



**MINUTES OF A MEETING OF:  
THE CORPORATION'S FINANCE AND RESOURCES COMMITTEE  
5.30PM TUESDAY 11 JUNE 2019, WHATMOOR ROOM**

<b>Members:</b>	*Hannah Crocker; *Andy Foot; Robert Lasseter (Chair); *Annetta Minard; *Luke Rake (Principal); *Andrew Robinson; *Elaine Taylor; *Jim Tirrell  *Richard Bourne (Co-opted member); *Graham Ledden (Co-opted member)
<b>In attendance:</b>	*Vanessa Gifford (Clerk); *Chris Pedder (Deputy Principal (Finance & Corporate Services) (DPFCS)); *Michael Clarke (Chair of Audit & Assurance Committee)

*\* Indicates actual presence at this meeting [Quorum = 3 Committee Members]*

ITEM NO.	DETAIL	
1.	<b>DECLARATIONS OF INTEREST</b>  In the absence of the Committee Chair, the Chair of Corporation took the Chair.  There were no declarations of interest <b>NOTED</b> .	
2.	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were <b>NOTED</b> from Robert Lasseter.	
3.	<b>MINUTES OF THE MEETING HELD ON 2 APRIL 2019</b>  The Committee <b>AGREED</b> the minutes as a true and accurate record, subject to a slight amendment to Item 6 to state "without excessive optimism", and <b>APPROVED</b> the non-confidential minutes for website publication.	
4.	<b>MATTERS ARISING</b>  The following matters were <b>NOTED</b> from the minutes of 2 April 2019: <ul style="list-style-type: none"> <li>• It was confirmed that the 4pm session for the October Corporation meeting would be held at the Dorset Studio School for an update on the school.</li> </ul>	
5.	<b>FINANCIAL REPORT TO 30 APRIL 2019 (Management Accounts)</b>  The Financial Report to <b>30 April 2019</b> was <b>SCRUTINISED</b> by members and the following points <b>NOTED</b> : <ul style="list-style-type: none"> <li>• It was noted that the current projection excluding FRS102 adjustments was an operational surplus of £51K, but after utilising all of the original contingency and reducing non-pay budgets. The Deputy Principal</li> </ul>	

	<p>(Finance &amp; Corporate Services) reported that there was a risk to the outturn with the reasons set out on page 2 of the report. He was disappointed but SMT were doing everything possible to control spending to mitigate the risks. There was an expectation that savings would flow through by the end of the year, but a freeze on expenditure had been implemented.</p> <ul style="list-style-type: none"> <li>• The Deputy Principal (Finance &amp; Corporate Services) advised that he was engaging with the banks to ensure any risk to the covenants was understood and the banks were reasonably comfortable.</li> <li>• It was noted that capital spending was over-spent but mostly due to emergency work with a protected estate.</li> <li>• The Corporation found it very frustrating that national funding support was going to colleges that had failed, which appeared to be a reward for failure.</li> <li>• Members questioned whether Tuition Fees was a sector wide issue and the Principal advised that it was, as there appeared to be less expendable money out there. It continued to be a challenge and all steps were being taken to grow the commercial activity with a new Commercial &amp; Finance Manager being appointed. It was hoped that major work on a new website would also make it easier to navigate and find courses.</li> <li>• The cash balance was currently healthy with the third house sale to go through later in the year. Members were concerned about the 'Cash days in hand' but the Deputy Principal (Finance &amp; Corporate Services) advised that this was partly down to timing, and the proceeds from the house sale would assist.</li> <li>• The Committee questioned catering within the accounts and the Deputy Principal (Finance &amp; Corporate Services) agreed that there was a degree of concern on costs. This would be the number one challenge for the new Commercial &amp; Finance Manager. It was noted that one of the challenges was the availability of staff.</li> <li>• The Committee questioned the outstanding debt for the Music by the Lake event and the Deputy Principal (Finance &amp; Corporate Services) advised that this was the Main Sponsor contribution. It had been agreed that this would be paid in July and in hindsight the invoice should have been drawn up nearer the time. The Principal advised that the new Business Development Consultant was doing an excellent job in obtaining sponsorships, including £10K from a law company to sponsor some Equine activity and Open mornings.</li> <li>• The Bank Covenants were discussed in detail and agreed that they should be re-visited by the new Deputy Principal (Finance &amp; Commercial Services) to ensure the conditions were still acceptable in the current financial climate and worked for the College, and all the options would be considered in due course.</li> </ul>	<b>CW</b>
<p><b>6.</b></p>	<p><b>BUDGET 2019/20</b></p> <p>The proposed Budget for 2019/20 was <b>CONSIDERED</b>, which included a cashflow forecast for the year and budgeted balance sheet. The following points <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• The Budget showed an operating surplus (before FRS 102) for the year of £75K, including contingency provision of £200K and a provisional pay increase.</li> <li>• Key assumptions: <ul style="list-style-type: none"> <li>* <b>16-18 Student:</b> the allocated funding highlighted a decrease in for the year of -£120.1K, which would give an immediate challenge.</li> <li>* <b>Adult Skills Budget:</b> recognising the continuing challenge of fully utilising the adult skills budget allocation, the budget for 2019/20 was set at £450K, in line with the expected outturn for 2018/19.</li> </ul> </li> </ul>	

