MINUTES OF THE FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 9 MAY 2023 AT 10.00 AM REMOTELY VIA MS TEAMS AND IN T108, AT THE ROUNDHOUSE

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Present: Martyn Marples (Chair), Andrew Cochrane, Phil Dover, Mandie Stravino

In attendance: Jo Clifford (CFO), Heather Simcox (DCEO)
Rose Matthews (Clerk)

		Action	Date
32/22-23	**APOLOGIES FOR ABSENCE** No apologies for absence were received.		
33/22-23	**DECLARATIONS OF INTEREST, CONFIRMATION OF ELIGIBILITY AND QUORUM** All members were eligible, the meeting was confirmed to be quorate and there were no new declarations.		
34/22-23	**MINUTES OF THE PREVIOUS MEETING HELD ON 20 MARCH 2023** **APPROVED:** The minutes of the meeting held on 20 March 2023 were approved as a true and accurate record. The Clerk suggested some items may be sensitive and as such it was agreed to discuss with the Chair and redact relevant paragraphs prior to publication.		
35/22-23	**FINANCE REPORT** • **INITIAL FUNDING ALLOCATION AND BUDGET ASSUMPTION** The CFO presented the report on the key budget assumptions and funding allocations. The curriculum planning and budget setting process for 2023-24 was progressing well. The College were producing a draft income and expenditure budget for the year ending 31 July 2024 based upon known funding allocations. There were a number of known challenges which would impact the College's ability to set a budget that delivered the required level of return. The report shared outlined the funding allocations and the key budget assumptions and an indicative income and expenditure budget. It was noted		

further work was still underway to identify efficiencies and/or income growth in order to set a balanced budget.

Income was projected to be lower in 2023-24 with key movements highlighted in the report.

A business case had been submitted to the ESFA in relation to disadvantaged funding, but was unlikely to be confirmed until the end of June.

The Committee Chair questioned how successful the business case was likely to be. It was noted a template had been completed with evidence, but a business case like this had not been submitted before, so it was somewhat unknown - however it was accurate which provided some confidence. Members discussed the reasons why this had happened and it was also noted this was an unusual dip for the College's cohort relating to the Teacher Assessed Grades.

The Adult Education Budget (AEB) allocation had been received and showed a reduction for the 2023-24 academic year. There was concern in this area as there was still a shortfall of £840K of provision to plan to deliver - and a possible clawback of circa £200K was anticipated. The allocation was still trying to be maximised.

The Committee Chair questioned the likelihood and impact of the shortfall. The CFO explained the current plan included delivery of £3.4m internally with an additional £1.3 delivered by sub-contactors. Groups that were not financially viable would not run.

It was clarified there was a 40% margin assumed on the extra growth and the additional £640K AEB income.

The Committee Chair questioned the margin currently being run on AEB, which was lower on core community adult. Poor staff utilisation had been identified in some areas.

Apprenticeship delivery was down compared to forecast for the current year.

There had been substantial growth in Engineering and Construction, with some new frameworks commencing.

A reduction in tuition fees were outlined in the report.

The Committee were also provided with an update on the SDF and ESF grants.

Overall pay costs were budgeted to increase from 2022-23, the details of which were discussed. Pay was a considerable pressure, with employer contributions increasing for pensions and the national living wage increase. Pay was the

