Newbury College Corporation Finance & Resources Committee

Non-Confidential minutes of a meeting held on Monday 04th of Jul

Date:	4th July 2022	Time:	4PM
Chairperson:	TBC	Location:	College Restaurant

Members	Name	Present	Role
1.	Glyn Howells (GH)	*	External Member
2.	Iain Wolloff (IW)	*	Principal & Chief Executive
3.	Sally Osmond (SO)	*	External Member
4.	Sue Richardson (SR)	*	External Member (Chair)
Apologies:	NONE		
In Attendance:	Richard Lee (RL)	*	Clerk to Corporation – Minute taker
	Jo Houghton (JH)	*	
	Cathy Wright (CW)	*	
	Didem Allen (DA)	*	
	Lee Hunt (LH)	*	Vice Principal
Quorum:	3 required	*	4 present at start - meeting quorate

AGENDA ITEMS

Item	Part 1	Reports
1.	**Election of Chair** GH unanimously elected as Chair of the Finance and Resources Committee.	Verbal
2.	**Apologies For Absence** There were no apologies for absence.	Verbal
3.	**Declarations Of Interest** There were no declarations of interest made.	Verbal
4.	**Minutes Of The Previous Meeting** The Committee approved the Minutes and Confidential Minutes of the meeting held on the 21st March 2021.	Paper – Page 3
5.	**Matters Arising From The Minutes** The Committee received a report on actions in relation to matters arising from the minutes of 21st March 2022.	Paper – page 13

	GH asked for progress on action 5. IW responded action 5 assessed the viability of purchasing software to map student locations for the purposes of improving marketing strategies. SO noted the questions used to interrogate the data need to be defined before mapping software is purchased. GH asked if the context within which this action was raised is known. SO responded it was raised within the context of advertising and branding. GH asked if the definition of data questions should be actioned. IW responded that the software would not be of significant value. SO and LH responded the question of viability could be referred back to the SLT. GH noted action 5 is considered closed. GH noted actions 7 and 15 have been addressed.	
6.	**Monthly Management Accounts (SI)** DA reviewed management accounts for the 10 months to May 2022, which included the changes based upon updates received since previous reforecasts. These include confirmation of the final 2021/22 16-18 funding allocation (including in-year growth numbers), a review of Apprenticeship and AEB activity, and confirmation of the receipt of the COVID insurance claim. In addition to these developments expected income from High Needs funding from local authorities has been increased by £130k. The forecast operating deficit has improved significantly since the last forecast, due to the increased income for high needs funding and some significant savings in salary costs. These savings are due to two main factors: first, planned salary costs for some adult provisions are not now required, given the delivery of additional distance learning through partnership. Second, a detailed review of salaries has confirmed savings from vacancies. DA noted potential improvements include: • The forecast deficit is now £221K lower than budget. • Income is now forecast at £255K better than the budget. • Apprenticeship numbers and income are better than the budgeted figure. • The Covid insurance claim has been included as income. • High needs income exceeds the budget by £130K. • Significant savings in salary costs have been achieved, due to increased distance learning provision and vacancies. DA noted that matters remaining unchanged included: • Total expenditure is now similar to the budget (additional £34K). DA raised issues of concern as: • The very high level of 16-19 growth anticipated in the budget was not achieved, giving a total downward adjustment in income of £317K. • The date of expected receipts from the margin land sale has been moved back significantly to August 2023. • Additional costs for the current rises in inflation have been included. GH noted in relation to other income that whilst the College is 220k above budget this includes non-recurrent income; the underlying budget deficit of £1.1 million is still effectively present. DA responded £424,000 was non recurrent income. IW noted staffing changes had generated a lag in prior calculations of salary issues that affected the forecasting of costs.	Paper – Page 14

