

## Newbury College Corporation Finance & Resources Committee

### Minutes of a meeting held on Monday 28<sup>th</sup> June 2021 at 4pm via Microsoft Teams

Present		Role
<b>Membership:</b>	Mike Farwell (MF)	External Member – Chair
	Martin Hamer (MH)	External Member
	Sally Osmond (SO)	External Member
	Derek Peaple (DP)	External Member – Vice Chair
	Sue Richardson (SR)	Staff Member
	Iain Wolloff (IW)	Principal & Chief Executive
<b>In Attendance:</b>	Jo Houghton (JH)	Director of Business and Partnerships
	Lee Hunt (LH)	Vice Principal
	Gill Parkinson (GP)	Clerk to the Corporation
	Jayne Steele (JS)	Director of Finance and Estates
	Cathy Wright (CW)	Director of Human Resources and Support Services
<b>Quorum:</b>	Three members required	Meeting quorate, six members present

Item No.		Action
1.	<b>APOLOGIES FOR ABSENCE</b> There were no apologies.	
2.	<b>DECLARATIONS OF INTERESTS</b> Members confirmed that they had no declarations of interest to make. All agreed that GP could record the meeting. <b>ACTION:</b> Meeting recording to be deleted by GP once the minutes had been reviewed by MF	<b>GP</b>
3.	<b>MINUTES OF THE PREVIOUS MEETING</b> The Committee approved the minutes of the meeting held on 15 <sup>th</sup> March 2021.	
4.	<b>MATTERS ARISING FROM THE MINUTES</b> Progress on previous actions was reviewed on the Action Tracker. There were no additional matters arising.	

<p><b>5.</b></p>	<p><b>MONTHLY MANAGEMENT ACCOUNTS</b></p> <p>JS talked through the key points of the management accounts to April 2021. The key points to note from the accounts were:</p> <ul style="list-style-type: none"> <li>• At £6.2m, Income is £615k lower than the YTD budget. Costs of £7.2m are better than budget by £385k. The resulting YTD deficit is £967k vs a budget of £737k for this 9-month point.</li> </ul> <p>Additionally:</p> <ul style="list-style-type: none"> <li>• The full Year forecast deficit of £1.463m (see Item 6 point 1) shown in these accounts reflects the AEB clawback (see below) but was not fully adjusted for all other areas. The College had not achieved the fees hoped for by April, with a warning that the fees forecast will likely be revised downwards later.</li> <li>• Grant Income of £23k for Employer engagement funded roles had been delayed due to issues with the claim process (ESF projects).</li> <li>• £14k Covid testing income had been received from the Government since the last management accounts, relating to the period prior to the 8th March and was more than expected.</li> <li>• Payroll costs were £22k better (lower) than the YTD budget and April's payroll of £493k was £9.4k better than forecast.</li> <li>• Other costs were £363k under YTD budget. The payment for the Princes Trust programme which is subcontracted had been delayed until May pending reconciliation. This was budgeted as £100k.</li> <li>• Cash Balance was £2.488m on 30 April.</li> </ul> <p>JS clarified the forecast is now out of date and a full reforecast would be made for the Corporation meeting.</p> <p><b>MH asked whether monies from Mitie were expected in May.</b> JS replied that £10k was expected.</p> <p>MF noted the ESFA had recently issued new guidance on the model presentation of management accounts – JS would review this and would review the AOC webinar recordings before the end of term.</p> <p>There was also a new finance manager starting on 21<sup>st</sup> July, with a long handover with the current Manager until November.</p> <p>The new format ESFA financial return would be submitted at the end of July.</p>	<p><b>JS</b></p>
<p><b>6.</b></p>	<p><b>BUDGET 2021-22 &amp; FORECAST 2020-21</b></p> <p>The Committee considered the forecast 2020-21, budget for 2021-22 and the planning assumptions for 2022-23. JS presented her papers:</p> <p><u>Forecast 2020-21</u></p> <p>The key points to note from the forecast were:</p> <ul style="list-style-type: none"> <li>• The operating deficit of £1.376m is an improvement on the £1.463m position reported in the April Management accounts (see Item 5). Key factors were that the AEB clawback was more favourable, and depreciation would increase so release of capital grant would increase (income). There was a downward</li> </ul>	

