

<p>R U N S H A W C O L L E G E</p> <hr/>	<p>RUNSHAW COLLEGE CORPORATION</p> <p>MINUTES OF THE FINANCE COMMITTEE MEETING</p> <p>HELD ON MONDAY 14TH JUNE 2021</p>
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PRESENT:

Jacqui Chatwood (Chair), Clare Russell (Principal), Marc Balshaw, Peter Zak, Gary Hall

IN ATTENDANCE:

Janet Ivill (Director of Finance), David Chamberlain (Co-opted Member), Fatema Hussein (Head of Governance)

Meeting Commenced: 6.00pm

Meeting Closed: 8.10pm

Attendance: 71%

1. APOLOGIES

Apologies were received from Warren Middleton and Deborah Bamber.

The Co-opted member David Chamberlain was welcomed and introduced to the meeting.

2. DECLARATIONS OF INTEREST

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

Gary Hall declared an interest in Item 8.

3. PRESENTATION – UPDATE re VAT ON BUILDING PROJECTS

Stuart Savage from RSM delivered a presentation on the implications of a recent court ruling concerning VAT on new build projects. It was noted that:

- HMRC's current published policy was that state-funded further education was a non-business activity for VAT purposes
- Whilst F.E. Colleges were not entitled to full VAT recovery on all of their costs, this non business status often allowed them to obtain VAT reliefs on particular items, notably new buildings and fuel and power expenses
- A recent court case involving Colchester Institute could now impact on the ability of other Colleges to claim VAT back on new building work
- The HMRC position on this was unclear, and they had not yet changed the rules or issued any new guidance on this
- Colleges were currently being given the option to continue claiming the VAT back
- However, it was advisable for the College to plan for the worst-case scenario as part of the business planning process

Governor Questions

Q. What was the risk exposure to the College?

A. If the decision did not get overturned, the VAT could no longer be claimed back

Q. Was anyone appealing the case at present?

A. No appeals had been lodged to date as Colchester had partly won the case

Q. In light of this decision, should College be considering a change to Academy status?

A. The advice was to continue as before but set aside additional monies in case the VAT could not be claimed back

Q. Would there be any penalties and interest charged for the non-payment of VAT?

A. It was anticipated that only the VAT was expected to be paid back

The Committee stated that College needed to include this risk within the financial plans for the Estates strategy.

The Committee thanked Stuart Savage for his presentation. Stuart left the meeting at this point.

4. MINUTES OF THE MEETING HELD ON 15TH MARCH 2021 (*enclosure*)

4.1 Approval of the Minutes

Agreed: that the minutes are approved as a correct record and authorised for publication

4.2 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.

In response to a question about the Procurement report, the Finance Director proposed that this was deferred to the November meeting so that an end of year update and comparison to the previous year could be provided.

Catering Income

The Finance Director reported that a deficit of £250,000 was still forecast for the financial year end, but income was currently higher than the daily forecast.

Governor Questions

Q. What were the plans for catering in the new academic year?

A. A re-structure had been considered and College was seeking volunteers to move across to the cleaning operation where additional capacity was needed. The onsite catering provision was to be supplemented with external providers offering alternative menu choices

Insurance (Business Interruption Cover)

The meeting was informed that Zurich had confirmed that the College would not be able to claim any losses incurred as a result of Covid.

Governor Questions

Q. Did management have clarity on which risks would be insured and were any excluded?

- A.** A meeting was to be held with Zurich shortly and an update would be provided to the Committee in due course

A member advised that it was now possible to be insured for tax risks and suggested that this was investigated further.

Bank Covenants

The Committee was informed that:

- Barclays had agreed to reduce the debt service ratio from 1.75 to 1.3
- College was still expecting to meet the 1.75 that had been previously agreed
- It was not clear if the reduced ratio would be applied to the 2021/22 financial year
- College needed to ascertain if it would be better to transfer onto the Barclays standard revised covenant instead

ACTION:

Finance Director to report back at the November meeting

5. MAY 2021 MANAGEMENT ACCOUNTS

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

- College was still on track to meet the year-end surplus target and management was confident of meeting the majority of KPI's
- Cash balances of £3.8 million were forecast for the year end

Premises Costs

The year end forecast for premises costs was significantly above the benchmark targets as additional costs had been incurred due to Covid

Governor Questions

Q. As College had managed the budget pressures this year; would this impact positively on next year's budget?

A. The £500,000 contingency had helped to address the unexpected swings in income and expenditure this year. £250,000 ESFA funding received for the Teachers' Pension Scheme had not been budgeted for and this had provided some additional support in balancing the budget

Q. Would College be able to recover the £46,000 of costs for the Covid test centre?

A. £28,000 had been received for this so far, and no further funding was expected

Q. Had any other grant income been received by the College?

A. £1.2 million had been received for the College condition fund and had been spent on upgrading the College premises

Governors congratulated the Finance Director and her team on their excellent work to ensure that the budget was well managed and that year ends targets would be met.

