Unconfirmed

BASINGSTOKE COLLEGE OF TECHNOLOGY CORPORATION

FINANCE & RESOURCES COMMITTEE

MINUTES OF A MEETING HELD ON WEDNESDAY 21 JUNE 2017

Membership (7):	*	Mike Howe	External Member	Chair
	*	George Batho	External Member	
	*	Anthony Bravo	Principal	
	*	Lynne George	External Member	Vice Chair
	*	Gary Livingstone	External Member	
		Vacancy (MBS)	External Member	
		Vacancy (PWi)	External Member	
Quorum:		3 required	5 present	Meeting quorate
In Attendance:	*	Mark Bonnett	Finance Manager (FM)	
	*	Simon Burrell	Clerk to the Corporation (Clerk)	
	*	David Moir	Deputy Principal Finance & Resources (DPFR)	
Present at Meeting:	*			

PART 1 - NON-CONFIDENTIAL MINUTES

(5.00pm)		**ACTION**
665.	**APOLOGIES FOR ABSENCE** None received.	
666.	**DECLARATION OF INTERESTS** The Principal, the Deputy Principal and the Finance Manager declared an interest in Agenda Item 14 (Pay Award).	
667.	**NOTIFICATION OF ANY OTHER URGENT BUSINESS** There were two items of Any Other Urgent Business notified.	
668.	**MINUTES OF THE PREVIOUS MEETING** The Minutes of the meeting held on 22 May 2017 were confirmed as a correct record, and were signed by the Chair.	
669.	**MATTERS ARISING** There were no Matters Arising raised that had not been discussed elsewhere at the meeting.	

670. (5.04pm)	**MANAGEMENT ACCOUNTS 2016/17** The Management Accounts for the period to April 2017 were received and noted. The DPFR advised that the April 2017 Accounts showed a forecast outturn for a surplus of £529k. However, a further update had been undertaken and the forecast (F3) surplus outturn in the May 2017 Management Accounts had been amended to £665k. The increase reflected additional income, further cost savings, and a reduction in the depreciation cost. The DPFR took the Ctte through the Accounts and advised that core college activity was weak. It currently showed a deficit on operations of -£705k that was attributed to the continuing decline in full time students and the corresponding reduction in funding. He stressed that the College's cash position was strong, and showed an increase of £0.75m during the year. He also advised that the financial ratios for 2016/17 were good, and the financial health continued to be 'outstanding'. The DPFR highlighted that an existing risk to achieving the year end forecast was that related to the use of agency staff and recruitment agencies, that were at an unsustainable level. He outlined alternative approaches being instigated to reduce such expenditure, and stressed that greater energy was being put into recruitment before agency staff were engaged. He advised that managers had to show in greater detail the actions they had taken in trying to recruit and employ replacement staff before agency staff were engaged.	
671. (5.13pm)	**BUDGET 2017/18** A written report was received and considered. The DPFR advised that the key features of the draft budget for 2017/18 were: • Total income was £15.7, just over £1m less than budgeted in 2016/17 • Cash generated before capital expenditure was £1.489m • Cash increase after capital expenditure was £469k • The whole college overall outturn was a deficit of -£115k • The true operating deficit for the core college was -£1.1m • Capital budget was £1.02m • Provision for a pay award had been included The DPFR advised that the key assumptions used in setting the budget were outlined in the report, and included opportunities to improve the position, but also identified risks to achieving the budget. He stressed that work was continuing to identify further costs savings to improve the core college financial position for 2018/19 and 2019/20. Broad areas to target had been identified and reflected in the three-year financial forecasts used for both the ESFA submission and merger planning. The DPFR advised that moving from 2016/17 to 2017/18, the further expected decline in 16-18 learner numbers took £759k out of earned income, and overall income was budgeted to be £881k lower in 2017/18 than budgeted in 2016/17. The savings identified and achieved so far had not been quite enough to match this loss of income or to improve the underlying operating deficit of the core college. The core college operating deficit increased from a deficit of £988k to a deficit of £1,098k, and the position for the whole college moved from a surplus of £100k to a deficit of £115k. The DPFR stated that the key challenge for the college was to address the core operating deficit of £1,098k in 2017/18. He advised that, whilst it might not be possible to anticipate a continued contribution from subcontracted work in 2018/19 and beyond, it was certain that lagged income would disappear, and the college had to identify further significant cost savings (c£900k) during 2017/18 to be in an acceptable financial position in 2018/19.	

