



## Finance & Operations Committee

**Monday 27<sup>th</sup> June 2016**

### Minutes

**Present:**

**Governors:**

Delia Goldring  
Peter Hammond (Chair)  
Fenton Higgins  
Peter Murphy  
Ian Phillips  
John Rubinstein

**In Attendance:**

Funmi Esoula  
Peter Green  
Ian Hooper  
Carol Kirkland  
Beth Yap

|     |                                 |
|-----|---------------------------------|
| 1.  | Governance                      |
| 2.  | Minutes of the Previous Meeting |
| 3.  | Matters Arising                 |
| 4.  | Financial Report                |
| 5.  | Personnel Report                |
| 6.  | Premises Report                 |
| 7.  | Marketing Report                |
| 8.  | Risk Management                 |
| 9.  | AOB                             |
| 10. | Dates of Next Meetings          |

| Minute | Decision or Recommendation   | D/R |
|--------|--|-----|
| 4.1    | To recommend the first ten months of the Management Accounts to the Board for approval | R   |
| 4.2    | To recommend the Budget for 2016-17 to the Board for approval.                         | R   |
| 6.2    | To approve the accommodation charges for 2016-17.                                      | D   |

**1. Governance**

**1.1 Apologies for Absence**

Clive Hazlehurst.

**1.2 Declaration of Interest**

None.

**2. Minutes of the Previous Meeting**

**2.1** The minutes of the meeting of 7<sup>th</sup> March 2016 were approved and signed by the Chair.

**2.2** As minutes 6.2 and 7.0 were deemed to be confidential, these would be removed prior to the minutes being uploaded to the College website.

BY to upload to web

**3. Matters Arising**

**3.4.1** Updates on new financial health scoring scheme and pension liability to be presented at the next meeting of the Committee.

FE to present updates at next meeting.

**3.5.0** Ian Hooper explained that after offering flexible-hour contracts, a

number of teaching positions have been filled.

#### **4. Finance Report**

##### **4.1 Management Accounts 2015-16**

John Rubinstein presented the Committee with the management accounts for the first ten months of the financial year.

John informed the Committee that the College is predicting an end of year surplus of £172k and this would mean that the College's financial health remains outstanding. The Committee was informed that over the next month, the College would be committing additional expenditure in order to relieve the pressure on next year's budget where possible, and therefore this outturn may be reduced, although still remain Outstanding.

The Committee noted that there were no material changes from the previous report in March 2016.

Governors questioned the pension liability figures and were informed that an actuary's report is due during the summer break and updated figures would be known then.

The Committee agreed to recommend the first ten months of the Management Accounts to the Board for approval.

##### **4.2 Draft Budget for 2016-17**

John Rubinstein presented the Committee with the draft budget for the next financial year, explaining that this will likely be a difficult year given the small increase to income and large increase to expenditure. John drew attention to the fact that the budget assumes an enrolment of 1360 students, an increase of 3%.

The Committee noted that income has increased by 2% and includes an additional £40k from free student meals that was unspent in 2015-16. John also drew attention that lettings income is expected to increase to around £164k. This is an increase of £25k from this year and is largely due to the 3G pitch.

The Committee also noted that operating costs have increased by 4%. This is largely due to staff expenditure increasing to £230k mainly due an increase in employer contributions but also some additional staffing to give the capacity for growth in student numbers.

The Committee noted that the budget had little if any 'fat' and resulted in a tiny surplus of £4k, allowing very little room for manoeuvre.

The Committee questioned whether peer colleges were also facing financial challenges. John explained that in addition to increasing employer costs, other colleges are also facing the loss of their transition funding - something Woodhouse did not receive. The Committee noted

that during its area review, Woodhouse was the only college in its area that held outstanding financial status.

Governors asked whether further progress had been made to share services with local colleges. Ian Phillips explained that this was discussed amongst the London Sixth Form Colleges but there was no appetite to share or pool services. However, the College is having discussions with Barnet & Southgate College about payroll services.

After noting that a provision for incremental pay awards had been built into the budget, governors questioned how these are achieved. Ian Hooper explained that many staff are at the top of the scale; those who are eligible for incremental awards must achieve 'acceptable performance' to qualify for increments.

Governors remarked on the 11% increase in examination costs and John explained that this is mainly due to the fact that in this transitional year, the College will have to pay for AS exams for first year students and also for full two-year exams for second year students. Full prices have not yet been published, so the budgeted figure is an estimate. However this should reduce again in 2017-18 when AS exams are no longer taken.

The Committee reviewed the cash flow projection noting that this includes a provision for capital expenditure of £425k and includes the new reception (£179k) and the rolling programme (£80k). The impact on the cash flow would be a projected outturn of £1.73m in July 2017. In reviewing the cash flow, the Committee had a small difficulty mentally reconciling it with the Income & Expenditure account. It was agreed that this would be checked to be completely sure of accuracy.

Governors questioned whether the 1360 target for student enrolment was too conservative. John explained that 1360 is a minimum as the College is aiming to fill every space available. However to recruit a large number of additional students, such as 1400, this would require additional staff and is not an option this year.

Therefore the Committee agreed to recommend the Budget for 2016-17 to the Board for approval.