6. SUMMER RECOGNITION GIFT PROPOSAL

The Principal advised that:

- College was not able to make a pay award this year

- The financial outlook for the College was now much more optimistic and a budget of c.£70k-£100k has been deemed affordable to provide staff with some wellbeing gifts
- It was proposed that all staff would receive a shopping gift card and a Runshaw COVID-Care bag filled with items to support their wellbeing

Governor Questions

Q. Would there be any tax implications for staff and the College if the proposal was implemented?

A. College did have a PSA agreement and was of the view that it would be covered under this

A Governor recommended seeking external tax advice on the proposal before it was recommended to the Governing Body.

RESOLVED:

The Committee endorsed the proposal subject to the College seeking professional advice regarding the tax implications. Approval was also given to incur any additional costs for the advice

ACTION:

Head of Governance /Board Agenda

7. 2020 / 2021 BUDGET & FINANCIAL PLAN

The Director of Finance presented the 2021/2022 budget and financial plan and explained that:

- An annual surplus of £200k was proposed for 2020/21, including a contingency allocation of £457k.
- KPIs confirmed good financial health (at 230 points) and compliance with all loan covenants
- 83% of income was in respect of 16-18 Study programmes, and had increased by £94k compared to the 2020/21 forecast
- Reductions in high value provision funding, advanced maths premium and catch up funding were offset by a small increase in student numbers, combined with increases to funding formula factors
- Pay costs were based upon a detailed staffing list and included a 1% consolidated pay award, at a cost of £113k payable from January 2022
- Teaching staff deployment was calculated at 95%, including proposed teaching headcount savings of 2.7 FTEs
- The outlook for Apprenticeships was more positive and there would be a higher carry forward into the next financial year
- Savings would be made in the pay budget as some temporary contracts were not being renewed

Governor Questions

Q. How had the projected surplus of £200,000 been calculated?

A. This target had been agreed by the Board as part of the financial roadmap. The budget was set following a review of the curriculum plan and the resource required to deliver it. College was also conscious of the need to build some contingency into the budget to deal with unexpected emergencies

Q. Transport was heavily subsidised and did this need reviewing?

A. A differential pricing model for transport had been considered as part of the budget planning process. College did not want to create any additional barriers that may impact on 16-18 recruitment

Q. When were the transport contracts due for renewal?

A. A 12-month extension to the contract had recently been agreed with the bus operators

The Chair suggested that a Task & Finish group was established to review transport costs and consider if there were alternative options that could be pursued.

The Director of Finance advised that the internal auditors had put her in contact with other Colleges who had implemented alternative models.

RESOLVED:

The Committee agreed that this was discussed further at the November meeting

ACTION:

Head of Governance to include Transport strategy on November Committee agenda

Q. What were the plans for the College mode of operation in September?

A. Some support staff would be able to continue working remotely but all staff dealing with 16-18 learners were expected to be back on campus

Q. Was catering and bus pass income expected to return to pre-pandemic levels?

A. Catering income was projected to be £1million and had previously been £1.3 million. Some contingency had been built in for transport costs and the refund and rebate policy for bus passes had been updated to ensure that College was able to retain some income if there was another campus closure next year

Q. Had the costs for the estate's strategy been account for within the proposed budget?

A. The financial plan did not include the capital budget of £3.6 million. College would continue to meet loan covenants and Good Financial health criteria even if it posted a deficit of £700,000

Q. What was the reason for the projected increase in pay costs next year?

A. There had been no exam invigilation costs this year and it had been assumed that exams would resume again

Q. How would this affect the staff costs to income ratio?

A. The ratio was slightly higher than the F.E. Commissioner benchmark but the ESFA had stated at their recent meeting with the College that they were comfortable with it