	DA noted the balance sheet has not changed with the cash balance closing at £2.5 million. £227,000 of outstanding debts have been received since the report was written. DA noted the cashflow forecast has not been updated from July 22nd onwards. DA noted that there will be a dip in cashflow in March 2023 if the £3 million is not received from the land sale, and that the College may drop to a level where it has cash for 15 days, possibly triggering ESFA intervention. GH noted the cash balance was £1.3 million but about half was due to capita grants for T Levels that will be spent within the next academic year. GH noted that the aged debt position should be held. GH noted Management accounts reviewed for the record.	
7.	**Budget 2022-23** DA asked the Committee to consider the budget for 2022/23 and recommend to the Corporation Board for approval. The key points to note from the forecast were: • Forecast 2021/22: The Deficit of £928k is an improvement on the position £1.42m reported in the March Management accounts. The forecast deficit is now £221K lower than budget. • 2022/23 budgeted Income is £11.06m and the deficit is budgeted at £1.18m (£318k before ITDA) before land sale income of £3m is taken into account. • Funding and fees income, including high needs and apprenticeship, is expected to increase by 1.44m (15%) from £9.34m to £10.78m. • Although the total Income from other sources shows decrease year-on-year, this is due to the adjustments made to the incomes received in 2021/22, such as: o Covid insurance claim (£191). o BEEP delivery and claims (£61k). o Highwood Copse recharge regarding staff costs incurrent by NC (£60k) Changes to the other income streams are reported in Item-9. • £898k increase in staffing costs from £6.83m in 2021/22 to £6.98m in 2022/23, mainly due to below assumptions: o All vacancies are assumed to be filled from 1st August 2022. o Potential 8% increase for NMW and lowest level pay is included from April 2023 (+£37k), other agreed adjustments are also included in the budget (£48k). o Total staff costs have been adjusted by 4% (£291k) to take vacancy factor saving into account o Cost for AEB delivery via External Partnership is reported separately (£257k) Total salary costs, including External Provision (211k), are 65% of Total Income (£11.57m) which is in line with the FE Commissioner guidance. • Total income from Football is included at £1.12m, at a contribution level of 30%. • 40% increase in Fuel and food purchases for Catering and Refectory have been assumed, to take current economic climate in account, but we have been more conservative on income predictions for commercial activities. 22 of 77. • Energy prices for main contracts are fixed until August 2023. Two smaller contracts are now on variable rate (c£8.5pa) which we will be looking into alternatives for potential cost savings. • £239k expected increase in Premises costs are mainly due to the increased cost of PFI (£157k) which is based on current charges, plus 5% for potential increases.	Paper – Page 22

	• £3m income from sale of land is expected to be received in March 2023. Due to delays in Margin land sale the expected income has now been moved to August 2023. DA noted potential improvements: • Income from other sources in relation to Lettings, Refectory, Restaurant and Salon incomes are budgeted at same level as 2021/22 due to the current economic climate. However, as the services provided are good value, we may see more demand and increased income. DA noted matters remaining unchanged as: • FRS102 adjustments are non-cash entries that are difficult to predict. £210k is included in our staff costs and £151k in our operating expenditure. DA raised issues of concern as: • Growth funding of £65k budgeted in 2022/23. The DFE could decide not to fund growth, or it is possible that we miss this key metric. IW noted that income has increased in line with a strategic aim is to achieve £11 million, built on 16-18th growth. However this growth has increased staffing costs in line with FE commissioner expectations that 65% of income is spent on staff costs. IW noted the budget is proposed without including an across-the-board staff pay rise; the national position is that the AOC has offered a pay increase of 2.5 %. SO and GH responded that the budget should contain the funds for a potential salary increase; SO and GH suggested the figure should be set at c.3-4% and that assuming each 1% wage increase costs £30,000 to implement this would be a total of £120,000 making the staff/income costs at 68%. IW noted a 1% pay rise for all staff would be c.£45,000. CW noted that a 4% rise would still see the College offer less competitive roles, especially in support positions. GH noted another spike in utilities cost in October would likely worsen this position. SO asked what realistic figure would be to take to the FGB. IW asked if the Committee was content to suggest a 3-4% staff raise at the FGB. GH noted a high level cashflow report is required for the FGB to show, excluding the potential £3 million capital receipts, that a cash position of £1 million will be reached, with associated risks and mitigation plans outlined. SO asked whether the student numbers used to calculate income will be achieved. IW noted 16-19 funding is largely confirmed; additional growth figures for 16-19 are speculative but cautious. JH responded in relation to apprenticeships that there is £500,000 of carry in predicted and 80 students will join. IW noted that in reference to the AEB that the figures are also accurate. LH responded that there would be 702 new 16-19 learners, and 260 returning learners; LH calculated c.200 will be no-shows. SO asked if a budget for governance could be established including c.£9,000 for an external board review. GH responded cash flow needs to be more understood in more detail before considering increases to the budget. GH noted that, with the changes discussed, the Committee will recommend the Budget to the Board for approval.	
8.	**Capital Expenditure** IW updated the Committee on capital expenditure. The Committee is asked to consider recommending the capital plan for 2022/23 to the Corporation. The annual	Paper – Page 25

