



## Finance & Operations Committee

(Via Telephone)

**Tuesday 25<sup>th</sup> February 2020**

### Minutes

**Present:**

**Governors:**

Aisha Adesanya  
Pamela Chowdhury  
Peter Green  
Lucy Harrison  
Adrian Marrocco (Chair)  
James Marshall  
John Rubinstein

**In Attendance:**

Ian Hooper  
Carol Kirkland  
Claire Mugridge  
Beth Yap

|    |                        |
|----|------------------------|
| 1. | Governance             |
| 2. | Approval of IFMC       |
| 3. | AOB                    |
| 4. | Dates of Next Meetings |

| Minute | Action, Decision or Recommendation                                                                                   | A/D/R |
|--------|----------------------------------------------------------------------------------------------------------------------|-------|
| 2.     | To recommend the IFMC to the Board for approval and submission to the ESFA by Friday 28 <sup>th</sup> February 2020. | A     |

**1. Governance**

**1.1 Apologies for Absence**

Delia Goldring.

**1.2 Declaration of Interest**

None.

**2. Approval of the IFMC**

The Committee was informed that the ESFA has changed the way colleges submit financial plans by the introduction of the Integrated Financial Model Submission (IFMC).

The Clerk explained that the IFMC has caused a wave across the sector due to the large amount of work involved and the short turnaround that is expected from College staff. In addition to this, Corporations must formally approve the IFMC before submission to the ESFA on 28th February 2020.

The Committee is being asked to consider the financial information provided within the IFMC and ensure that it is consistent with the 2019-20 budget. This includes the strategic and financial objectives, assumptions, sensitivity analysis, financial health self-assessment, income, expenditure, cash flow forecasts and assets & liabilities.

John Rubinstein reminded the Committee that a third of IFMC is made up of the year-end accounts, which have already been externally audited, a third is the current management accounts, which are regularly reviewed by the Finance & Operations Committee, and the remaining third relates to next year's finances, of which a large amount is still unknown.

Claire Mugridge informed the Committee that the outturn contained in the IFMC is based on December's accounts and the budget for next year is based on assumptions rather than knowledge. Claire explained that the budget assumes that the majority of costs remain consistent with this year. However, the funding per student has increased as per the announcements in autumn 2019.

Claire outlined the other income, such as the teacher pension grant, ESFA maintenance grant, Sports England grant and lettings income.

Claire reminded the Committee that the staff pay awards for 2019-20 have not yet been awarded this year but the College has assumed 2% to be backdated to September. **In response to a question from governors**, Claire explained that the pay award last year was 1 or 2%, based on where a member of staff was on the pay scale and confirmed that a 2% pay award this year is realistic.

The Committee discussed whether an assumption of 2.5% would be more prudent and was informed that this had been included in the sensitivity analysis.

Claire reminded the Committee that the College is aware of additional funding for 2020-21 and 2021-22. Therefore, £100k of staff contingency has been included in these budgets, as it is assumed that additional staffing may help the College meet its strategic objectives once increased funding has been confirmed. This cost has been included in 'other staff costs'.

The Committee then considered operating costs, noting that all overhead costs have been increased at a rate of 2.5% per annum in both 2020-21 and 2021-22. In addition to this, an additional £20k has been included in IT costs for 2020-21 and 2021-22 so that the College can develop its inhouse systems, such as Woodle.

The Committee was informed that £20k has been included in the 2020-21 budget for fees relating to the maths school project. John reminded the Committee that, should the maths school go ahead, the College would receive a grant of £25k from the DfE, which has not been included in the IFMC.

Claire then drew attention to the sensitivity analysis, with scenario 1 outlining the impact of a 3% pay award in 2020-21 and 2021-22. The Committee was concerned about this figure and agreed that it should be discussed in more detail when agreeing the 2020-21 budget.

The Committee then considered the capital budget noting that, as many areas of the campus now require upgrading, £150k per annum for this has been included in the 2020-21 and 2021-22 budgets.

**Governors questioned** whether the College has received additional funding for its EHCP students. Claire confirmed that the Barnet and Enfield local authorities are fully funding these students.

The Committee was reminded that the budget is prudent, and no income has been included unless the College is sure that it will be received.

**In response to a question from governors**, Claire confirmed that line 62 of the balance sheets pertains to the IT running costs, such as Woodle, Microsoft office etc. Whilst the £90k for IT costs on the capital spreadsheet is for new equipment.

Claire then drew attention to the financial KPIs, informing the Committee that the College predicts to be financially ‘outstanding’ in 2020-21 and 2021-22. John reminding the Committee of the increase of funding per student, the additional funding for students taking two or more STEM subjects and the uplift weighting for science. These increases will positively impact the College and are expected to increase overall funding by around £800k per annum.

The Committee noted that ‘EBITDA as a percentage of income’ is currently 2% but is expected to increase to 6% next year, due to the increase in funding.

‘Net Capital as a percentage of income’ is currently 105% but is expected to reduce to 45% in 2020-21 and 49% in 21-22.

The Committee then discussed the cashflow forecast, noting that the College expects £2.8m in cash in July 2022. The forecasts show that cash balances will be at the lowest in March each year (March 2020- £1.86m, March 2021- £1.664m and March 2022- £1.963m). and shows the College is in a strong healthy position.

Claire then drew attention to sensitivity analysis which included:

- LGPS Employers contribution rate increasing by 2% from Sept 2020 (increase of £20k). Not material.
- Teachers’ Pension Grant not payable in 2021-21 (decrease of £242k). This would reduce the College’s financial health status to good.
- Student numbers reduce to 1450 in autumn 2020 (decrease of £134k). As funding is lagged, this would impact the following year.

The Committee reviewed the sensitivity analysis, agreeing that this is clear and comprehensive. **In response to a question from governors**, Claire confirmed that there is nothing from last year’s sensitivity analysis that has not been included in the IFMC.

The Committee was reminded that the IFMC is purely a presentation change, to give colleges early warning signs of financial difficulty, and there has been no

change in calculating how colleges are funding or how they are graded financially.

Therefore, after fully discussing the IFMC, the Committee agreed to recommend this to the Board for approval and submission to the ESFA by Friday 28<sup>th</sup> February 2020.

The Committee thanked the Principal and College Accountant for their hard work on the IFMC.

**3. AOB**  
None

**4. Dates of Next Meetings**

|                             |                                |
|-----------------------------|--------------------------------|
| 9 <sup>th</sup> March 2020  | Finance & Operations Committee |
| 23 <sup>rd</sup> March 2020 | BOARD                          |
| 15 <sup>th</sup> June 2020  | Finance & Operations Committee |
| 6 <sup>th</sup> July 2020   | BOARD                          |