671. (cont)	Further savings would also be required beyond 2017/18. It was likely that savings against the 2017/18 budget would be achieved as the year progressed, and if income was achieved at the budget level the actual result could return to surplus. It was not felt to be prudent to assume savings that had not yet been identified in the budget, but in approving a deficit budget the Corporation could have a reasonable expectation that the position would improve as the year progressed.	

The DPFR summarised the proposed budget for 2017/18 as:

£'000	Core College	Subcontracted provision	Lagged income	Whole College
Income	**13,757**	**1,160**	**804**	**15,721**
Expenditure	**14,855**	**981**	**-**	**15,836**
Surplus/(deficit)	**(1,098)**	**179**	**804**	**(115)**
Non-cash items	1,604			1,604
Cash generated	506	179	804	1,489
Capital expenditure				1,020
Increase/(decrease) in cash				469

Apprenticeship Funding

In reviewing apprenticeship provision, the DPFR advised that the college had had to make late changes to its budget to reflect the uncertainty surrounding apprenticeship funding in 2017/18 and beyond. He advised further that the budget assumed that a similar level of new starts would be achieved in 2017/18 as was achieved in 2016/17, whereas, previously, growth has been assumed. He stated that the reason for the more cautious stance was that the college had not been given a sufficient funding allocation for non-levy paying employer apprenticeship starts as it needed for this even more cautious position.

A further unknown was the split of apprenticeship starts between those employers that paid the levy and those employers that did not pay the levy (which would be funded through an ESFA funding allocation). The working assumption for the budget was that the 16-18 year olds split would be 80% non-levy and 20% levy, whilst for adult apprentices it will be equal at 50% each.

The DPFR advised that the funding allocation for apprenticeships the college had been given only ran to December 2017 and was short of the amount included in the budget amount by £337k. Given all the unknowns, and that there would be further funding for the period January 2018 to July 2018, it was felt to be a reasonable and practical position to adopt. There were also growth points during the year where the college would be told that growth above allocations would be funded if there was sufficient money in the system to do so. The college would not slow down on apprenticeship recruitment, but was undertaking a strategic review of its apprenticeship work to ensure it was all profitable and viable.

The DPFR advised further that LEAD was the only company that the college subcontracted apprenticeship work to. As with the college, there was insufficient funding for LEAD's projected new starts. The DPFR advised that the college had informed LEAD that it could recruit any numbers it wished, but that this would be at LEAD's risk should funding for this growth not be allocated. At the time of preparing the budget LEAD had not determined its position and the budget had assumed no new apprenticeship starts would take place. The DPFR confirmed that there was income to fund the existing apprentices going into 2017/18 and this funding was guaranteed by the government.

