

CITY COLLEGE PLYMOUTH
CORPORATION FINANCE COMMITTEE

MINUTES OF THE MEETING OF THE CORPORATION FINANCE COMMITTEE
HELD ON TUESDAY 21ST NOVEMBER 2017 AT 4.30PM IN ROOM K024

MEMBERS PRESENT:

Mrs Emma Tringham – Chair - ET
Mr Phil Davies – Principal – PD
Mr Mike Jones - MJ

IN ATTENDANCE:

Ms Nicola Cove – Deputy Principal - NC
Mrs Julia Tindall-Jones - Clerk

F17/43 Apologies

Apologies were received from Martyn Starnes and Iain Perring.

F17/44 Item 1.2 - Minutes of the Last Meeting

RESOLVED that the minutes of the Meeting of the Finance Committee held on the 20th June 2017, which had been previously circulated, be approved and signed as a correct record.

F17/45 Matters Arising

There were no matters arising not already covered by the agenda.

F17/46 Item 1.3 - Confidential Business

RESOLVED that Item 4 on the agenda required to be treated as In Commercial Confidence.

NOTED that no declarations of interest were made at the meeting.

F17/47 Item 2.1 – Finance Committee Dashboard

NC introduced the financial dashboard which gave a breakdown of the budget for the year and the projected outturn. At this stage of the year both columns are broadly the same but any variances would be more noticeable at the next meeting of the committee in February. The Chair commented that the budgeted non-ESFA income compared positively with the sector and NC confirmed that developing other income streams continues to be a College priority. Referring to budgeted staff costs the Chair asked if there was a particular event that had caused staff costs to increase. NC responded that there had

been no substantial changes to the cost base but the increase in the proportion reflects the high non pay costs previously associated with dBs cessation.

The Committee NOTED the Dashboard.

F17/48 Item 3.1 – ESFA Letter re Financial Plan.

NC introduced the expected financial plan letter from the ESFA agreeing the College's self-assessment of financial health for both 2016/17 and the 2017/18 budget going forward as Satisfactory. NC then referred to the dashboard provided by ESFA and commented that debt charges were not directly reported on by the College but the associated loan covenants were (specifically debt service cover). Referring to the sector performance tables, the Chair commented that the number of Inadequate colleges seemed to have decreased and she didn't want City College to start to move towards the bottom end of the performance table. NC responded that raw data indicates this not to be case and opined that some moderation had been applied by ESFA. The Principal commented that the number of mergers initiated in the ABR had also reduced the number of inadequate colleges. The Chair asked whether the College's predictions for 2017/18 and 2018/19 were still valid. NC responded that the College was in a better position at year end 2016/17 than predicted so the predictions could be regarded as being slightly pessimistic.

The Committee NOTED the contents of the ESFA Letter regarding the College's Financial Plan.

F17/49 Item 4.1 – Annual Report and Financial Statements 2016/17 – Summary – In Commercial Confidence

F17/50 Item 5.1 – External Audit Management Letter

NC introduced the Audit Completion Report from Francis Clark and informed the Committee that the Audit Committee had scrutinised it closely at their last meeting but that she wished the Finance Committee to have the opportunity to comment should they wish to do so. The Chair noted that there were no substantive unadjusted errors and commented positively on the layout of the report.

The Committee NOTED the External Audit Management Letter.

F17/51 Item 6.1 – Risk Management Annual Report

NC proceeded to introduce the Risk Management Annual Report, again asking Governors to note that it had been examined in detail by the Audit Committee before being recommended to Corporation. NC drew the Committee's attention to the Assessment and Assurance

section of the report which stated that the College's system of internal control is adequate.

The Committee NOTED the Risk Management Annual Report.

F17/52 Item 7.1 – Student Union Annual Accounts 2016/17

NC then introduced the Student Union Annual Accounts reminding Governors that they did not require approval as they are included as a separate cost centre within the College accounts. However it is a requirement of the SU constitution that the accounts are brought to the Finance Committee on an annual basis for information.

NC proceeded to give a short summary of the SU activities over the year and highlighted the initiatives the SU had adopted to increase its impact on the student experience and encourage its representative and lobbying function. MJ commented that the new student centre that had been created in the basement of the Innovation Building has been particularly well received by the students and that their input over the year had been significant in its planning.

The Chair asked what the Ofsted view was of the SU finances being overseen by the College. The Principal responded that they were neutral particularly as the College had a strong student voice and that it was quite normal in the FE sector for the accounts to be overseen by colleges and this was partly due to the age profile of the student population. NC added that completion of the accounts was useful training for the junior finance staff.

The Committee NOTED the Student Union Annual Accounts.