- \* **Apprenticeships:** this was still an area of uncertainty, with the College only receiving direct allocation for non-levy activity. This had been the subject of a tender process the previous year with allocations being awarded for the period January 2018 through to March 2020, and dependent upon activity out-performing the allocation the College could bid for an increase in funding. It was noted that a tender process for the period from April 2020 onwards was likely to take place in the autumn of 2019. The Deputy Principal (Finance & Corporate Services) advised that the budget for 2019/20 was reasonably prudent but did include some growth in actual activity together with a move to implementing the new standards that were replacing frameworks, and provided an increase in funding per student.  
Members questioned how many levy companies there were in Dorset and were informed that there were around 75, however the majority the College would not do business with. The main organisations working with KMC were the Dorset Council and the Hospital, and there was a strong relationship with these providers. The Deputy Principal (Finance & Corporate Services) advised that there were opportunities with the Dorset Council to deliver a Customer Service Programme and discussions were ongoing.
- \* **Tuition Fee Income and HE:** the Committee was already aware that Tuition Fee income had declined significantly in 2018/19 and required a re-focus for 2019/20 to recover the activity. It was noted that the projection for 2019/20 reflected some growth and fees and a drive to increase the use of the Advanced Learner Loan allocation following a disappointing drop during the last year. It was agreed that all opportunities should be taken in this area. The HE Budget for 2019/20 reflected the new cohort planned for September 2019.
- \* **Commercial Income:** The Deputy Principal (Finance & Corporate Services) advised that the commercial team was strong, and the Hospitality Team had recently been awarded enhanced roles to chase business. Also, two new roles had been incorporated in the structure to drive commercial income, a Business Engagement Consultant, which was a sales role; and a Commercial Finance Manager who would provide more assertiveness around all commercial activity, with the exception of the Farm, with the aim of driving business and margins. It was also noted that the Commercial Finance Manager would be second in line to the Deputy Principal (Finance & Corporate Services) which was prudent as there was no deputy.  
The increase in Catering Income flowed from increased activity and the growth of the Dorset Studio School.  
Animal Park income was projected to improve with the installation of the Interpretation Centre.
- \* **Other Income:** it was noted that this area was made up of Student Travel, Equestrian activities, Service Level Agreements with the DSS, Exam Fees, Rental Income and other miscellaneous income. The main area of growth for 2019/20 related to increased income for estate use by the DSS and Student Travel due to the increased number of students at the DSS using College transport and a price increase for travel. It was noted that discussions were ongoing relating to travel as there was now an interesting dynamic with the increased number of DSS students and there may be the requirement to provide a bus solely for the DSS but this would be explored, as students had been recruited from 58 different schools.