671. (cont)	**Future Skills Centre (FSC), Bordon** The DPFR advised that the college was cautiously optimistic, and based on applications received so far, there would be two full-time groups in September at the FSC, and that there might also be a day-release group of 14-16 year olds from local schools. He reminded the Ctte that the business plan for the centre always assumed that the first year of operation would require subsidising. The budget for the FSC was based on income of £163k, expenditure of £222,725, with an operating deficit of -£59,725. **Capital Expenditure** The DPFR advised that a capital budget of £1.02m was being proposed, and outlined various schemes listed in the report. **Risks** The DPFR re-iterated that savings of just over £1m needed to be found and implemented by 2019/20. This would not be easy and would undoubtedly impact on college operations. He advised that current projections of 16-18 learner numbers were based on applications to date and appeared to show that the college's market share was falling slightly. If these projections were incorrect and the position was below that assumed then the savings target for future years would increase further. The budget had £337k of apprenticeship grant income for which there was no current funding allocation and so was potentially 'at risk'. The DPFR advised that there would be a further allocation for the period from January 2018, and that there would also be two growth opportunities before December 2017. The take-up of apprenticeships by levy employers was unknown and highly competitive. The budgeted income from levy employers was £418k. The DPFR stressed that the lack of available apprenticeship funding might impact on LEAD's ability to operate – it (LEAD) currently received funding from six separate colleges. LEAD was registered to provide apprenticeships to levy employers from May 2017, but needed prime contractors for any non-levy work to be funded. There was a risk that the impact of funding constraints might result in LEAD going out of business. If it did, those learners subcontracted to it by BCOT would be BCoT's responsibility to pick-up and complete. Aspiral had a plan for how it would do this if the situation arose. **Financial Forecast 2018/19 and 2019/20** The DPFR re-iterated that there was clearly a requirement to improve the position over the following two years, aiming for a breakeven position by 2019/20. This was consistent with the financial planning work taking place for the merger, where both colleges were producing plans to achieve breakeven by 2019/20. The DPFR advised that the financial improvement was being targeted as follows: 1. Achieve an overall contribution from curriculum of 40%. The actual contribution for 2016/17 was at 39%, the budget for 2017/18 was at 37%. To improve to 40% it would be necessary to ensure that all delivery was viable and identify opportunities to reduce costs. Total spend in 2017/18 on curriculum and support of curriculum was £6.6m, and the amount of saving required was £276k – a 4% reduction in expenditure to deliver the planned volumes in that year.	

671. (cont)	2. Savings in corporate services through merger of £300k. In total £600k of possible savings had been identified which would be shared between the two college equally. If the colleges did not merger then £300k of savings would need to be achieved in other areas of the college. 3. Further reduction in corporate department expenditure staff and non-pay costs of £200k. These were savings that would need to be achieved whether the colleges merge or not. 4. Improved financial performance from the refectory (£40k) and the nursery (£50k). In previous years these functions had achieved £50k contributions each, but recently this had fallen away. The target was to get back to a £40k contribution from the catering and £50k from the nursery. 5. Reduced overhead costs – careful management of expenditure including utilities, cleaning, insurances, subscriptions and audit – target savings of £43k. 6. Reduce capital expenditure and review depreciation policy – target reduction in depreciation cost of £154k. In concluding his presentation, the DPFR stated that even with all the savings highlighted were achieved, there could still be a higher deficit predicted in the following year's budget. **It was RESOLVED to RECOMMEND to the CORPORATION that the budget based on gross income of £15,721k, gross expenditure of £15,836k, with a deficit of -£115k and a capital budget of £1,020k be agreed.** (Proposed by George Batho, Seconded by Gary Livingstone)	
672. (6.15pm)	**FINANCIAL FORECAST 2018/19 AND 2019/20** A written report was received and considered. The DPFR advised that the forecast I&E and Balance Sheet for 2018/19 and 2019/20 had been presented in the format required by the ESFA, and that the financial KPIs had been updated to reflect the forecasts. It was noted that pay costs as a % of income graph had been updated as the formula had been modified to exclude FRS pension adjustments. The DPFR advised that all but one of the KPIs were either good or outstanding over the forecast period. The forecasts to 2019/20 assumed cost savings and financial improvements across the whole range of college costs, as noted in the budget paper. The corporate services cost savings from merger (£300k) were part of the college's financial plan but were not included in the forecasts because the merger had not yet been agreed. If the merger did not proceed the college would need to find further cost savings in lieu of the £300k highlighted above. Consequently, the DPFR advised that the forecasts did show the college with operating deficits in both 2018/19 and 2019/20. **It was RESOLVED to RECOMMEND to the CORPORATION that the financial forecast 2018/19 and 2019/20 and the KPI's be agreed.** (Proposed by Lynne George, Seconded by George Batho)	

673. (6.19pm)	**FINANCIAL PERFORMANCE INDICATORS (FPIs)** A written report was received and considered. The DPFR updated the Ctte on the revised FPIs and highlighted the various targets set for 'high', 'medium' and 'low' achievement. **It was RESOLVED that the FPIs outlined in the report be agreed.**	