<p>revision of fee income (e.g. Electrical installation, access courses, teacher training).</p> <ul style="list-style-type: none"> <li>• MF noted after interest and depreciation the deficit was £550K.</li> <li>• There were savings in costs arising from lockdown.</li> <li>• There was a £35k improvement in staff costs.</li> <li>• Catchup funding (£92k) and growth funding (£202k) was subject to assurance work and clawback.</li> <li>• The forecast would also be positively improved by the £75k expected Primary School start-up grant most of which would fall in next year.</li> </ul> <p><b>MH asked whether there is a guarantor for the LGPS pension scheme. ACTION:</b> JS would explore this.</p> <p><b>MH asked for the split between land and buildings and equipment. ACTION:</b> JS to provide this information to MH.</p> <p><b>SO asked what the rationale was to increase income by 11% between this year and next year but only 5% in the following year.</b> The key difference was growth funding which was not currently being assumed in the projection for future years.</p> <p><u>Budget 2021-22</u></p> <p><b>Budgeted Income was £9.8m, staff costs £6.4m, other costs £4.4m (of which premises costs £1.9m) and the operating deficit was budgeted at £1.071m, or £271k before ITDA.</b></p> <p><u>Income</u></p> <ul style="list-style-type: none"> <li>• 16-18 Growth funding of £251K had been included based on recruitment of 750 students (+20) - the DFE could decide not to fund the growth in-year, or the metric could be missed. IW thought that the assumption of some growth funding was reasonable and prudent given the current “knowns.”</li> <li>• £92k catch-up funding had been included which had not yet been confirmed.</li> <li>• £142K increase in fee income included ACL and new UCN courses.</li> </ul> <p><u>Pay costs</u></p> <ul style="list-style-type: none"> <li>• Staff costs had increased as 2020-21 was unusually low because of the lockdowns and there was growth in the football academy staffing (with commensurate income) and several other areas.</li> <li>• Costs for the Newbury football Academy were included at £120k with income for 40 students at a contribution level of 34% (worse-case and the College hoped to improve on this). Oxford Football Academy was budgeted at growth to 70/80 students with a commensurate increase in staff costs (0.5 FTE).</li> <li>• A potential staff Pay Award of 1% for all staff was included subject to achievement of the growth in students and income – to be considered by the Corporation once this was known. A small number of low-paid staff had their salary increased to recognise their work and there was a new admin position, agency budget increase and minimum wage increase.</li> </ul> <p><u>Other costs</u></p> <ul style="list-style-type: none"> <li>• The Unitary PFI charge went up by £154K.</li> <li>• Utilities were based on pre-pandemic levels. Decisions on Renewables were yet to be made.</li> </ul>	<p>JS</p> <p>JS</p>
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- There were increases in Football Academy facility costs, staff mileage, special needs, transport costs for Football Academy, exam fees, carbon literacy training, condition survey, and cyber audit costs.

#### Financial Health

The College's Financial health rating was budgeted to stay at 'Requires Improvement' in both years - the EBITDA figure had to be positive to move to a rating of 'Good' but was marginally negative in the budget plan.

The proposed change to the debt ratio requirement would affect the College score for financial health negatively.

The current ratio would decline as the cash balance reduces, bringing the score from 170 this year to 140 and 120 in the next two years. This would improve if the margin land sale were successful.

**IW highlighted that the College's budgeted staff cost to income was 67%, falling to 65% in the following year and then reducing further. The FE Commissioner's benchmark was 65% and the average for colleges was 69%. MF noted this was impacted by the PFI taking staff costs out; although balanced against this was that many other Colleges also had contracted out services.**

#### Forecast 2022-23

Income was forecast at £10.3m, staff costs at £6.56m, other costs £4.6m (including £2m premises costs) and the operating deficit was budgeted at £807k, or £32k before ITDA.

**MF asked about the potential Milton Keynes Football Academy contract.** JS noted this bid had been lost to a school in the MK area.

**MF asked whether the costs could be flexed for the Football Academy if the numbers were lower?** JS replied in the affirmative.

**MH queried the 1% pay award as he thought a one-off payment would incur fewer future costs.** IW explained that staff had received little increase in previous years, and the nature of any pay award would be for the Corporation to decide in December.

MF thanked JS for her work.

**The 2021-22 Budget was recommended by the Committee to the Corporation for approval** to be submitted to the ESFA by the end of July.

#### **7. CAPITAL EXPENDITURE**

JS presented the 2021- 22 Capital Plan. The annual capital bidding process had been completed and a final list of priority capital expenditure was proposed and listed. All capital bids and needs had been reviewed by members of the SLT and prioritised, resulting in a total planned expenditure of **£181,341** including expenditure of **£85K** on the barrier access to the College, which would be required once the housing is developed on the land to the rear of the nursery which had previously been noted.

