CAPITAL CITY COLLEGE GROUP

FINANCE AND RESOURCES COMMITTEE

Minutes of a meeting held on 5th July 2018

PRESENT	Alastair Da Costa, Simon Pitkeathley (Chair), Kay Willis, Andy Wilson, Maarten Zuurmond
IN ATTENDANCE	Claire Collins, Graham Drummond (Clerk), Nirmal Borkhataria, Stewart Cross
APOLOGIES	Professor Anthony Smith, Keith Brown
DECLARATIONS OF INTEREST	None

1. MINUTES OF THE MEETING HELD ON 2nd MAY **Action**

The minutes and confidential minute were accepted as a correct record and signed by the Chair.

2. MATTERS ARISING

None.

3. REVIEW OF CURRENT FINANCIAL POSITION

A report providing a summary of the funding position of the Group based on its return to the funding body made on 6th June was considered and received. It was noted that:

- The Group, with respect to ESFA 16-18 funding is marginally below plan for 2017-18 but is expected to be at £52.7m for 2018/19 which is £1.3m higher this year (nb 16-18 funding is based on lagged approach);
- With respect to Adult Education Budget (AEB) funding the Group is forecast to reach 97.8% of funding target which is within 3% of the tolerance needed to achieve the full funding contract amount. However a proportion of this delivery is provided by sub-contractors (some of whom the Group has not used before) and there is risk of non-delivery. The situation is being monitored on a weekly basis;
- There is a risk that the Group is subject to a funding audit from the ESFA. If this is to take place, it is likely that notification will be received in the next couple of weeks.

A finance update along with the management accounts (up to the end of May 2018) was considered and received. With respect to this report it was noted that:

- The Group's end of year operating position is currently forecast to be £2.9m in deficit, however due to underperformance with respect to apprenticeships at CCCT and CONEL as well as the risk of non-delivery of sub contracted provision, there is a significant risk that this figure could be nearer £4m. The recently agreed one off pay award to staff will cost the Group £750k, has further contributed to the likely deterioration of this year's financial position;
- A significant concern for the Group is the under-performance of CCCT for which a deficit is anticipated of up to £750k on a turnover of £5.5m.

The committee discussed the performance of CCCT and noted that in some areas such as the staff costs associated with the sales team that expenditure has not been controlled sufficiently. It was further noted that as part of the 2018/19 budget an investment of £500k has been included to assist the performance of CCCT and maximise the chances of a contribution of £700k. As a result of this discussion, it was agreed that the Chair of the

Board would discuss the best way forward with respect to CCCT with the CEO and the Chair of the CCCT Board, and report back to members of the Board.

A paper giving details of the Accounting implications of CONEL buildings revaluation was considered and received. With respect to this report it was noted that:

- The merger of CONEL into the Group has required the Group and its financial statement auditors to follow acquisition accounting methodology instead of merger accounting rules. CONEL's property assets have therefore been subject to a valuation exercise carried out by CBRE Limited. As a result of this valuation there has been a net decrease in building values of £11.95m. The main reason for the carrying values being in excess of fair values can be attributed to the extensive use of excessive useful economic lives (UELs) for low to medium refurbishment projects (25 and 50 years instead of 10 years);
- For the CONEL property assets the revised valuations will be noted within the CCCG Financial Statements and will be used as the starting point for a revised approach to depreciation. It was further noted that no charge will be placed on the Group's Income and Expenditure account, but an adjustment to the CONEL opening balances will be made;
- Subsequent to the findings of the CONEL's capitalisation of small refurbishment projects and their depreciation, a further review of the use of depreciation has taken place with respect to the Group's assets (WKC and CIC). As a result of this work, it has been discovered that a similar use of UELs was adopted by City and Islington College the majority from about 2012 for similar sized projects. These assets will need to be re-stated so that they are closer to their fair value, and in the case of City and Islington College a charge will need to be made to the Group's Income and Expenditure account, which could result in the 2017/18 operating position being £2.9m worse than had previously been forecast, making the Group's operating deficit around £6.2m; however this position as reported previously would benefit from a one-off gain of £3m as CONEL's finances will be accounted for in the Group accounts for only part of the year i.e. since November 2017.

