



**MINUTES OF THE MEETING OF THE FINANCE & RESOURCES COMMITTEE  
HELD 17 JUNE 2019**

Present: Mr Richard Stephen - Chair  
Mr Spencer Bowen  
Mr Chris Whelan  
Mr Farouk Durrani

In Attendance: Ms Kim Saw - Director of Finance  
Mr Jon Allen - Clerk  
Mr John Artis - Trust Member as an observer as part of the Member's induction programme.

The meeting commenced at 17.30

**APOLOGIES, WELCOME, , QUORACY & DECLARATIONS OF INTEREST**

30. The Chair welcomed everyone to the meeting. The Clerk confirmed that John Artis, an appointed Member of the Trust, was in attendance as an observer and not as a member of the Committee, as part of his induction programme. The Clerk confirmed the meeting was quorate. There was no declared interest against any of the agenda items.

**MINUTES**

31. The minutes of the meeting held 11 March 2019 were approved as an accurate record of the meeting.

**SUMMARY ACTION LIST & MATTERS ARISING**

32. The following progress update was made available against all the action points raised or carried forward from the last meeting.

<b>MIN REF</b>	<b>ACTION POINT FROM THE MINUTES OF THE LAST MEETING</b>	<b>UPDATE MADE AVAILABLE AT MEETING</b>
4	It was agreed to seek further clarification from AoN on what is meant by 'machinery breakdown' and what does this cover.	<p>If the College had any expensive plant or machinery that broke down which caused an interruption to the running of the College, the College would be covered as follows:</p> <p>Part A – Material Damage and Business Interruption</p> <p>All Risks of Physical Loss or Damage to Property including:</p> <ul style="list-style-type: none"> <li>• Theft</li> <li>• Glass</li> <li>• Subsidence</li> </ul>

		<ul style="list-style-type: none"> <li>• Money</li> <li>• Goods in Transit</li> <li>• Machinery Breakdown and Boiler Explosion</li> </ul>
7	The Committee asked if there was a need to conduct a tendering exercise or a value for money review on whether to continue to use AoN for this service. It was agreed to conduct a value for money review through a benchmark exercise with S7 Colleges.	It was reported that AoN are in their second year of a three-year contract. The benchmark exercise will be undertaken in the third year of the contract.
19	In terms of the cycle of business that was recorded on the board assurance cover sheet that was made available to support this agenda item, the Clerk confirmed that this is being subject to review and will be amended to reflect the correct committee titles and the correct cycle of business for this Committee.	This was amended and approved at the Trust Board meeting held 02 April 2019
28	It was reported that that the planning condition on the limit on student numbers that was put in place several years ago is subject to discussion with the planning department to get the restriction removed. It was agreed to keep the Committee informed on this.	<p>An application to withdraw the planning restriction on student numbers has been submitted to the Council with outcomes of the application expected in July.</p> <p>It was <b>AGREED</b> to carry forward this action point to the next meeting.</p>
29	The Director of Finance reported that the Trust Board would be asked to approve a new lease for photocopiers as the required authorisation level falls within the Trust's responsibility. The value of the lease is £11k per quarter for a 5-year period. A copy of the lease is to be made available to the Chair of the Committee for review before going to the Trust Board for approval	The lease was approved at the Trust Board meeting held 02 April 2019
	<p><b>Trust Board Meeting 02 April 2019:</b></p> <p>Trustees were asked to give consideration to starting future meetings at an earlier start time. It was <b>AGREED</b> for all Trust meetings to commence at 17.30 with immediate effect.</p>	Actioned with all meetings now starting at 17.30 with the exception of the Local Governing Body meetings that start at 16.30 to accommodate the student governors.