In addition to the capital plan the College intended to request permission from the ESFA to use the remaining amount from the £220k condition improvement capital

	<p>grant (£120k due to be paid back in Autumn 2021) for Sports hall floor and Mezzanine classroom improvements.</p> <p>Additionally, £498k was forecast to be spent on the Renewables Centre, with £475K funding to be received from LEP Local Growth Funds.</p> <p>IW noted that all proposed expenditure was necessary to meet the College's plans.</p> <p><b>The capital expenditure plan was recommended by the Committee to the Corporation for approval.</b></p>	
8.	<p><b>CASHFLOW</b></p> <p>JS presented her report on the 2-year projected cashflow and current financial health:</p> <ul style="list-style-type: none"> <li>• <b>Cash was forecast to be £2.223m at the end of July 2021</b>, slightly higher than the figure of £2.148m predicted in April. Key changes were:</li> <li>• The AEB clawback was increased by £19k in March with a total clawback of £139k (incl. learner loans bursary) being paid out in March 2022.</li> <li>• The plan assumed growth funding of £251k, catch-up funding of £92k and growth in fees and apprentices of £208k all of which were not yet secured.</li> <li>• The renewables project outflows were delayed and to be agreed.</li> <li>• The FE facilities condition improvement grant was still showing as being repaid in November 2021 with approval being sought from the ESFA to spend this money over the summer albeit there is currently a shortage of construction labour and materials.</li> <li>• Cash would become critical in November 2022 based on the current forecast, but this would become clearer once student numbers were known.</li> <li>• The margin land sale was not included and should improve the College's cash position by c. £350k within a 12-month timeframe conditional on planning permission.</li> <li>• The first tranche of the large land sale was not included but it was hoped to be realised within the next 24 months and would improve the position by £3.0m.</li> </ul> <p><b>MH asked whether the land sale delay could mean that cash could become negative in a year's time and thought an overdraft should be sought.</b> IW replied that this was being explored by the SLT, SO and MF who had recently met with the ESFA. They were likely to provide bridging funds where there is a pending capital receipt. Other sources of loans were also being explored including from the local authority and banks. JS thought it was probable that assistance would be received, if required.</p>	
9.	<p><b>ESFA FINANCE ASSESSMENT &amp; DASHBOARD</b></p> <p>JS presented the ESFA letter on financial health and the associated dashboard confirming that the ESFA had reviewed the College's 2019-20 audited financial statements, management letter and the Annual Report of the Audit Committee and had not identified any significant financial control concerns with the financial health score (Requires Improvement) recorded in the financial dashboard which was in line with their prediction.</p>	

	The 2020-21 plan score was based on the forecast submitted in December 2020 before growth funding was awarded.	
10.	<p><b>HR REPORT</b></p> <p>CW presented her report. This outlined HR KPIs, outstanding actions, and concerns covering Recruitment, vacancies and recruitment spend, Turnover, Absence Levels and Training Budget.</p> <p>Much of the increase in recruitment costs related to difficulties in recruiting lecturers in technology which meant there was an increase in agency costs. However, several lecturers had been lost representing a saving.</p>	
	<p>The Staff Survey would go live on 1st July 2021.</p> <p><b>MF asked whether KPI benchmarking would be included in the future.</b> CW replied that this would be included in the year-end report – <b>ACTION:</b> The year-end report with benchmark KPIs would be sent to the Committee once it was available.</p> <p><b>MF asked about mental health issues resulting from the Covid changes.</b> CW replied there was a proposed hybrid working policy to help with wellbeing and an employee helpline.</p> <p><b>MH asked for further details of the collective grievance concerning salary levels currently being dealt with.</b> CW noted that this related to several staff who thought they should receive incremental increases which were no longer given to staff. DP agreed that incremental increases are not automatic in the sector and should be performance related.</p> <p><b>MF asked whether there are any IR35 staff?</b> Yes, a process was currently being undertaken.</p>	<b>CW</b>
12.	<p><b>IT REPORT</b></p> <p>CW presented Richard Elwell's report. Since the last meeting, the IT department had continued to supply a high level of support to all curriculum and support functions. The spring term saw a gradual return of students on site and a constant on site presence had been provided to accommodate this. The primary areas of focus this term had been to improve and manage security and the installation and set-up of ICT for the Primary School:</p> <ul style="list-style-type: none"> <li>• Multi Factor Authentication (MFA) required for staff to access office 365 services had been implemented.</li> <li>• Teaching staff and students continued to have access to laptops and remote teaching technology.</li> <li>• Off-site backup services needed to be fully implemented to protect against cyber-attacks. Jisc were giving regular updates.</li> <li>• The renewal of the Cyber Essentials certification was in July, with plans in place to achieve the Cyber Essentials Plus accreditation in October working with JISC.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Piloting of Microsoft licensing including Intune Mobile Device Management (MDM) and Information Protection was underway with a view to rolling them out to staff in next academic year.</li> <li>• A more robust Security Information and Event Management (SIEM) system was recommended.</li> <li>• A Capital bid for off-site back-up storage had been made to achieve greater resilience from cyber-attacks.</li> <li>• Laptops were loaned out to students and staff, with further laptop loans managed by the print room.</li> <li>• IT and phones were installed in the Primary School.</li> <li>• The SIMS installation would take place on 23rd June and the Interactive screens installed on 28th/29th June.</li> <li>• Upgraded Internet lines were now being fully utilised.</li> <li>• The DocuSign service was used by several departments to manage electronic signatures for both staff and students.</li> <li>• The apply online site was in testing phase to allow students to electronically apply and enrol on college courses.</li> <li>• A new Moodle site was being set up to focus on selling fully online self-paced courses.</li> <li>• From September the College would migrate to Teams with Moodle available for some academic staff.</li> </ul> <p><b>MF asked about remote working security.</b> This was up to date and the MFA assisted with this for staff.</p>	
13.	<p><b>MARKETING UPDATE</b></p> <p>LH presented his report. Overall movement was in a positive direction with some areas moving to Green. Nationally adult learning had been impacted most negatively by the pandemic impacting on adult students' confidence with a decline of 40% reduction in adult education participation (as outlined by WBC lead on 16+ education).</p> <p><b>ACTION:</b> Interim update on recruitment to be provided by LH in September.</p> <p>A summary of the report was:</p> <ul style="list-style-type: none"> <li>• The Marketing Activity Reviews for curriculum demonstrated some improvements across the 3 KPI's. In line with the college BRAG status definitions (delivery against plan) one KPI was on track and two mainly on track, with some minor issues.</li> <li>• The UCN recruitment targets were performing lower than the set target (currently 111 against the budget target of 196) with several actions being employed to improve this.</li> <li>• The UCN Marketing QIP review outlined the current review of the UCN marketing position against KPIs. The position of other areas of marketing demonstrated some minor improvements against some of the KPIs. However, many of these judgements had not moved from amber to green and some remained in red linked to the challenges faced because of the Pandemic.</li> </ul>	<b>LH</b>

