

WEYMOUTH COLLEGE AUDIT FINANCE COMMITTEE			
<u>Minutes of the meeting of the Audit Finance Committee held on 21 January 2020</u>			

<i>Members present</i>		<i>In attendance</i>	
Rosie Darkin-Miller	Chair	Sue Ratcliffe	Clerk to the Corporation
Jane Nicklen		Nigel Evans	Principal
Andy Matthews		Rob Cole	Director of Finance
Steve Webb	Not present	Richard Noah	Chair of the Board <i>Apologies</i>
Jo George		Nick MacBeath	TIAA <i>Apologies</i>

Apologies for Absence

01/2020 Apologies for absence were received from Richard Noah, Chair of the Board and Nick Macbeath from TIAA.

Declarations of interest

02/2020 Members had nothing to declare.

Notification of Any Other Business

03/2020 There were no items of other business.

Minutes of the Meeting held on 26 November 2019

04/2020 The minutes of the meeting held on 26 November 2019, previously circulated were approved as a correct record and signed by the Chair.

The Committee noted that the final amended version of the Committee's Annual Report to the Corporation was uploaded to the GVO after submission to the ESFA with the Annual Report and Financial Statements, as required.

Internal Audit

05/2020 a) The Clerk reported on discussions with TIAA to change the follow-up process as highlighted at the last meeting, to avoid duplication with the production of in house reports and an end of year report by TIAA. Positive discussions have taken place, on the process for us using the TIAA online portal, which tracks progress with recommendations. The portal is updated by the College on a regular basis, and then a print off used for each committee meeting. How we provide acceptable evidence to TIAA of progress and completion are being considered.

Discussion followed on the sample print off provided:

- Members accepted that the old recommendation to update the Financial Documentation was nearing completion, the updated Financial Regulations were complete and the Financial Procedures will be completed by 1 February 2020. The Apprenticeship Review recommendations will be updated ready for review at the next meeting.
- Clarity on the RAG rating, as provided by TIAA, which seem to be related to timing of implementation rather than progress, will be discussed going forward, as we progress the new monitoring and follow-up arrangements.

Financial Report

a) P4 and P5 Reports

06/2020 The committee received P4 and P5 Financial Reports. The Director of Finance reported on the P5 position and Members noted the following key points, which were highlighted in the report:

- Budget set with EBITDA of £501k
- ESFA financial health for 2019/20 is 'Inadequate'
- Forecast position at year-end currently at +£415k EBITDA
- Variances due to staffing / contract changes, lower HE fees, higher HNS income, higher 'other income' following the autumn round of budget monitoring meetings
- The college is in the process of formally applying for in-year student growth funds to draw forward additional funds from 2020/21 forecast budgets as some cost pressures attributable to student growth.
- Improving 2020/21 forecast budget position due to student growth (7%) with ESFA financial health returning to 'Requires Improvement'.

Members asked:

- For clarification on the establishment of a curriculum contingency. With a budget driven 5% cut last Summer, some schools were now experiencing some budget pressures, so to alleviate any risks due to student growth, a contingency has been built centrally, managed by the Vice Principal – Curriculum.
- For clarification on the difference between NCS hosted status and the Weymouth and Portland Outdoor NCS Delivery. The Weymouth and Portland outdoor also provide curriculum activities as well as NCS in the summer. It is proposed to consider the two together as there is new income through NCS.
- Staff costs £39k appear as overspend. This was included as a vacancy management savings target, when in reality there can be other costs such as cover through agencies. Assuming no more planned vacancy savings will be found, it means any that do accrue are an improving position for the year-end.
- In-year funding – possible additional income for in year growth numbers has been requested. A desk top exercise by the ESFA may mean, if successful, up to £150k in March.

b) Draft Budget 2020/2021 and Budget Forecast 2021/2022

07/2020 The Committee received a report providing an update to the 2020/21 budget forecast and an initial budget forecast for 2021/22

The Director of Finance reminded members:

- That as a development to the CFADS model (Cash Flow Available for Debt Servicing), **all Colleges are now required to submit a newly ESFA developed Integrated Financial Model (IFM) for Colleges**, which confirms the current financial year budget and cash flow and a further 24 month rolling cash flow, which includes the 2020/21 and 2021/22 financial years.
- The College will formally propose a 2020/21 budget and 2021/22 budget forecast in July for Corporation approval. This report presents an early update to the budget / forecasts based on latest student numbers, staffing and pay assumptions and any other significant considerations to enable the **completion of the IFM for 2020/21 and 2021/22 by the ESFA deadline of the 28th February 2020.**

- It is expected that the draft budget plans will change by July 2020, as College strategic planning, curriculum planning and ongoing budget monitoring will all inform the final budget submission.