	capital bidding process has been completed and a final list of priority capital expenditure is proposed. All capital bids and needs have been reviewed by members of the SLT, resulting in a total planned expenditure of £189,383. In addition to the normal Capital Plan, the ESFA have provided a significant sum of capital for the purchase of equipment required for the delivery of T levels. The total sum allocated is £629,205 and it is planned to spend £374,635 for construction, £179,460 for digital and £75,110 for Business & Administration. In addition to the essential equipment required for approval of the T Level qualifications in these areas, the funds will also provide IT equipment for the areas, a simulated building site at the rear of the Renewables Centre, and a series of 'Employer Engagement Meeting Pods' in the Student Hub. GH noted spending c.£200,000 is realistic and recommended the Capital Expenditure to the Board for approval.	
9.	**Income from other sources** DA reported to the Committee on current and potential additional revenue streams. The College received £115k income from other sources in 2020/21 which is expected to be increased to £257k in 2021/22; an increase of £142k (123%) compared to 2020/21. The 2022/23 total income from other sources is budgeted at £251k. The Newbury College Subscription income is up 223%, (currently £15 per student per year). This is a voluntary payment requested of all students studying 'substantial' courses on the main site. This provides an income of £9.9k this year which was received from 660 students, and there is a forecast of £9k (644 students) for next year. This £15 student subscription fund contributes towards Print Credit, Careers Events & Open Days, free on-site parking, and student ID cards which gives the students access to discounts from many major retailers and attractions. Refectory and Restaurant incomes have increased by £41k and £14k year-on-year respectively. Lettings income has recovered after Covid19 restrictions were lifted. The 2021/22 forecast is £95k, a £68k increase from 2020/21. In 2022/23 it is anticipated that there will be additional income from Gym membership, as the fee was waived in 2021/22. IW noted the letting income achieved reached intended pre-pandemic levels but could be expanded through partnerships. GH responded that Newbury Rugby Club has a festival that requires camping sites. SO noted parking permits may be another source of potential income. GH noted that the Committee has reviewed the underpinnings of the budget and found them reasonable.	Paper – Page 27
10.	**ESFA Finance Assessment & Dashboard** IW asked the Committee to review the ESFA letter on financial health and the associated dashboard. The key points to note in the ESFA letter and associated dashboard are: • The letter confirms that the ESFA have reviewed our 2020/21 audited financial statements, management letter and the annual report of the audit committee and have not identified any significant financial control concerns from this review. • The financial health score of 'requires improvement', recorded in the financial dashboard, is in line with our prediction and accords with what has been reported to Governors.	Paper – Page 29

	• The dashboard records the fact that the college sector plans to have improved financial health overall, though the College remains as 'requires improvement' due to the significant effect of rising PFI costs. GH noted that the data presented needs to be collated and submitted but provides no new insight.	
11.	**HR Report (SI)** CW presented the most recent HR Report to the Committee. The report outlines HR YTD KPIs, actions and concerns since March 2022 according to the terms of reference for the committee, including: 1. Pay and conditions 2. Staff numbers 3. Turnover of staff 4. Training & Development This report is an update, a full year end report will be available in August. CW highlighted potential improvements as: • The College has a qualified Senior Mental Health Champion, funded by a Government scheme, who will review our strategy for supporting the mental health of our staff and students. • A People strategy is in place and will be launched to all staff. • The staff survey results show that 80% of staff would recommend the College as a good place to work. CW noted matters remaining unchanged: • Absence levels within Foundation Learning. • Agency and training spend. CW noted issues of concern include: • Staff turnover levels. GH asked if there were 4 or 5 complaints. CW responded there were 5 complaints, but one complaint is ongoing. GH asked if staff turnover at 22% was exceptional. CW responded that it appears to be a post-pandemic effect, with staff leaving for personal reasons. GH noted some staff are worried about re-engaging with the post Covid workplace, especially in lower paid positions. GH suggested the HR report be provided as an attachment to the report to the Board. SO agreed.	Paper – Page 39
12.	**IT Report (SI)** CW gave an update from IT Services to the Committee on how the College provide IT resources to the College and regular updates on Cyber Security. CW highlighted potential improvements including: • Device management will be introduced for anyone accessing College services over personal devices. • Introduction of new modules for our MIS system to support our students. • The capital requests made are mainly to meet our Cyber Security requirements. CW noted that matters remaining unchanged included Cyber Essentials Training for staff @ 90% completion CW raised issues of concern as: • The length of time that orders are taking to be delivered.	Paper – Page 43