33. It was **RESOLVED** to note the Summary Action List.

### **MANAGEMENT ACCOUNTS 8 MONTHS TO 30 APRIL 2019**

34. The Management Accounts for the 8 months up to 30 April 2019 were subject to review.

35. The following headlines were noted:

	<b>April actual Surplus/(deficit) £000</b>	<b>Year to date actual Surplus/(deficit) £000</b>	<b>Year to date forecast Surplus/(deficit) £000</b>
Before non-cash items	57	574	165
Retained surplus/(deficit)	57	211	(196)

	<b>Balance at 30.04.19 £000</b>	<b>Balance at 31.03.19 £000</b>	<b>Balance at 31.08.18 £000</b>
Bank & cash	2,311	2,227	1,701
Net assets	15,089	15,032	14,878

36. The movements from budget as at 30 April 2019 were outlined in the Management Accounts. The total movement to date against budget is a positive variance of £117k.

37. Variances between actual and budget income and expenditure figures were mainly due to timing differences between the budget phasing and the date on which expenditure is incurred. The most significant exception to this is Pay Costs. A favourable variance of £280k has arisen as the budget included a 2% pay award for 2018/19, whereas only 1% had been awarded pending completion of national negotiations. These are now complete and the RLA has awarded the recommended increases, plus an additional 0.5%. This will be backdated to 01 September 2018, and paid in the July payroll.

38. The Management Accounts outlined the planned Summer Works programme. The proposed schedule, costs, and funding of the summer works was noted.

39. It was **RESOLVED** to note the April Management Accounts. It was noted that the April Management Accounts had been circulated to all Trustee and Members and the Management Accounts will also be an agenda item at the July Trust Board meeting.

## **TRUST BUDGET 2019-20**

40. The following headlines were noted:

<b>ESFA INCOME</b>	<b>PAY</b>	<b>NON PAY COSTS</b>
117 additional students	Increase of £820k (9%)	Increase of £181k (7%)
2,454 students in total	Budgeted pay award of 2%	Average inflation rate 2%
Programme funding of £11,299k  Average funding per head £4,617 as against last years current funding of £4,569 per student	Increase of £366k in employer contributions to the Teachers Pension Scheme.  Government has agreed to fund this increase but for 2019/20 only.	Capital projects:  IT - Wifi upgrade - £80k Summer works - £190k

	<b>19/20 Budget</b>	<b>18/19 Year-end Forecast</b>
Surplus before non cash items	£410k	£226k
EBITDA (Earnings before interest, tax, depreciation and amortisation)	3.20%	1.94%

41. As an academy, the College is no longer required by the ESFA to calculate a financial health grade. The only measure required is that an academy sets at a minimum a balanced budget for each financial year (although it can draw on unspent funds brought forward from previous years). The proposed budget 2019/20 forecasts a positive budget with a surplus of £410k before non cash items.

42. It was reported that the income line projections are solid projections, with no risks on any income line so there should be no surprises during the year. Expense forecasts are based on robust consultation with staff and a full review of all known entities, factors and potential risks.

43. On pay, the following assumptions were noted:

- The budget is based on current staff using the appropriate payscale effective from 1st September 2018, known leavers and joiners, and advertised vacancies.
- Some staff (teaching and support) are entitled to automatic progression, effective 01 September 2019 which is budgeted at £80k.
- The budget assumes a pay award of 2% (pensionable), effective 01 September 2019.
- The SFCA will negotiate a national pay award with the unions which is expected to conclude towards the end of the Autumn term. As was done for 2018/19, a pay award of 1% will be made effective from 1st September 2019, with a further award once the national negotiations are complete, which will be backdated to 1st September 2019.
- All budgeted new appointments have been included at the top of the pay scale. The majority of the appointments made to date are not at the maximum salary level. This will be reviewed again once all the appointments have been made. The College will continue with the policy of replacing leavers with staff lower down the pay scales wherever possible.
- The budget also includes the following additional estimated staff costs:
  - Overtime / supply £250k
  - Maternity / paternity cover £57k
  - Long term absence £30k
  - Additional staff requirements £100k
- All new staff are budgeted to be in a pension scheme. For those existing staff who have opted out of a pension scheme as at April 2019, it is assumed that this will remain in place for the full year 2019/20.
- LGPS lump sum deficit contribution of £28k pa.
- Apprenticeship levy of 0.5% of payroll costs (excluding on costs) in excess of £3m; estimated £19k. To date, the College has not been able to access the levy as there are currently no employed apprentices.