Q. What impact would the VAT issue on new builds have on the budget?

A. VAT was included in the £3.6m cost plan. The cost plan also included £131,000 contingency allowance.

Governors suggested that the Director of Finance checked and confirmed if the budget could still be delivered should VAT have to be paid

ACTION:

Director of Finance

RESOLVED:

The Committee agreed that the budget was recommended to the Board for approval subject to receiving confirmation re VAT

ACTION:

Head of Governance / Board Agenda

8. PROPERTY STRATEGY FINANCIAL ASSESSMENT

The Director of Finance presented the proposals and provided an overview of the affordability of the project including the impact on cash balances and financial health rating

It was noted that:

- The Committee's approval was being sought to set a capital budget of £3.6 million for the Buttermere project
- A contingency of £131,000 had been included in the financial plan
- The project needed to be "spade ready" as this was part of the requirement for the funding bid
- College was proposing to tender on a fixed price basis
- The T Level bid if successful would contribute £1.6 million to the project

Governor Questions

Q. How did the DfE calculate value for money when making decisions on funding grants?

A. A net present value per pound of funding calculation was used

Q. What criteria would be used by the DfE as part of its decision-making process?

A. The College would have to deliver T Levels for the next 5 years. The College transformation fund bid was based on the condition of the buildings and there were no further requirements that would have to be met. The F.E. Capital growth fund was based on growth projections in learner numbers. College would not be able to go ahead with the project unless the T Level or the Capacity fund bids were successful

Q. Would this project be managed internally by the College?

A. A project manager would be appointed as there was not sufficient capacity within the College; this cost had been built into the project plan

Q. Had the risk of an increase in pay and pension costs in 2022/23 been factored into the calculations?

A. Funding allocations for 2022/23 would not be confirmed until Spring 2022. A budget planning meeting was to be held in November and other options for efficiency savings could be considered

Governors suggested that some "what if" scenarios and their potential impact on the plans were considered

RESOLVED:

The Committee approved the £3.6 million capital budget for the Buttermere project subject to some further risk analysis having been undertaken. It was also agreed that the proposal was recommended to the Board for approval

ACTION:

Head of Governance / Board agenda

9. POLICIES

9.1 Fees

The Committee reviewed the policy which had been updated to take account of management structures, current operational conditions and the latest published funding guidance.

RESOLVED:

Governors **Agreed** that the Fees policy was recommended to the Board for approval.

ACTION:

Head of Governance / Board Agenda

9.2 Treasury Management

The Director of Finance reported that no changes were proposed to the policy, but Santander's long-term rating with Fitch had decreased slightly.

RESOLVED:

The Committee approved the Treasury Management Policy and confirmed their agreement to continue to hold funds with Santander.

10. ESFA FINANCIAL HEALTH LETTER & DASHBOARD

The Committee noted the ESFA letter and dashboard which confirmed that the College had maintained Good financial health in 2019/20.

11. RISK REGISTER MAY 2021

The risk register was reviewed, and it was noted that the register had been revised as suggested by the F.E. Commissioner diagnostic assessment, with 5 key risks identified for monitoring by the Board.

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, Community & Employer Relationships

At this stage all actions are on track to be achieved.

12.2 Chapter 11- IT Services & Print Shop

Most items were on track, but one or two projects had been delayed due to the demands of supporting online learning.

Governors suggested that this was taken into account when setting targets for IT services next year.

12.3 Chapter 12 – Health & Safety and Sustainability

The management of Covid was an ongoing risk which would be incorporated into next year's plan.

12.4 Chapter 13 – Administration, Transport and Exams

All actions on track to be achieved, except for Transport KPI's where an adequate assurance report was received from Mazars.

12.5 Chapter 14 – Finance & Risk Management

It was suggested that an alternative way of monitoring the finance targets was considered as some of the financial KPI's were regularly monitored by the Committee.

12.6 Chapter 15 – Catering

COVID continued to have an adverse impact on the financial performance of the Catering service due to outbreak closure and reduced on-campus attendance

13. GOVERNANCE IMPACT STATEMENT

- Governor suggestion that advice was sought on any tax implications in relation to the staff recognition proposal
- Governor challenge on budget and financial plan
- Suggestion that Task & Finish group was set up to review transport strategy
- Discussion re the risks and mitigations for the Buttermere new build project
- Presentation and VAT advice from RSM re new build projects
- Governor suggestions re strategic plan chapters

14. DATE OF NEXT MEETING

Monday 15th November 2021 at 6.00pm