

PRESENT:

Jacqui Chatwood (Chair), Clare Russell (Principal), Marc Balshaw, Simon Carrier, Peter Zak, Warren Middleton

IN ATTENDANCE:

Janet Ivill (Director of Finance), Deborah Bamber (Director of Facilities), Fatema Hussein (Head of Governance),

Meeting Commenced: 6.00pm

Meeting Closed: 8.20pm

Attendance: 86%

1. APOLOGIES

Apologies were received and accepted from Gary Hall.

The new Director of Facilities was welcomed to her first Finance Committee meeting.

2. DECLARATIONS OF INTEREST

Members were invited to declare any direct, indirect, pecuniary, personal or prejudicial interest relating to any item on the agenda for the meeting

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON 16TH NOVEMBER 2020 (PART 1 & 2)

3.1 Approval of the Minutes

Agreed: that the minutes are approved as a correct record and authorised for publication (Part 1)

3.2 Matters Arising from the Minutes

The action progress log was reviewed, and it was noted that most actions from the last meeting had been implemented or were included on the agenda for discussion.

Catering Income

The following update was provided by the Director of Finance:

- The January 2021 management accounts showed a forecast deficit of £236,000 and was based on a worst-case scenario

- Catering operations had resumed again with the re-opening of the College campus and the average daily income last week had been £2,510
- The year-end deficit was expected to be less than £200,000 and would be offset from the contingency budget
- College had decided to reduce the catering function via a demand led model next year and staff would be redeployed to cleaning functions where appropriate

Governor Questions

Q. When was College anticipating reaching a sustainable position?

A. It was aiming to achieve a break-even position next year and would be focussing on areas of the operation where a good contribution was being made

Q. Were any changes to the catering offer planned for the next academic year?

A. A mobile pizza and burger van would be available for students to access

The Committee requested that a further update was provided at the next meeting.

ACTION:

Director of Finance

Insurances

The Committee was informed that guidance had been received from the AOC stating that College would not be able to claim under the business interruption element of the policy.

Governors suggested that in light of the recent High Court decision, College continued to monitor this as the situation may situation.

ACTION:

Director of Finance to provide an update at the next meeting.

4. MONTHLY MANAGEMENT ACCOUNTS TO 31 JANUARY 2021

The Director of Finance presented the report for the month ending 31 January 2021 and the following points were noted:

- College was on track to meet the year-end target for operating surplus
- ESFA had confirmed provision of funding for additional employer pension scheme costs
- Pro-active action was being taken on managing non-pay costs and resources were being cross utilised where possible
- Apprenticeship provision was performing better than expected
- Bank covenants were on track to be met
- £600,000 of income was at risk (worst case scenario) and would impact on the Barclays loan covenant if it materialised

Governor Questions

Q. What was the key driver for the better than forecast position on Apprenticeships?

A. The recruitment team had been successful with their current campaign and many Apprentices had also remained on the programme during furlough

Q. Did management expect that the worst-case scenario would be realised?

A. The position was looking more optimistic now that the College campus was open as the risk to transport and catering income had reduced. Recruitment to the adult programme had been buoyant

Q. What were the reasons for the improvement in non-pay expenditure on transport?

A. This was as a result of credits that had been received from the transport companies

Q. What was the position on the bus contracts?

A. The intention was to use the option to extend them by another year. There may be additional costs from April 2022 in regard to the application of emission charges and College may need to work with the bus operators on this

A Governor stated that College should not be expected to pay for any additional charges incurred by the bus operators.

Q. Why had the decision been made to not go out to tender?

A. All three operators were financially stable, and College did not want to take the risk of appointing a new operator

A Governor stated that the bank covenants seemed to be outside the current market rates and suggested that this was checked.

ACTION:

Director of Finance to liaise with the Co-opted member Simon Carrier

Q. Was the increase in premises costs due to additional cleaning and PPI?

A. It was confirmed that it was

Q. Had any funding been received from the Government for the Covid testing centre and had this been included in the accounts?

