



BURY COLLEGE FURTHER EDUCATION CORPORATION

MINUTES OF THE SPECIAL RESOURCES COMMITTEE MEETING HELD ON THURSDAY 27th FEBRUARY 2020

Meeting Commenced : 8.55 a.m.
Meeting Closed : 9.55 a.m.

Present:

Charlie Deane Principal
Peter Nicol Independent Member (Chair)

In Attendance:

Andrew Harrison Deputy Principal Finance and Corporate Services
Gill Mangnall Head of Finance
Peter Ryan Clerk to the Corporation
Becky Tootell Deputy Principal Curriculum, Quality and Standards

RES19/20.23 APOLOGIES FOR ABSENCE (AGENDA ITEM 1)

Apologies for absence were received from Angela Davies and Lynne Vernon and Peter Nicol agreed to Chair the meeting.

RES19/20.24 DECLARATIONS OF INTEREST (AGENDA ITEM 2)

There were no declarations of interest.

RES19/20.25 Integrated Financial Model for Colleges (IFMC) (Agenda Item 3)

The Clerk confirmed that on 28th January 2020, the Corporation had agreed that if the deadline for the return of the IFM was not extended to the date of the next meeting of the Corporation in March 2020, a Special meeting of the Resources Committee should be scheduled towards the end of February 2020, to consider and approve the IFMC under delegated authority from the Corporation.

The Deputy Principal Finance and Corporate Services confirmed that in accordance with the latest version of the College financial planning handbook, College Corporations must submit the following documents to ESFA by 28 February 2020:

- 4-year Excel IFMC return, which includes budget and cash flow as follows:
 - Outturn – year ending 31 July 2019
 - Budget – year ending 31 July 2020, broken down into:
 - Actuals – period 1 August 2019 to 30 November 2019
 - Forecast – period 1 December 2019 to 31 July 2020
 - Forecast – year ending 31 July 2021
 - Forecast – year ending 31 July 2022
- Detailed commentary which explains the assumptions upon which the IFMC has been completed

The first version of the Model was issued in November 2019 with a 31st January deadline. There had been a large number of errors in the 6 incarnations of the model and the 'final' version 1.06 was only issued on 6th February 2020. Accordingly, the submission date was revised to 28th February 2020. The College Finance Team had spent a large amount of time making the Model work. There remained, in the ESFA's words, 'known limitations' particularly around prepayments and accruals with the Funding Agency proposing workarounds on opening balances. In particular, the College had two issues that the Model cannot accommodate and could not be resolved: The Investment / Trust Funds, and the Enhanced Pension Provision (EPP) and the ESFA Team agreed a workaround on both issues.

Whilst Members recognised the current limitations of the Model they considered the content and detail to be sound. Members reviewed the following elements of the Model in detail:

a) Forecast 2019/20 Financial Performance

The College had made a good start to the 2019/20 year. The Model was based on forecasts made in the November Management Accounts at which point the operating surplus to 30th November 2019 was £0.5m

(excluding pension adjustments) which was £300k ahead of budget. This was forecast to outturn for 2019/20 at £1.1m operating surplus (excluding pension adjustments), up by £0.5m. Once again, the notional pension adjustments would skew the figures this year. The College had budgeted on the latest projections adjustments of £1.19m. Subsequently the Actuary's forecast in September 2019 projected £1.73m which had now been included in the forecast. If the pension adjustments were taken into account, the College predicted outturn would be around £0.5m budgeted deficit.

The forecast has been entered into the IFMC Statement of Comprehensive Income (SOI). The IFMC forecast automated financial health grade for 2019/20 is Outstanding with a forecast £1.8m net operating cash-flow from operating activities strengthening the cash balance.

b) Financial Strategy 2020/21 and 2021/2022

The College would build on the substantial progress in its financial performance in 2019/20 and maintain its 'Outstanding' Financial Health. A substantial increase in 16-18 ESFA Funding rates had enabled the College to maintain a good underlying position whilst increasing pay for staff and affording the £6m new building.

This forecast has been entered into the IFMC Statement of Comprehensive Income. The IFMC forecast automated financial health grade for 2020/21 was Outstanding with a forecast £3.4m net operating cash-flow from operating activities offsetting the £2.9m investment in the new building strengthening the cash balance.

c) Financial Objectives & Financial Health Score

The College has set detailed financial objectives at Appendix 1 of the report which provided for good viability and liquidity. They had been based on Annex B of the Financial Planning Handbook 2020. The financial objectives had been set in the context of the currently committed capital investment but, at this time, no change to the loan situation. Progress against financial objectives were reported each month in management accounts and Governors would continue to monitor against these objectives during the year.