	<p>Members questioned whether branding would be used on the buses and it was noted that a meeting with the transport providers was being held that week and would be discussed.</p> <ul style="list-style-type: none"> <li>• <b>Pay Costs:</b> it was noted that the budget for 2019/20 reflected the current staffing structure for 2018/19 with the additional costs relating to new appointments. The budget included provision for a 1.5% pay increase effective from 1<sup>st</sup> January 2020 subject to affordability. Provision had also been made for the increased living wage which it was assumed would continue. Concerns were noted that differentials were now an issue with the living wage increases and would be the subject of future debate. One of the key issues was the Teachers' Pension increase of £112K. A grant would support the increase for 2019/20 but ongoing funding was unknown, therefore more of an issue for the forecast.</li> <li>• <b>Capital Expenditure:</b> it was noted that the budget for 2019/20 reflected the need to minimise capital expenditure to protect the overall cashflow position as a result of the challenging income and expenditure budget position. It was noted that no major projects were planned for 2019/20 but this would cause pressure around the estate.</li> <li>• The <b>Risk and Opportunities</b> were noted that may impact upon the delivery of the budget projection.</li> <li>• <b>Financial Health:</b> it was noted that based on the current budget assumptions the College would achieve a Good rating for Financial Health, with the third house sale being assumed for September 2019. It was also noted that the health rating for 2018/19 would improve with the inclusion of KMF funds, with financial accounting rules requiring that they were represented in year as a donation and then reflected in the balance sheet as a restricted reserve.</li> <li>• <b>Bank Covenants:</b> the projections for the Bank Covenants were noted, which reflected the calculated ratios of the College achieving the budgeted surplus of £75K. The Committee agreed that the covenants would have to be closely monitored and the contingency not relied upon.</li> <li>• <b>Cashflow:</b> the College's cashflow projection was noted with no requirement for any overdraft if the projection was met. It also included the benefit of the sale of No.3 Maurward Close which was projected to sell for £375K. The Principal advised that the LEP had recognised that it should invest in skills and there may be funding available later in the year, but this would require match-funding. The Deputy Principal (Finance &amp; Corporate Services) also updated the Committee on the VAT reclaim position.</li> <li>• <b>Sensitivities:</b> the Deputy Principal (Finance &amp; Corporate Services) had set out scenarios highlighting the potential impact upon the surplus position and the College's financial health rating, as the budget could easily be impacted by external pressures and unplanned cost issues.</li> </ul> <p>The Committee <b>AGREED</b> to <b>RECOMMEND</b> the Budget 2019/20 to the Corporation.</p>	
7.	<p><b>FINANCIAL PLAN 2019/20</b></p> <p>The Financial Plan 2019/20 was <b>SCRUTINISED</b> with the following points <b>NOTED:</b></p> <ul style="list-style-type: none"> <li>• The Financial Plan Overview highlighted that surpluses were starting to increase in the next few years.</li> <li>• The majority of the financial objectives set out in the Strategic Plan had been achieved with the exception of the operating surplus with the planned percentage of turnover at 3% now being achieved until beyond 2021/22 unless the contingency remained unutilised. It was agreed that</li> </ul>	

	<p>this would be driven after 2019/20 which was a challenging year.</p> <ul style="list-style-type: none"> <li>• The Funding Assumptions were noted as prudent, with the 4% increase in student numbers relating to the demographic increase.</li> <li>• The Committee questioned whether the increase in students would equate to an increase in staffing and was informed that staffing was sufficient to absorb the growth of the current projected numbers.</li> <li>• The Deputy Principal (Finance &amp; Corporate Services) advised that he had made a forecast assumption of £120K going forward for Teachers' Pension contributions and this was a potential risk and should be highlighted in the Risk Register.</li> <li>• A higher level of inflation had been assumed for the forecast year 2020/21 onwards.</li> <li>• Although capital spending assumptions had been reduced to £150K for the budget 2019/20 it had been assumed that they would revert back to £300k going forward.</li> <li>• It was noted that the Financial Health rating would remain at 'Good' based on the forecast assumptions. It was noted that the ratings would change from 2019/20 with 'Satisfactory' becoming 'Requires Improvement' to mirror the Ofsted grading system. 'Requires Improvement' would be the initial trigger for FE Commissioner intervention.</li> <li>• The documents to be submitted to the ESFA were noted, especially the new form for cashflow forecast.</li> <li>• The Principal advised that a handover with the new Deputy Principal (Finance &amp; Commercial Services) was being planned to make changeover as smooth as possible.</li> </ul> <p>The Committee <b>AGREED</b> to <b>RECOMMEND</b> the Financial Plan 2019/20 to the Corporation.</p>	<p><b>Risk Register</b></p>
<p><b>8.</b></p>	<p><b>E-MANDATE</b></p> <p>The Estate Condition Survey Report was <b>SCRUTINISED</b>, with the following points <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• A full utilisation review would be carried out once timetabling for 2019/20 was completed and would include the DSS use. The Principal advised that central timetabling for both organisations would be considered in the future.</li> <li>• The graph highlighted that most of the building condition was satisfactory, but there was a small percentage that was beyond repair. The Principal considered that this did not affect the quality of teaching.</li> <li>• It was agreed that the Masterplan was important with incremental improvements being planned.</li> <li>• The bar chart highlighted the raw number of buildings and the number of Category C buildings would require strategic discussions in due course.</li> <li>• The College held a lot of historic information which had been incorporated within the Masterplan with 90 buildings across the estate. The next phase of the Strategic Plan would include how the deteriorating buildings could be improved. The Deputy Principal (Finance &amp; Corporate Services) advised that the DfE was undertaking a project to look at college assets so this should be monitored as there could be funding available. It was agreed that it was important to maintain the E-mandate as evidence for future possible funding.</li> <li>• It was suggested there would be costs associated with demolishing a building however it was agreed that there would then be no costs going forward for maintenance.</li> <li>• The Principal advised that the new Commercial Finance Manger would be tasked with investigating other sources of capital funding eg Lottery grants.</li> </ul>	