674.	**ANY OTHER URGENT BUSINESS** **1. Partnership provision** A written report was received and considered. The DPFR outlined the proposal to work with four partners during 2017/18. He took the Ctte through the plans for each partner. He reminded the Ctte that the proposals for LEAD related to new starts for non-levy employers only, and that LEAD could enrol more learners at their own risk of not being funded. **It was RESOLVED that the following contracts to partner providers be agreed:** **Smarter Training £315,000** **Lean Education (Development (LEAD) £720,000** **Eastleigh College £6,000** **Learning Curve Group £350,000** The DPFR tabled two additional reports: **1.1 LEAD** The DPFR advised that the funding contract with the SFA for non-levy paying employers from 1 May 2017 to 31 December 2017 was lower than anticipated and not enough to maintain the current level of enrolments. It was unclear how much funding LEAD anticipated that they would want to continue the partnership but that there was uncertainty about the level of interest they were getting from non-ley paying employers. He stressed that the college had made it clear to LEAD that the college was not able to fund the same level of enrolments as per the previous year, and that there was a requirement to enrol learners 'at risk' to secure funding going forwards. It was noted that LEAD had confirmed in writing that they were willing to proceed on that basis. The DPFR advised further that it was proposed to issue a contract to LEAD for new starts, from non-levy paying employers, from 1 May 2017 to 31 December 2017, with a maximum funding value of £250,000. Within that, the college would only commit to fund enrolments up to a maximum value of £40,000, with funding over £40,000 being earnt 'at risk', i.e. if the SFA did not increase the funding contract to pay for additional learners then LEAD would not be paid. **It was RESOLVED to approve a partnership contract with LEAD for the period 1 May to 31 December 2017 with a maximum funding value of £250,000, of which only £40,000 was guaranteed to be paid from the current SFA apprenticeship contract. Any additional funding generated would only be paid if the SFA increased the funding allocation.** **1.2 Southampton Solent University (SSU)** The DPFR advised that there was an agreement with SSU to deliver the Chartered Manager Degree Apprenticeship (CMDA) from September 2017 as a top up from the level 5 Higher Apprenticeship in Management that was currently offered at BCoT. He advised further that the original intention was that BCoT would recruit the learners to the CMDA programme, which SSU would then fund and deliver at BCoT, paying an agreed fee to the college for this. However, with the recent changes to apprenticeship funding, it had become apparent that SSU did not currently have sufficient funding available in their SFA apprenticeship contract to fund the CMDA qualification for learners from non-levy paying employers. The DPFR advised that initial discussions had taken place with regards to the College providing the funding for non-levy employers, if the need arose, and sub-	

674. (cont)	contracting the delivery to SSU. However, this required further discussion between both parties as well as a formal due diligence process being undertaken before a final agreement was reached. He proposed that, to avoid any unnecessary delay once a decision had been taken, the Ctte approve a contract of up to £75,000 (maximum of 15 learners) for SSU, subject to satisfactory due diligence. Details would be provided to a future meeting if a sub-contracting relationship was established. **It was RESOLVED that a contract with Southampton Solent University up to £75,000 be agreed, subject to satisfactory due diligence.** **2. Fire Risk Assessment** Following the recent serious and tragic fire at a tower block in London the Principal advised that a review of fire safety had been undertaken. With regards to the cladding on South Site he advised that he was waiting for the architects to confirm that it met fire resistance standards. The Principal advised further that the maximum height of any building at BCoT was three stories, and that each building had at least two protected core exits. He stressed that in the event of any evacuation no one was expected to remain in the buildings, and that there were protected areas for those in need of assistance. Practice fire drills were held regularly, and the maximum time for a full evacuation was four minutes. He advised that he was satisfied that in the event of a fire the buildings would be evacuated safely. In response to a question from a Member the Principal confirmed that the fire brigade attended and undertook regular fire safety checks of the College site.	
675.	**DATES OF FUTURE MEETINGS** *(Meetings commence at 5.00pm unless stated)* Wednesday 22 Nov 2017 Wednesday 14 Mar 2018 Wednesday 16 May 2018 Wednesday 20 Jun 2018	
(6.42pm)	Part 1 Meeting closed	