#### **4.3 Three-Year Financial Plan**

The three-year financial plan was tabled at the meeting. This is an EFA generated report, populated by Woodhouse data from current year and the budgets for 2016-17 and 2017-18. John Rubinstein reminded the Committee that the plan includes a number of assumptions; such as achieving 1360 students in 2016-17, awarding a 1% pay increase and hiring additional staff members.

Governors were also informed that the plan takes into includes a sensitivity analysis. The College determined four main sensitivities to consider: a decrease in student numbers and other income (such as lettings) and an increase in staff costs and other operating costs.

Overall, the three-year financial plan confirmed that the College should maintain outstanding financial health up until 2018.

The Committee agreed that the three-year plan should be presented at Board with a summary sheet from the College.

#### **4.4 Trading Subsidiary**

The internal auditors had recommended that the College consider setting up a separate trading subsidiary; as income increases via lettings the College becomes closer to the threshold for corporation tax and VAT.

The Committee noted that a separate trading subsidiary would incur additional audit costs. The Committee went on to review lettings income, noting that the VAT threshold is £83k and the College is currently at £68k. Carol Kirkland reminded that these figures do not include a full year of lettings on the 3G pitch. The Committee requested that the Principal contact St Francis Xavier Sixth Form College, who have already set up a trading subsidiary.

JR to contact St Francis Xavier re: trading subsidiary

Governors were pleased to note an increase in lettings enquiries, due to a clear and focused drive in marketing, and include new activities such as children's parties. It was suggested that the College might wish to refuse bookings which would bring income over the threshold resulting in a significant net loss. The College would need to have a clear view of marginal income becoming sufficient to offset tax.

The Committee agreed to make no decision at this stage but advised that the College continues to monitor its lettings and review this again in March 2017.

BY to add to March agenda.

#### **4.5 Financial Objectives**

Governors reviewed the proposed financial objectives, as drafted by the previous College Accountant and Director of Business and Operations.

The Committee agreed that rather than creating an annual surplus of 3-5% the College's financial objective should EBITDA at a minimum of 120% of capex (less any grants received).

The Committee requested that the objectives are populated with current figures, including next year's budget, and are brought back to the next meeting of the Committee.

BY to add to Sept agenda.

### **5. Personnel Report**

Ian Hooper updated the Committee on the personnel report, highlighting that there has been a restructuring of student-facing staff. There will now be Heads of Faculties who will be managing groups of related subjects.

Sickness has increased from last year due to a number of long-term absences. However, internal staff have covered these.

Governors requested clarification of the ratio of teaching to support staff absences against that of the rest of the sector.

JR to obtain 'teaching: support staff' in the sector.

The Committee questioned if there are any trends amongst staff leaving the College. Ian explained that the only trend seems to be staff leaving London to start families. The Committee noted that the majority of new starters are from schools and colleges within London; some of who are from local competitors.

## **6. Premises Report**

### **6.1 Confidential Item**

Confidential Item.

### **6.2 Lettings**

The Committee considered the accommodation charges for the next academic year and approved these, noting that prices remain competitive.

The Committee questioned the difference in price between weekday and weekend lets. Carol explained that this is due to certain facilities such as the dance studio, not receiving much interest during the weekends. Therefore a reduction has been made to encourage bookings. The Committee then reviewed the timetable of lettings noting that the majority of these are during the week.

### **6.3 Other Premises Updates**

Carol Kirkland informed the Committee that work on the reception has started today with an estimated completion date of 11<sup>th</sup> August 2016, in time for results day.

The Committee discussed a note from Premises Working Party regarding concerns around security of the new reception area. Carol confirmed that a Health & Safety consultant has visited the premises, as directed by the Audit Committee, and has approved the plans regarding disabled access and security. In addition to this, the plans have also been submitted and approved by Building Control.

The Chair of Governors explained that the Search & Governance Committee has agreed that the Premises Working Party is no longer required as it has fulfilled its brief to complete the reception project. The Committee agreed that, should the College consider another project, this would come to the Finance & Operations Committee for consideration in the first instance. The Committee thanked all those involved in the Premises Working Party for their hard work on this project.

The Committee discussed the need for a growth and accommodation strategy spanning the next 3-5 years.

JR/CK to draft accommodation strategy.

**7. Marketing the College**

The Committee reviewed the latest marketing report and were informed that due to cuts in the marketing budget big projects such as the Woodhouse app and merchandising are currently out of reach. Governors were pleased to note that an intern will be assisting in marketing from September 2016.

Governors agreed that an informal meeting is needed in September to discuss the PR / Business Development roles.

Separate meeting regarding PR / BD roles to be convened.

**8. Risk Management**

The Committee reviewed the risks for which it had responsibility and were satisfied with all explanations given, noting that many of the risks had been discussed during the meeting.

The Committee noted that funding is frozen until 2020 and morale within the College has dipped due to uncertainty around curriculum, area reviews and the transition to new A levels

**9. AOB**

Governors received the College's 'estates review'. This was presented as part of the area review process and outlines key figures such as running costs per student, comparing them across the sector.

The Chair of Governors noted that this is the last Finance & Operations meeting of Peter Hammond, who is Chair of the Committee, and thanked him for all his hard work.

**10. Dates of Next Meetings**

4<sup>th</sup> July 2016

BOARD

The meeting concluded at 7:43pm