44. The movement in pay costs from 2018/19 to 2019/20 was summarised as follows:

	£000s
<b>Pay roll budget 18/19</b>	<b>£8,730</b>
2% pay award	£134
Staff progression	£80
Net leavers/joiners/contract changes	£141
TPS Increase	£365
Provision for extra staff	£100
<b>Pay roll budget 19/20</b>	<b>£9,550</b>

45. Cash flow forecasts for the 12 months remain healthy with a forecast cash generation of £400k. Cash balances are forecast to be £2,434m at year-end against the opening cash balance of £2,254m, a positive movement of £182k during the year.

46. Following review, it was **RESOLVED** to recommend that the Trust Board at its meeting on 01 July approves the Reigate Learning Alliance Budget 2019/20.

#### **BOARD ASSURANCE FRAMEWORK - ASSURANCE ASSESSMENT TO BE CONDUCTED BY THE COMMITTEE**

47. Under the newly introduced Board Assurance Framework (BAF), each Committee is asked to conduct at the end of their meeting an assessment on their level of assurance agreed against each report received (including briefings and verbal updates), and for the assessment to be reported to the Audit Committee and Trust Board (The assessments being: Green = high assurance - no additional actions or monitoring are recommended at this point; Amber = medium assurance – a further report is likely to be required at the next meeting; Red = low assurance - additional actions are likely to be required and reported at the next meeting).

48. The following assessments were agreed on reports considered at this meeting:

Agenda item number	Paper number	Subject	Report prepared by	Attached papers or report(s)	Board Assurance (yes/no)	RAG rating	Any Committee Recommendation (s)
6	3	Management accounts	KS	Y	Y	<b>GREEN</b>	No recommendations
7	4	19/20 Budget	KS	Y	Y	<b>GREEN</b>	For the Trust Board to approve the Budget 2019-20

#### **ANY OTHER BUSINESS**

49. It was reported that the local MP visited the College that day and was questioned on funding issues facing the sector. The MP listened to the concerns expressed by the College Executive on current funding levels and he agreed to take these concerns back to the Skills Minister.

50. A request was made for the Committee to review current spending authorisation limits. The current system of spending authorisations was set up 15 years ago and is in need to of revision to reflect:

- Inflation
- The greatly enlarged college having a larger number of orders that require authorisation
- Difficulties with obtaining three quotes
- Changes to regulatory requirements for public sector procurement

Two alternative approaches used by other Colleges/Academies were outlined and summarised as follows:

- All allocated budgets – within OJEU limits – are delegated to College management to spend. This is used in a number of other S7 Colleges.
- To retain the existing methodology with revised guidance.

51. It was confirmed that for some orders the College has preferred suppliers, typically building services and contractors. The College would want this arrangement to continue. It was agreed a review of any preferred suppliers should be carried out every three years with on-going price testing of preferred suppliers.

52. The Committee agreed that the existing authorisation limits do need to be reviewed and increased to bring them up to date.

53. In terms of spending authorisation limits and guideline, it was **AGREED** for the Executive to draft a policy based on discussions held at this meeting, and for the policy to be circulated to Committee members before being put to the July Trust Board meeting for approval.

54. There was no other business.

#### **DATE OF NEXT MEETING**

55. Dates for 2019-20 to be confirmed at the July Trust Board meeting.

The meeting closed at 18.45

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chair)

#### **Action Points:**

**Minute 28:** An application to withdraw the planning restriction on student numbers has been submitted to the Council with outcomes of the application expected in July. Outcomes of the application to be reported to the Committee.

**Minute 53:** In terms of spending authorisation limits and guideline, it was **AGREED** for the Executive to draft a policy based on discussions held at this meeting, and for the policy to be circulated to Committee members before bring put to the July Trust Board meeting for approval.