	<ul style="list-style-type: none"> <li>The Principal advised that the Main House was within the Category C condition.</li> </ul>	
9.	<p><b>COMMITTEE TERMS OF REFERENCE AND WORK PROGRAMME 2019/20</b></p> <p>The Committee Terms of Reference and Work Programme 2019/20 were <b>RECOMMENDED</b> to the Corporation for approval.</p>	
10.	<p><b>PROCUREMENT/TENDERS/VALUE FOR MONEY/CONSULTANCIES</b></p> <p>The Deputy Principal (Finance &amp; Corporate Services) advised:</p> <ul style="list-style-type: none"> <li>The Transport contracts had been extended for a further year.</li> <li>A tender exercise for Audit services was due in the New Year.</li> <li>Insurance services was due for re-tender in the spring of 2020.</li> </ul>	
11.	<p><b>PROJECTS/CAPITAL BID UPDATE</b></p> <p>The following points were <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>The Principal advised that the Interpretation Centre was progressing well and should be completed by the second week in July, which was slightly behind the original completion date. He had been pleased with the manner of the contractors around the estate with no issues reported. Members requested display boards of the new Centre for Open Day and the Principal advised that they were already in place and Season tickets were being sold on the back of the new building.</li> <li>The refurbishment of the Annex following water damage was ahead of schedule and would be completed by the end of this month. This would give fully re-furbished 16-18 accommodation with outstanding provision.</li> <li>The Principal also advised that the Animal Park had recently hosted a two-night Cub camp which had been very successful.</li> </ul>	
12.	<p><b>RISK MANAGEMENT</b></p> <p>The Corporate Risk Register and mitigating factors were <b>NOTED</b>, with the following points made:</p> <ul style="list-style-type: none"> <li>Teachers' Pension – the uncertainty over contribution funding and the impact on the longer term financial plan.</li> <li>Mitigating the risk of Years 7 and 8 at the Dorset Studio School was in the hands of the two Principals working together with the 'pinch points' being traffic and the café.</li> <li>It was noted that the Bank Covenants were already covered within the Risk Register.</li> </ul>	
13.	<p><b>ANY OTHER BUSINESS</b></p> <p>The following further business was <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>The Principal advised that the recent Dorset Knob Throwing event had caused traffic gridlock with over 2400 vehicles through the gates with a low net financial gain for the College. All future events would be rigorously reviewed by the SMT to ensure they were cost effective, as events such as this accumulated hours of staff time for little recompense.</li> <li>The Chair advised that this was the last F&amp;R meeting for the Deputy Principal (Finance &amp; Corporate Services), who was retiring, and the Support Staff Governor who was leaving for a new appointment. On behalf of all the Governors the Chair thanked both individuals for their work and success with their next steps.</li> </ul>	

<b>14.</b>	<p><b>2019/20 MEETING DATES</b></p> <p>The following dates were <b>NOTED:</b></p> <ul style="list-style-type: none"> <li>• 1 October 2019</li> <li>• 12 November 2019</li> <li>• 4 February 2020</li> <li>• 31 March 2020</li> <li>• 9 June 2020</li> </ul>	
	<i>Meeting closed at 7.25pm with no further business.</i>	

Chair.....Dated.....