	• Finding a replacement for the outgoing IT Assistant at a crucial time. Alternative resource is being investigated within the college. GH noted the IT Report was reviewed by the Committee.	
13.	**Marketing Update (SI)** LH reported to the Committee on College and UCN marketing. The Marketing Activity Review (Appendix 1) identifies a positive improvement in KPIs and specifically the areas for improvement identified in the last report These are: • Maintaining, responding and communicating to all target audiences across multiple social media platforms. • Creating targeted digital and print collateral relevant to events, campaigns and audiences. • Engagement activities that communicate the college intent and develop support from the local community and key external stakeholders The overall assessment based on twenty indicators is that marketing is good in all areas. This is outlined further at Appendix 1. Curriculum and Marketing teams continue to work together to optimise the marketing opportunities This review has established actions which are outlined further at Appendix 2. 3. LH highlighted potential improvements as: • Creating collateral & targeted campaigns KPI 3 • Engagement activities KPI 4. LH noted issues of concern include: • Considerable resource and marketing spend has been dedicated to UCN but developing this new market continues to be challenging. GH asked, in relation to the UCN, what would the return be if another £50,000 was invested? JH responded marketing for new fields such as apprenticeships would necessitate new training. SO asked if this was a consultancy. JH responded this was possible. LH responded that internal marketing should be improved, for example recruiting 16-19 students into the HNC. IW noted the SDC outlined the need to bring in additional expertise and marketing into the College. **GH confirmed the update was noted by the Committee.**	Paper – Page 45
16.	**Subcontracting 2022/23** JH reported to the Committee on recommending the subcontracting levels and revised paperwork 2022/23 to the Corporation. The ESFA have revised their rules for subcontracting with a view to, again, increasing the rigour in sub-contracting arrangements. Therefore, the Monitoring of Sub Contractors Policy has been updated to accommodate all these changes, as has the Due Diligence format and the Subcontracting Contract. These changes have been reviewed and approved by the SLT and the Committee is asked to consider recommending approval of the revised paperwork by the Corporation Board. Board approval of these documents is one of the requirements in the revised rules. Also provided is the detail of proposed subcontractor values for 2022/23. The Committee was asked to consider recommending approvals of these values by the Board.	Paper – page 69

	GH and SO noted and the Committee recommended the report for the Corporation's consideration.	
17.	**Bad Debt** DA asked the Committee to consider approval to write off uncollectable debts from the Sales Ledger against the Bad Debt Provision. Section 12.4 of the Financial Regulations describes the procedure for writing off debts which are uncollectable. Debts which exceed £500 may be written off by the Finance & Resources Committee, having received a report from the Finance Director. The Committee is asked to give approval to write off old uncollectable debts greater than £500 in accordance with the Financial Regulations. Matters to bring to members' attention were that there are some old debts recorded on the Sales Ledger as being due to the College which despite debt collection activity, including contact by phone, letter and threatened legal action, remain unpaid. Many of the debts are old and many remain unpaid because the student withdrew early in the academic year and the unpaid invoice relates to the full year. At each year end audit, the collectability of debtor balances is reviewed, and a provision for bad debts is made. As at 31 July 2021, the value of the provision was £38k. The current list of uncollectable debts requiring Committee approval for write off amounts to £32k and is outlined in the table provided. The debts have been classified by age and by category of debt. "Disputed" Items include invoices where either the delivery is disputed or the debtor says that they have already paid, but the payment has not been traced by the credit control team. The age of these items makes it difficult to build a case for successful legal action. "No Trace" means that the debtors have been sent letters, but we have never received any response. Currently debts in this category are sent to the Debt Collectors STA International. If a student withdraws with or without any attendance, the invoiced values are corrected as soon as possible within the financial year. This is a revenue write off and the credit note is approved by the Director of Finance. GH noted improvement of increasing control of bad debt. GH asked if £4,800 raised last year will be written off. DA responded that sum was an invoice that was raised but not credited. GH noted the committee approved the writing off bad debts as proposed from 2019 and 2020. **ACTION: Any recommended write-off for 20-21 will be brought to the next meeting of the Committee (DOF).**	Paper – Page 76
18.	**AOB** None	

SI – Standing Item * - Confidential item

01 Feb 2023

Glyn Howells (Feb 1, 2023, 9:19pm)

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