The Committee understood the paper reported a very early indication of an improving position over the next two years. The Director of Finance emphasised that the budget figures included:

- An increase in student number enrolments;
- The increased funding rate announced by the Government, and
- A 2% pay award for staff.
- a 'desk top' review of in-year student growth by the ESFA in recognition that this places additional financial strain on short term cash flow due to the delay in lagged funding, is taking place.

Discussion followed on the implications of the forthcoming rises in the NLW, which give those affected a 6.2% increase. The College currently has 55 staff on NLW; this figure will rise to 137 in April 2020, and will affect the differential rates of pay for staff who have supervisory or qualification requirements. SLT are considering making recommendations on timing and different percentage rises. A detailed proposal will be developed and presented to the Board in due course.

The Committee noted:

- If the application for in year growth funding is successful and timing is right, this would cover the NLW costs. It is understood that up to 50% of additional funds due to student growth (up to £150k) could be paid across to the College in late Spring – this will of course assist with cash flow but growth funding will be accounted for in next year's budget.
- The operating expenses table has identified some savings, including revised procurement contracts. Members were impressed by what had been achieved.
- Debtor figures were noted as was the potential that a £10k debt from a language school, would be written off following exploration of all avenues to recover the debt.
- Redlands nothing further to report, while awaiting for the report commissioned by Dorset Council on all leisure facilities, to be published.
- If no resolution, The College will also need to identify sink funds (as a cash reserve) of up to £250k to replace the 3G football pitch at Redlands within the next few years.
- The Committee acknowledged Budget planning assumes the continuation of Redlands (net cost to College of approx. £200k) and Poundbury (net cost to College of £130k).
- The key signal within this report is sustaining and improving College financial health (and to reach 'Good' / 180 points) with the 2021/22 EBITDA of £880k and financial health points score of 150 pointing towards costs starting to exceed income, which poses a threat to the College (with no strategic action) for 2022/23 and beyond when TU repayments start to increase.

Updated Financial Regulations

08/2020 The Committee received a copy of the final draft Revised Financial Regulations 2019, and were reminded that these were the responsibility of the Principal to evidence compliance with Board Governance Policies EL3, EL4 and EL5 and to provide operational regulations for staff.

The Corporation through the Audit Finance Committee received the updated document, for comment as required, and to monitor the introduction of the new Regulations in response to a long standing Audit Recommendation and therefore help to monitor operational effectiveness.

Members accepted that it was evident from the regular monitoring of monthly Financial Reports; the Moore Annual Audit Report and the Annual Report and Financial Statements, that the College is not compliant with its Governance Policy EL4.1 Financial Condition as follows:

- The College has not met its financial health target.
- Has breached loan covenants, albeit with bank waiver support letters provided each year.
- Has struggled with difficult cash flow and surplus forecasts, resulting in the board-approved application for refinancing its BIS loan, to the Transaction Unit in 2019 .

Members reaffirmed the Board's intention (as per College strategy) to get to good financial health, but whilst the Board knows this is a gradual process, we are working towards this without making significant budget changes that could affect College outcomes.

Members did not consider it prudent to recommend to the Board any changes to the Governance policies but to continue with regular scrutiny of progress with achievement of the current financial policy and working towards an improved financial health score.

A number of minor typographic and presentation items were highlighted and to avoid duplication and to give more clarity, the detailed references to the Whistleblowing Policy in the Regulations will be removed and signposting be included to the source documents, which will be provided as appendices to the document.

Andy Matthews left the meeting

Any Other Business

09/2020 - There were no other items of business.

Date of Next Meeting

10/2020 The next meeting was confirmed as 10 March 2020.

Signed _____ Chair

10 March 2020