It was further noted that the Chief Operating Officer is in discussion with Buzzacotts about the use of excessive depreciation policies and why it had not been picked up as part of their audit of City and Islington's financial statements. Once these discussions have been concluded a Group approach to depreciation would be agreed. It was further agreed that the Director of Governance would carry out some research into the activities of City and Islington's governing body from 2012 to 2014 to ascertain whether a depreciation policy had been discussed / or approved. **NB** **GD**

4. 2018-19 DRAFT BUDGET

A report was considered and received. It was noted that:

- The draft budget shows a surplus of £750k as compared to a forecast deficit for 2017/18 of £2.9m;
- Included within the budget is an increase of £1.6m of EFA income due to lagged learning funding;
- An assumption of a 1% increase in wages has been made within the budget;
- The planned level of sub-contracting is £3,122k as compared to £5,574k in 2017/18;
- As discussed as part of the previous item, an investment of £500k into CCCT has been included within the budget and within the business plan for CCCT (appended to the report);
- The achievement of £750k surplus would return the Group to outstanding financial health, however a surplus less than this would maintain the rating as good.

It was noted that Tribal were commissioned to carry out an analysis of the costs within the Group. The analysis indicates that, at a headline level, Corporate Services costs are lower

than the benchmark within the sector and that teaching costs are higher than benchmark. Further analysis along with a draft approach to providing dashboard information would be provided to board members in the autumn.

The Chief Operating Officer confirmed that key budget holders were signed up to delivering this budget and therefore it was agreed to recommend the approval of the budget (including the KPIs) as detailed within (and appended to) the report.

5. INDUSTRIAL RELATIONS UPDATE

A report was considered and received. It was noted that:

- Following the Board meeting in May a review of whether staff board members are present when the board is considering industrial relations issues will be carried out. **GD**

6. FEES POLICY

A report was considered and received. It was noted that:

- Adults who earn less than £16k will pay no fees for their courses.
- For 2018/19 CONEL are trialling an approach where courses for adults up to level 2 are provided for free.

It was agreed to approve the fees policy.

7. ESTATES STRATEGY UPDATE

An estates strategy update paper, along with an update on the Tottenham redevelopment was considered and received. It was noted that:

- A set of consultants have been appointed to assist the Group with respect to the re-development of the Tottenham site. It is anticipated that planning permission will be sought during 2019 and that work on the site will begin in 2020, with completion expected in 2022. It was further noted that planning will also need to be carried out with respect to decanting arrangements for staff and students whilst the building works take place;
- With respect to the Group's overall estates strategy, consideration will need to be given to deciding the nature of the Group's curriculum strategy the College Principals have started work on this;
- It is anticipated that options with respect to the nature and future direction of the Group's estates strategy will be presented to Board members in November;
- Across the Group's entire estate there is excess accommodation and more specific discussions with respect to change of use of some buildings could be considered in Spring of 2019. It was further noted that London Mayor's adult skills strategy should also be clearer at this point.

8. IT UPDATE

A confidential report was considered and received. It was noted that:

- In the last three months the number of complaints about the quality of the Group's IT systems has been less than compared to the start of the academic year, however the number of calls logged with the helpdesk is still too high;
- IT and admissions staff are preparing for the enrolment period. The committee further noted that the Microsoft Identity Manager is going live on Monday which will fix problems that have occurred in linking student enrolment to their accounts.

9. INTEGRATION UPDATE

A report was considered, noted and received.

This was the last meeting of this committee. Simon Pitkeathley, Kay Willis and Andy Wilson were thanked for the contribution that they had made to the work of this committee and it was noted that full Board meeting on 11th July would be their last meeting as members of the Board.

Signed as a correct record: _____

Simon Pitkeathley, Chair of the Committee