The forecast Financial Health grades were Outstanding throughout the forecast period and the key objectives as shown in the Model were detailed within the report.

d) Key Assumptions

The IFMC did not have the sensitivity analysis tab included in the Financial Plan. The assumptions relating to Income, Pay Costs, Non-Pay Costs, Capital Investment/Balance Sheet and Cash-Flow Forecasting used in the Model were demonstrably prudent and would be monitored each month. Given time issues, the College had not run alternative versions of the IFMC but had simply modelled a 1% reduction in income and a 1% increase in costs through the Financial Health score. Appendix 4 showed that in this scenario the College maintained a positive income & expenditure position (EBITDA) and Outstanding Financial Health.

Members questioned and sought clarity on the Key Assumptions as follows:

- The move in the operating deficit over the 3-year period from £560k to £226 to £547k mainly related to the end of an externally funded project in 2020/21. No assumptions of new similar contracts had been included within the forecast;
- A prudent assumption of income had been included within the forecasts;
- The Actuaries used their own assumptions in respect of pay costs and pension adjustments of £2m had been included in each of the 3 years of the plan. This did not have an impact on the cash position;
- It was anticipated that the 16-18 allocation may be better than originally forecast due to the impact of the disadvantage factor;
- No increase in funding rates had been assumed after the second year of the plan, however increases in pay had been included.;
- A reduction in Apprenticeship income had been assumed;
- An update on the Debt position and the limited use of an external agency would be reported to the Resources Committee on 10th March 2020;
- The Bank Loan reduced over the period from £1.8m to £1.5m to £1.3m by the year ending July 2022;
- The cashflow impact of the Capital Programme was detailed at sections C4 and C5 of Appendix 3. In addition, as a condition of Capital Funding, an external due diligence had been undertaken on the project. The result was positive and would be reported to the Resources Committee on 10th March 2020.

e) Financial Planning Checklist

In accordance with the Financial Planning Handbook, Corporations should share the completed checklist (Appendix 2 of the report) with their Governing Body to provide assurance that they have considered relevant matters. It did not need to be submitted to ESFA. Accounting Officers are, however, asked to confirm that the supporting commentary had been prepared with due regard to the checklist.

It was **Resolved** that:

- a) **The contents of the report should be noted; and**
- b) **The Bury College IFMC is approved and should be submitted to the ESFA by the deadline of 28th February 2020.**

Gill Magnall withdrew from the meeting at 9.45 a.m.

RES19/20.26 **PAY AWARD (AGENDA ITEM 4)**

The Principal confirmed that on 26th November 2019, the Resources Committee had agreed:

- A 1% consolidated pay award be made to staff (other than Senior Post Holders) from 1st January 2020; and
- Pay scales should be readjusted from 1st January 2020 to 31st December 2020, to ensure that the lowest scale was above the Foundation Living wage.

The Pay offer has been made to the recognised trade unions who had arranged consultative meetings with their members in January/February 2020. The Principal confirmed that as reported at the last agenda item the financial position of the College had significantly improved from November 2019 when the original decision on pay had been made. He outlined the continuing issues in recruiting high quality staff and asked that the decision be reviewed in light of the current financial position.

It was **Resolved** that:

- a) **The contents of the report should be noted;**
- b) **A 2% consolidated pay award be made to staff (other than Senior Post Holders) from 1st January 2020;**
- c) **The Committee was minded to agree that a minimum of a 2% pay award be made to staff (other than Senior Post Holders) from 1st January 2021, subject to affordability and the achievement of the College Financial Plan**

RES19/20.27 **DATE AND TIME OF FUTURE MEETINGS (Agenda Item 5)**

- **8.00am Tuesday, 10th March 2020**
- **8.00am Tuesday, 16th June 2020**

Venue: Beacon Centre Board Room

There being no further discussion the meeting closed at 9.55 a.m.

Signed and approved as an accurate record of the meeting

Signature

Date

Summary of Actions - Resources Committee 27th February 2020			
Item	Action	Person Responsible	Timescale
RES19/20.25 b) Integrated Financial Model	Bury College IFMC IS approved and should be submitted to the ESFA by the deadline of 28th February 2020.	Deputy Principal Finance and Corporate Services	28 th February 2020
RES19/20.26 Pay Award	<ul style="list-style-type: none">• A 2% consolidated pay award be made to staff (other than Senior Post Holders) from 1st January 2020;• The Committee was minded to agree that a minimum of a 2% pay award be made to staff (other than Senior Post Holders) from 1st January 2021, subject to affordability and the achievement of the College Financial Plan	Principal	TBC