A. The testing centre was estimated to cost the College between £75000 and £100,000. College would receive £14 per test and 2293 tests had been undertaken so far. The Government funding had not been included in the January report

Q. What was the current cash position?

A. Cash balances would drop to £2.8million in March but this had been anticipated

RESOLVED:

That the January management accounts be received and noted

4.1 Revised Financial Benchmarks – F.E. Commissioner

The Director of Finance explained that:

- The F.E. Commissioner had made changes to the financial benchmarks which would be used to monitor Colleges in intervention and as part of diagnostic assessments from February 2021
- The benchmarks were intended to provide a useful reference point for Governors and senior leaders to monitor financial health
- College compared favourably on most of the benchmarks
- It was proposed that these were included in future management accounts as well as being taken into consideration as part of the budget approval process

The Chair requested that the benchmark definitions were circulated with the June meeting papers and added to the Conveners library

ACTION:

5. LONG-TERM FINANCIAL FORECAST

The Director of Finance provided an overview of the financial scenarios and the assumptions that had been taken into consideration as part of the long-term financial forecasting process.

Scenario 1a had assumed that:

- College would maintain a modest annual surplus of circa £0.4m from 2022/23 onwards
- The build of a new T-Level facility as per the current T-Level capital bid
- Capital investment from cash reserves of £1.8m was spent, along with a £1.8m capital grant from the ESFA

Scenario 1b followed on from scenario 1a and involved proposed spend from the FE Transformation Fund. It was assumed that:

- Dalehead (single storey) would be demolished and that College sold the Chorley Campus for £5m
- There was a net loss on disposal of £537k (offset by £25k accelerated capital grant) for the disposal of Dalehead
- There was a net loss on disposal of £8,554k (offset by £3,368k accelerated capital grant) for the disposal of the Chorley Campus
- In this scenario, the College would fall into 'Requires Improvement' financial health for the duration of the build programme
- Cash balances would fall below £2m, which may cause some risk when considering the monthly ESFA funding profile

Governor Questions

Q. What would be the impact on the year-end operating surplus?

A. Scenario 1a and 1b would both result in a year-end operating surplus of £400,000

Q. Would be the financial benefit of implementing the proposals?

A. The main benefit would be educational and ensure that the campus remained attractive to students

Q. Was some additional sensitivity analysis required on Scenarios 1a and 1b?

A. College would make savings and adjustments to meet the £400k surplus

Q. What implications would a Requires Improvement financial health grade have for the College?

A. It would result in greater monitoring from the ESFA and College would need to explain the rationale for its decisions

Q. Would the reduced valuation of the Chorley campus result in the use of the contingency fund?

A. College would have to make use of grant funding to fill the gap

RESOLVED:

Following a detailed discussion, the Committee agreed that:

- It was not at a point yet where it was satisfied with the robustness of the financial forecasts
- College needed to provide further details of where cost savings could be made
- The potential increase in pension costs needed to be taken into account
- Confirmation was required on whether additional costs in relation to the green / zero carbon agenda had been factored in
- Further analysis was required on the projected growth in student numbers including the potential loss to the new Maths School that would be opening in Preston

ACTION:

- Director of Finance to revise the financial scenarios to include the additional assumptions suggested by Governors
- Scenarios to be stress tested and mitigating actions to be included
- Updated proposals to be presented to the June Finance Committee meeting

6. EMERGING BUDGET POSITION 2021 - 2022

The Committee reviewed the emerging budget position and endorsed the assumptions that had been made.

7. ESTATES STRATEGY FINANCIAL PROPOSALS

The following update was provided by the Principal:

- The outline strategy had been reviewed by the Estates Task & Finish group
- A key driver was the curriculum intent and the College being centrally involved in the delivery of T Levels
- The proposed strategy would address the poor condition of some of the buildings and help to reduce the overall carbon footprint
- It would also address the inefficiencies of the Chorley campus and the cost of running two sites
- The projected growth in student numbers was a very conservative estimate and did not include the demographic upturn
- The success of the bids was not entirely dependent on growth in learner numbers but more on the condition of the buildings
- A range of different options had been considered as part of the outline strategy
- Alternative proposals may have to be considered if College did not receive Government funding for the proposed projects
- Governors were not being requested to commit to any particular option at this stage but to agree with the overall strategic direction
- The maximum amount of income that was currently at risk was £250,000

The Head of Governance advised that:

