their hard work and careful consideration of these matters affecting the College.

ACTION: Principal/Director of Finance and Estates to prepare a high-level paper on the “pros and cons” of converting to an Academy, including headline figures.

ACTION: Deputy Clerk to add consideration of conversion of College to an Academy to the Agenda for the next Corporation meeting in December.

14. DATE OF THE NEXT MEETING – Thursday 14 March 2018 at 6pm.

The meeting closed at 7.30 pm.

Attendance was 100% (7 out of 7 members)

Signed.....

Date.....

SUMMARY OF ACTIONS

FE1-01	<u>Item 6.1 Update on Property Strategy</u> : Director of Finance and Estates to consult with Loxton & Associates to understand options available to College for next steps for the project. Director of Finance and Estates to then report back to committee.
FE1-002	<u>Item 13: AOB (13.1 Deposit Accounts)</u> : Director of Finance and Estates to arrange reinvestment of £500k into a suitable deposit account.
FE1-003	<u>Item 13: AOB (13.2 Academisation)</u> : Principal/Director of Finance and Estates to prepare a high-level paper on the “pros and cons” of converting, including headline figures.
FE1-004	<u>Item 13: AOB (13.2 Academisation)</u> : Deputy Clerk to add consideration of conversion of College to an Academy to the Agenda for the next Corporation meeting in December.

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

C/S	Item	Topic
C & S	6	<u>Update on Property Strategy</u> - Governors challenged that spending was within the parameters of the Standing Orders. Governors agreed to be available to assist the Director of Finance and Estates with any queries or guidance she may require during the process.
C	9 & 11	<u>Review of Financial Statements and Management Accounts</u> - Governors challenged variances between budget and actual figures. Governors asked questions to further understand the financial figures and provided useful advice and suggestions particularly regarding income generation, e.g. adult education courses.
S	10	<u>Draft Report and Financial Statement</u> - Governors commended the Director of Finance and Estates on her compliant reports, sound financial management and hard work.
C&S	13	<u>AOB (Re-visiting converting to an Academy)</u> - Governors supported the Principal and the Director of Finance and Estates in their suggestion that this could be re-visited. Governors challenged how the process might work and what information might be needed to make decisions.