

Minutes of the F&R Committee meeting held on 12th May 2022
Virtual meeting

MINUTES OF THE MEETING

Present Tim Arthur, Chair
Mark Robertson, Principal
Martin Clapson
Jane Mallabone

In attendance Stephen Jones, Neil Hunter, Lesley Deacon

Clerk Emily Baldwin

1	Declarations of Interest Apologies for absence	There were no declarations of interest. There were apologies for absence from H Du Quesnay and A Trencher.
2	Minutes of the F&R Committee meeting held on 8 th March and matters arising	The Committee discussed the section in the minutes referring to the profiling of income and costs in the Management Accounts. The Committee were assured of the intent of the wording. They noted that there remained some uncertainty in income for the remainder of the year. <i>L Deacon joined the meeting.</i>
3	Period 8 Management Accounts	S Jones introduced the Period 8 Management Accounts. The College generated a year to date deficit of £1,490k including restructuring costs against a profiled original year to date budgeted deficit of £168k. The revised forecast now estimated a forecast deficit of £1,515k. Key changes related to the substantial reduction in anticipated ESFA income for 16-19 learners due to insufficient enrolled student numbers and a reduction in income from learner of high needs income. Fee and full cost income has also been reforecast down which was a mixture of fees, advanced learner loans and bus income. While the position was challenging, cash balances remained strong due to the sale of iBlock. S Jones reported that the ESFA had concluded its audit, which showed a potential £258k funding error. The next step was to negotiate with the ESFA on potential clawback. S Jones agreed to investigate whether this would be a prior adjustment on the accounts, if clawback was necessary.

		<p>T Arthur asked for modelling to show the line between ‘requires improvement’ and ‘inadequate’.</p> <p>S Jones confirmed that he had had positive conversations with the Bank about the forecast covenant breach, who were receptive to finding a solution but that the discussions were ongoing to find a solution.</p> <p>The Committee welcomed the level of detail in the report. They agreed that it was a disappointing set of accounts, and reiterated the need for the budget next year to be more realistic. It was not acceptable for the forecasts to change so significantly each month. Governors expressed concern that the cash receipts from the sale of iBlock were not used to cover deficits.</p> <p>N Hunter asked about ‘aged debt’ and whether it was provided for. S Jones said the College had secured a debt agency. He also drew attention to the level of debt from a subcontractor which was under investigation by the ESFA. There was a risk that the funds owed to the College would not be recovered.</p> <p>The Committee suggested the following changes to Management Accounts in the future:</p> <ul style="list-style-type: none"> - Bridge analysis to also show change from the previous management accounts - Debt table to show what was current and what was overdue
4	Draft budget overview 2022/23	<p>S Jones introduced the draft budget 2022/23. It was noted that the budget was still being developed, with final detail on costs, staffing and capital in particular to be reviewed and finalised. S Jones was finalising income and cost lines with budget holders. An overall surplus budget position of approximately £250,000 was being planned for.</p> <p>The budget still held risk and relied to some extent on a return to normal consumer behaviour following the pandemic in fee earning lines such as international, full cost and commercial activities. However, it was a more realistic budget than the year before.</p> <p>The capital plan was still under development as capital projects were being prioritised internally.</p> <p>S Jones presented the different income lines to the Committee:</p> <p>Study programmes – the College would benefit from a significant increase in study programme funding as a result of an increase in funding rates and healthy recruitment. However, there was an expectation of an increase in teaching hours that needed to be managed to prevent a funding reduction in the following year (2023/24).</p> <p>Adult education – there was more uncertainty than with study programmes. There might be a possibility to apply for an exemption on the 25% cap on subcontracting. There have been some challenges in fully consuming the current year’s allocation and therefore within the plans for 2022-23 an assumption has been made that where there were no specific details about achieving the allocation, that it would be budgeted at a 10% contribution so that the impact on the bottom line would be reduced.</p>

Apprenticeships – there was a relatively modest target of £3.1m which was the equivalent of approximately 40 additional apprentices. Governors agreed it was a prudent approach. They noted the capacity issues in some areas. It was noted that the contribution level of some apprenticeships was low and the College needed to assess its offer. L Deacon suggested the review should not just look at the numbers of existing apprenticeships, but new apprenticeships that the College did not currently offer.

N Hunter left the meeting

SEND – the budget assumed similar numbers to current year.

Fees and full cost – it was noted that this may be affected by cost of living increases reducing demand from hard pressed adults. The current year budget had underperformed, and the current year was based on 2018/19 volume levels. There were relatively few students to be carried forward.

International income – it was agreed that ideally the College should not be reliant on international provision, and was aiming for this position the year after next. Although encouraged by an increasing volume of activity, there was still some risk in the budget of £715k. The commitment from Norwegian students was to be highlighted in the next version of the budget.

In terms of expenditure, the College was looking at potential savings in under-used bus routes.

The pay budget reflected all submissions made by budget holders and included vacancies that were currently being held for which appointments needed to be made. In addition, the pay budget incorporated contractual incremental progression, the increased National Insurance on costs, a small allowance for increases in the LGPS and also allowed for a cost of living pay award which would apply from the 1st of August 2022. Agency costs were held static. The College needed to consider whether it could phase the pay award or fund it explicitly using funding from an increase in student numbers. The staffing was early draft, and was subject to further analysis. The College needed to look at systems to relieve work pressure on staff.

M Clapson left the meeting.

Governors discussed the other costs –

- depreciation – this seemed low but could be because of buildings
- inflation – assumption was at 5%
- other costs – this could benefit from further description of other costs

Governors noted the initial assessment of risk and opportunity within the budget. They agreed that international felt to be higher risk than some of the other income lines.

For the final budget 2022/23, Governors asked for further information as follows:

- Trends in all major income lines
- Trends in adult education in terms of internal delivery, partnership and sub-contracted delivery

		<ul style="list-style-type: none"> - Apprenticeships shown by how many were already in learning with the College - Current year actuals in online provision and SEND - Breakdown of the different international income streams - Quantification of staffing profile - Cash flow for the year including identifying if non-cash costs (such as depreciation on revalued assets) was making profitability more challenging - Brief definition of 'other costs' - Clearer identification on how the £400k savings in budget would be achieved - Bridge analysis between current forecast outturn and budget
5	AOB	<p>S Jones outlined the additional allocations that were proposed for the sub-contractor Learning Curve to deliver adult education:</p> <p>£100k – ESFA (non-devolved) £150k – CPCA (devolved)</p> <p>Learning Curve was an existing sub-contractor who had a strong track record. The Committee agreed the extension of Learning Curve's contract.</p> <p>S Jones also alerted the Committee to the outcome of the tender process for a cleaning contract which would be taken to Corporation. He agreed to share the outcome of the tender process with the Chair of F&R Committee prior to Corporation.</p>
6	Committee self-assessment	The Committee agreed it had been a useful meeting.