GRANTHAM COLLEGE

Minutes of a meeting of the Finance Committee held on 28 February 2017 at 1800hrs.

Present	Graham Hayton-Hill	Mos Kalbassi	Nick Manoussakis (Chairman)
	Wade Rowlett		
In Attendance	Paul Deane (DP)	Ralph Devereux (Clerk)	Anita Harrison (Mgt Acct)
	Linda Houtby (Principal)		

16/16 ELIGIBILITY, QUORUM, DECLARATION OF INTERESTS AND APOLOGIES

No notice had been received of any member becoming ineligible to hold office, the meeting was quorate and no interests had been declared.

17/16 MINUTES OF THE LAST MEETING AND NOTIFICATION OF URGENT BUSINESS

a. The minutes of the last meeting held on 13 June 2016 and the joint meeting (AC&FC) held on 30 November 2016 were confirmed and signed.

b. There was no urgent business requested.

18/16 MATTERS ARISING

There were no matters arising.

19/16 FINANCE REPORT

Management Accounts. The management accounts accurate to 31 January were then considered and discussed, the normal practice of budgetary review had been postponed due to priority work with the Area Review and would be completed in the near future. **(Action 1)** The current situation showed an unfavourable variance of c(£97k) against budget including the provision for FRS 102 (£150k); Income, with streams and allocations clearly explained in the accompanying papers and fully discussed, was also unfavourable by c(£144k) with all variances clearly tabulated and explained. Payroll expenditure was positive by c£50k and (again included the FRS 102 provision); non-payroll costs, despite tight controls were just unfavourable by c£4k, again all variances were clearly tabulated. The balance sheet remained positive with 85 cash days, a strong cash balance and the CR stood at 1.7. All FI remained satisfactory. There had been no bad debt write offs to date although a listing of (120 day) possibilities was discussed, recovery measures were explained and noted. Compliance with Bank covenants was noted however necessary FRS 102 restatements were currently under discussion with Lloyds Bank.

The Information was received.

20/16 FUNDING ALLOCATIONS

Some funding allocations had been considered in the previous item. The EFA allocation had been received that day and was considerably reduced from the previous year, c£30k less than had been expected since the methodology for disadvantaged element had been changed; the allocation would inform the imminent reforecasting. The SFA allowance was expected in the near future and it would hopefully contain detail of processes relating to the apprentice levy.

The information was received.

21/16 BUILDING 20 (Confidential until the Corporation meeting, 6 March)

The tendering process for the Building 20 project, involving 5 construction agencies, had now been completed and all returned estimates had indicated a far higher build cost than the indicative expenditure, which had informed all previous planning. This totally unexpected increase, which 4/5 received tenders indicated as c32% (£1.1m) clearly had serious implications for the project viability and had introduced the need for serious consideration of alternative sources of funding; sadly, the LEP and other possible sources including the heritage lottery funding, had not been able to help or timings precluded availability. Accordingly, a further loan would be essential to maintain the College cash levels, an integral element in the strategic future, and it was unlikely that the additional funds would be provided by the bank as the appetite for lending to the FE sector had been affected by the FE Bill and new insolvency arrangements for colleges. Even if sufficient finance to provide for the college contribution to Building 20 and maintaining cash levels could be arranged these would breach existing loan covenants and adversely affect the SFA financial health score. Furthermore, such an arrangement would not improve cash reserves since it would not fully cover the contribution to the building costs (£2.1m). After full consideration members felt, despite reluctance to reject the LEP cash advance, the previous work and expenditure should not cloud considerations and uncertainty associated with all large capital projects could further exacerbate the situation. It was necessarily prudent to preserve cash and solvency and deliver the college plans which had now been agreed. In the final analysis at best, the expected student numbers did not justify the building and at worst, could well endanger the future financial and strategic plan. It was unanimously and strongly recommended to the Corporation that:

a. the Building 20 project should be discontinued **(Action 2);**

b. advice should be taken on whether the large difference between estimated and quoted project completion costs should require further action **(Action 3);**

c. residual issues, for example treatment of already incurred expenditure would be considered in due course **(Action 4);**

d. additionally, it would also be prudent to recommend a complete full review of the estate, including the elements in use on the Building 20 site, to inform strategic considerations. **(Action 5)**

a. The information was received.
b. Recommendation were made to the Corporation.

22/16 IMPACT ON STUDENTS

The care being shown towards the challenging financial situation would produce the optimum solution and continue to allow priority to provision and the student experience. The absence of Building 20 would not unduly affect the students since informed estimates of future numbers did not necessarily require the facility.

23/16 URGENT BUSINESS

There had been no urgent business requested.

24/16 DATE OF NEXT MEETING

The next meeting would be held at 1800 on 19 June 2017.

25/16 ACTIONS

Action Table		**Resp**	**By**
Action 1	19/16. Budgetary review to be completed.	**PD**	**asap**
Action 2	21/16. Recommend discontinuance of Building 20.	**Chair**	**06.03.17**
Action 3	21/16. Advice on liability.	**LH/PD**	**asap**
Action 4	21/16. Incurred expenditure treatment in accounts.	**PD**	**asac**
Action 5	21/16. Recommend full accommodation/staffing review	**Chair**	**asac**