- The proposals had been sent to Board members last Friday and initial feedback from some Governors was that they wanted the option to discuss the proposals in more detail
- An extra-ordinary Board meeting would give Governors the opportunity to raise any questions and queries so that Board members could seek and receive the necessary assurance regarding the proposals before any documents were submitted to the DfE
- This would also ensure that the Board had a clear audit trail and demonstrate that appropriate governance processes had been adhered to

ACTION:

Chair and Head of Governance to make arrangements for an extra-ordinary Board meeting

RESOLVED:

The Committee noted the strategy and the options available to the College, and agreed that College needed to make sure that all factors had been considered including the withdrawal of funding

ACTION:

- Draft business plans if available to be shared with Chair of Finance / Simon Carrier / Peter Zak

8. PROPOSED CURRICULUM PORTFOLIO CHANGES 2021-2022

The Committee reviewed the report which provided details of new and proposed discontinued courses.

The Director of Finance explained that the aim of the report was to provide Governors with assurance that the underlying purpose of the curriculum offer was not being amended.

Governor Questions

Q. Why was the cyber security course being withdrawn when there was a big demand for this skill set from employers?

A. The course was not recruiting well, and it was not clear why this was

A Governor suggested that College needed to re-assess what the employer need was and some amendments to the course content may be required.

9. CURRICULUM COURSE CONTRIBUTION

The Director of Finance presented the report and the following points were highlighted:

- All planned courses were shown to be generating a positive gross contribution
- There were no individual courses generating a gross deficit
- Some courses were showing contribution levels below 30%, but these were accepted as they offered a richness to the curriculum and were often combined with higher performing provision

10. F.E. COMMISSIONER DIAGNOSTIC ASSESSMENT RECOMMENDATIONS

The Director of Finance reported that all recommendations from the diagnostic assessment had been accepted and added to the audit monitoring report. Progress would be monitored by the Audit Committee.

11. RISK REGISTER FEBRUARY 2021

The risk register was reviewed, and it was noted that following a recommendation from the F.E. Commissioner diagnostic visit, a revised format would be presented at the next meeting which would focus on the top 5 risks.

RESOLVED:

The Risk Register was received and noted.

12. STRATEGIC PLAN 2020/21 MONITORING REPORTS

The Committee considered and noted the monitoring reports which set out key actions required to meet targets contained in the Strategic Plan and indicated progress to date with them.

The following points were noted:

12.1 Chapter 5 – School, Employer & Community Relationships

- All actions were on track to be completed within the required timescales.

12.2 Chapter 11- IT Services & Print Shop

- Good progress was being made with no areas of concern.

12.3 Chapter 12 – Health & Safety and Sustainability

- Good progress was being made with no areas of concern.

12.4 Chapter 13 – Administration, Transport and Exams

- There were no areas of concern to highlight to the Committee.

12.5 Chapter 14 – Finance & Risk Management

Governor Questions

- Q.** Had the financial benefits of converting to Academy status been considered and what would be the potential savings on VAT?
- A.** College would save £500,000 in VAT but not be eligible to apply for funding from the F.E. capital transformation fund. It had been decided that this was not considered at the present time

The Committee requested that a report highlighting the key elements that had impacted on the changes to the costs per square metre was provided for the next meeting.

ACTION:

Director of Finance to provide a report for the June meeting

12.6 Chapter 15 – Catering

- Mitigating actions were being implemented to try and address the shortfall in income.

13. FINANCE MASTERCLASSES

The Head of Governance made the Committee aware of finance training for Governors that was available from the AOC.

ACTION:

Governors were requested to contact the Head of Governance with details of the sessions they wanted to attend

14. GOVERNANCE IMPACT STATEMENT

- Monitoring of catering income and updated report requested by the Committee
- Request that insurance situation is monitored
- Governor request to revise long-term financial scenarios and for them to be stress tested
- Discussion and debate on the estates strategy and Committee request for more detailed information to inform Governor decision making
- Governor advice and support provided on bank covenants
- Governor input re transport tender and suggestion to set up a Task & Finish group to review the bus tender
- Review of curriculum course contributions to ensure that there is
- Governor suggestion to review the cyber security course offer

15. DATE OF NEXT MEETING

Monday 14th June 2021 at 6.00pm