biggest risk and concern and Members discussed the implications of this at length.		
The Committee discussed the Brazel v Harper ruling and the CFO agreed to double check the value in the budget for that.	CFO	22/05/23
The Committee Chair asked if more detail could be provided on the Targeted Income Improvements and analysis of where the disadvantaged funding sits in the budget.	CFO	22/05/23
Energy costs were expected to decrease with revised costs from September, although these won't achieve the lower costs prior to the price inflation. Efficiency savings across the estates were being trialled, such as campus closures outside of term time.		
Forecasting had been modelled at 5% and 3% EBITDA. Setting the budget at a 5% EBITDA would mean £4.6m of savings to find. This would retain an overall 'good' score provided the current ratio did not fall below 0.9. it would also result in a positive operating surplus after FRS102, whilst just below the FEC benchmark of 1%.		
If the budget were set at a 3% EBITDA £3.6m efficiencies would need to be identified. Potentially £2m pay and non-pay reductions had been identified. A 3% EBITDA would most likely take the College to a Requires Improvement rating and impact the current ratio score. A 3% EBITDA would result in an adjusted operating loss after the FRS 102 pension adjustment and would be the second year reporting a loss, which may be of concern to the ESFA and/or the FE Commissioner.		
The Committee were asked to consider if they were prepared to set a budget at 3% EBITDA, which would be challenging but more realistic to achieve.		
Members considered the request and questioned the reputational risk of a deficit budget and if they were agreeing a loss rather than reporting one. They debated whether they were being negligent or realistic.		
Members requested the paper for Corporation include more detail to explain the context and why the College are in this financial position and outline the risks and challenges.		
The Corporation Chair said it needed to be determined if this was a temporary reduction or a permanent shift in terms of income. If it is likely to continue radical action to remodel the business needed to be undertaken.		
It was explained that 16-18 were up on applications, but it was difficult to determine if that was a growth, whether that was due to demand (the Baker clause) or due to		

	demographics. If there was a growth, it wouldn't be realised until the following year.		
	Potential growth on apprenticeships was also discussed. The main challenge was adult, which remained a focus for the Executive team.		
	Members acknowledged the implications to achieve a 3% EBITDA, with cost versus quality.		
	Other elements were discussed such as the Johnson Building, bids and the College's cash position, which all may affect the position.	CFO	22/05/23
	The Committee Chair asked for more narrative to be included on the paper presented at the Corporation meeting on 22 May 2023.	Clerk	ASAP
	A further meeting after the May Corporation and prior to the next FRC was to be arranged for the DFO, DCEO, FRC Chair and Corporation Chair to meet to consider.	Chair	22/05/23
	RECOMMEND: The Committee recommended a headline budget to achieve 3% EBITDA to the Corporation at its meeting on 22 May, based on the actions outlined.	Chair	22/05/23
36/22-23	**MANAGEMENT ACCOUNTS**		
	The CFO presented the Period 8 Management Accounts outlining the key points.		
	The income and expenditure account showed a year-to-date sector EBITDA surplus position against the budget and the full year forecast had been revised to reflect anticipated income shortfalls.		
	March was slightly overspent on pay, but year to date showed a significant saving. It was also noted the energy invoicing had been resolved with the new contract commencing from April.		
	Members were appraised of the FE Additional Capital Allocations with a grant of £479K received in January 2023 **RECOMMEND: The Committee recommend to the Corporation an element of the grant (£242K) be allocated to improvements at the Stephenson Building to complement the IoT works and the remainder be utilised for cross college energy efficiency measures.**	Chair	22/05/23
	Other grants - FE Reclassification Capital Allocation and FE Capital Transformation fund were also discussed, alongside capital grant applications.		
	Financial health remained good for March and covenants met, but it is projected financial health will deteriorate based on the revised forecast EBITDA to requirements improvement.		

	The CFO had been in discussions with Barclays and the DFE Provider Market Oversight Team, who have advised they would accept Barclays terms of security, but not the rate offered. The DFE published a capital loan scheme, but the College did not qualify for that.		
	The Committee Chair asked if a more substantial briefing on any breach of bank covenants be presented at the next FRC to outline the Board's options.	CFO	27/06/23
37/22-23	**POLICIES**		
	The Financial Regulations had undergone a review. Key changes were highlighted in the report. It was also recommended the document review cycle be changed from 1-2 years.		
	The Procurement Regulations and Tendering Policy and Procedures had been reviewed and the key changes shared.		
	RECOMMEND: The Committee recommended the updated Financial Regulations and Procurement Regulations and Tender Policy and Procedures to the Corporation for approval.	Chair	22/05/23
38/22-23	**MEETING STRUCTURE**		
	The future meeting structure was discussed. In light of the financial challenges of the College it was agreed FRC moving forward would have a financial focus, however wider resource areas would be invited to present their strategy reviews and any relevant key information when necessary.		
39/22-23	**WHAT HAVE WE LEARNED**		
	Members reflected on the meeting. The Funding Allocations and Budget Assumptions were evidence of the new reality the College faced.		
	Members felt it was important to share the story behind the numbers to the financial position at Corporation.		

The meeting finished at 11.45 am

Signed: ______________________ Date: ______________________