F17/53 Item 8.1 – Cashflow/Capital Update

NC introduced the Cashflow/capital update and informed Governors that, as at 31st October, the College had 11 cash days in hand. NC informed the Committee that the cash position this year would be challenging as a result of the uncertainty as to whether the Goschen site would be sold in year. NC stated that the underlying daily cash model did not include any allowance for Goschen's disposal and that the College's cash reserves, which were now greater than expected because of the improved year end performance, were sufficient. NC reminded Governors that the cash balance would reduce significantly between January and March because of the cyclical funding pattern. An overdraft facility is currently in place with Barclays for December and a further facility will be negotiated in early December for January to April.

The Chair asked whether the sale of Goschen in year would alleviate the tight cash situation. NC responded that it would, but as College cash reserves had been used to tide the College over there was room

for discussion on how the incoming funds might be utilised with the possibility of paying off some of the PCC loan being one of the options.

Referring to the Capital Programme, NC informed the Committee that Capital spend is on budget and that the ancillary STEM works were also on budget. NC then stated that there was a small underspend from 2016/17 which would not be rolled into the capital programme.

The Committee NOTED the Cashflow/Capital Update

F17/54 Item 9.1 – Corporate Performance Report – September 2017

NC introduced the Corporate Performance Report for September 2017 asking Governors to note that the operating surplus was slightly ahead of plan and that it had been a positive start to the year. NC reminded Governors that the ESFA receive the monthly corporate performance reports to keep them appraised of the College's financial situation and that she would be meeting with them in February to discuss the College's financial position going forward.

The Chair asked whether the income position was now largely set at this stage in the financial year. NC responded that there would be little change in the full year projected income and the AEB was still an issue as recruitment had been down in this area. NC informed Governors that the College had introduced a large number of activities to encourage greater adult recruitment but success would be limited as funding rules had reduced what could be claimed for. The Chair asked about potential clawback in year and NC responded that some provision had been made in the budget for this. NC finished her report by saying that adult loans had been very positive for the College over the last few years but growth was slowing in this area.

The Committee noted the Corporate Performance Report for September.

F17/55 Item 10.1 – Engineering Loan – Five Year Interest Rate Review

NC informed Governors that the Engineering Loan taken out in March 2013 was due its five year interest rate review and that this had been re-negotiated. The original loan had been set at 2% over LIBOR and the new negotiated rate is now 2.3% over LIBOR which reflects the banking sector trend. NC informed the Committee that the bank had wished to reduce the loan from five years to three but NC had pushed to remain at five and secured this agreement. The bank has also agreed that the covenants should remain the same.

NC informed the Committee that background research shows that banks attraction with the sector has decreased with preference being project funding rather than operational overdrafts and loans.

The Chair asked why it had been decided to maintain a five year term and not reduce it to three years. NC responded that three years would not give the College sufficient flexibility in its cash position and that keeping to the five years would only cost the College an additional £13k in interest.

NC concluded that if the Committee were happy to approve the re-negotiation then her delegated powers allowed her to conclude the re-negotiation without further recourse to Corporation.

The Committee APPROVED the Engineering Loan Five Year Interest Rate Review

F17/56 Item 10.2 – Additional Business – Letter from ESFA

NC tabled a letter from the Chief Executive of the ESFA to all principals in the FE sector which colleges are required to share with their Boards. The letter refers to the standards of governance and accountability and lays out areas of concern and best practice.

NC assured Governors that the letter should not cause them any concern as there was nothing mentioned that the College is not already doing. NC reminded Governors that the Board had two qualified accountants as members and a range of governors with financial expertise. The Chair asked whether the Principal and NC considered that the Board demonstrated an appropriate level of challenge. NC confirmed that this was the case and that the regularity audit and meeting minutes evidenced this challenge. NC further commented that more consistent attendance would be good and the Chair agreed. The Principal commented that the comments in the letter were aimed at colleges where governance is very poor and boards are not given adequate information for them to perform properly. The Principal confirmed that he believed that leadership and governance in the College was effective and that there was a good level of challenge.

NC reminded Governors that the College had a good record of setting and meeting its financial plan and that it had good financial and audit controls and continually clean audit opinions. The Chair asked a question regarding the College's commercial activities and NC responded that this section of the letter was aimed at colleges with large commercial activities both home and abroad and the College did not fall into this area.

NC then referred to the importance of data quality and said that data management was at a high level in the College evidenced by regular audit opinion.

The Committee NOTED the contents of the Letter from ESFA and AGREED that it should be considered at Corporation.

F17/57 Item 11.1 – Date of Next Meeting

The next meeting of the Finance Committee will be held on Monday
12th February 2018 in room K021 commencing at 4.30pm.

There being no other business the meeting closed at 5.45pm.

SIGNED _____ DATE _____