	<ul style="list-style-type: none"> <li>In summary, the marketing team were supporting all elements of the college in the promotion of their activities. The current applications within the Career Academy, Foundation Learning and School Links programme (Sixth Form+) demonstrated a significant improvement in applications for 16-19, 19+FT and Part Time courses against the last 3 years with areas of focus revolve around the adult applications which were being addressed through several strategies.</li> <li>JH added the UCN website was being improved by her team.</li> </ul>	
14.	<p><b>POLICY REVIEW</b></p> <p><b>Financial Regulations</b></p> <p>As agreed in 2020 the Financial Regulations would be reviewed annually by the Committee and recommended to the Corporation for approval. JS explained changes this year were minor as a full review was undertaken in 2020 – a full explanation had been provided but in summary were:</p> <ol style="list-style-type: none"> <li><b>9.4 Capitalisation and depreciation</b> – amended to change depreciation rate of computer equipment from 3 year to 5 years – this reflects more accurately the economic life of computer equipment in the way that it is used in the College.</li> <li><b>15.8 EU regulations</b> – amended to update the regulation following Brexit.</li> <li><b>15.9 Receipt of goods</b> – third paragraph updated to reflect updated way of working.</li> <li><b>15.13 Payment by cash</b> – amended name of the claim form from ‘Miscellaneous payment form’ to ‘Petty Cash Claim form’.</li> <li><b>15.19 College Credit Cards</b> – Deleted final paragraph because we no longer use purchasing cards.</li> <li><b>16.3 Salaries and wages</b> – update of responsibility from Director of Finance to Director of HR in first paragraph.</li> <li><b>16.3 Salaries and wages</b> – update of responsibility from Finance Manager to Director of HR in sixth paragraph.</li> <li><b>16.5 Travel, subsistence, and other allowances</b> – updates to the first 2 paragraphs following move to new self-service HR hub.</li> <li><b>17.5 Safeguarding assets</b> – update of job title for responsibility from Contracts Manager to Facilities Coordinator in first paragraph.</li> <li><b>General</b> Update of Senior Management Team to Senior Leadership Team throughout.</li> </ol> <p><b>The Committee recommended the financial regulations to the Corporation.</b></p>	
16.	<p><b>COMMITTEE SUMMARY</b></p> <p>MF summarised the key areas to be tabled at the Corporation meeting on 12<sup>th</sup> July:</p> <ul style="list-style-type: none"> <li>Budget/forecast/capital expenditure to be approved.</li> <li>Cashflow</li> <li>Pensions</li> <li>Financial Regulations approval</li> </ul>	
17.	<p><b>AOB</b></p> <p>There was no other business. The meeting finished at 6pm.</p>	



Confirmed as a correct record:

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Signature of Committee Chair

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Date