

**Further Education Corporation**

**Meeting of the Policy and Resources Committee on 25<sup>th</sup> April 2022**

**MINUTES**

---

<b>Timings</b>	<b>18.00 to 20.00</b>
<b>Location</b>	By teleconferencing
<b>Present (Governors):</b>	Lee Freeman (Chair) Dr Rod Gray Louise Parr-Morley Elizabeth Sipiery Sarah Stone Denise Brown (Principal and CE)
	<b>Item 3 only (governors in attendance)</b> Roland Anderson Jo McGee Rick Oliver
<b>In attendance</b>	Anthony McGarel (Deputy Principal and CE) Julian Grindell (Interim Director of Finance) Roney Brooks (Head of HR): Item 4 only Melissa Drayson (Clerk to the Corporation)
<b>Apologies for absence</b>	None
<b>Quorum (4)</b>	The meeting was quorate throughout

<b>Item</b>	<b>Action lead</b>
<b>1. Preliminary Items</b>	
<b>1.1 Apologies for absence</b> No apologies were received.	
<b>1.2 Declarations of interests</b> Previously declared interests were brought forward. There were no new declarations relating to items on the agenda.	
<b>1.3 Urgent items of other business</b> No urgent items of other business were raised.	
<b>2. Minutes</b>	
<b>2.1 The Minutes of the meeting on 14<sup>th</sup> March 2022 were APPROVED</b>	
<b>2.2 Matters arising from the Minutes</b>	

Governors noted the actions from the previous meeting that had been completed or were on the agenda.

### **3. Finance**

*Supporting papers presented by the Deputy Principal and CE and the Interim Director of Finance.*

#### **3.1 April CFFR – FY22 Forecast Update**

The DPCE reminded the Committee that the College was required to submit a quarterly College Financial Forecast Return (CFFR) as it was in receipt of restructuring funds from the merger with PROCAT.

Headlines were:

- Further adverse variance to the previous forecast outturn due to apprenticeship income and clawback arising from the ESFA audit. The Interim Head of Finance was meeting with the Head of Apprenticeships to fully understand the income risk.
- The adult income budget remained on target as a result of the decision to subcontract.
- A one off adjustment was made to payroll expenditure as the original budget had been set net of VAT recovery.
- The July cash position did not provide comfortable headroom in terms of the covenant position. A range of cost management measures were in place to increase year end cash.

Clarification was sought about the impact on cash and bank covenants of the latest forecast position, along with the actions being taken to mitigate the risk of breach. Governors observed that, in addition to the downside on Apprenticeship income, there were a high number of small variances that could erode the cash headroom.

Management responded that the situation was being closely monitored and expenditure would be managed accordingly, particularly through staff vacancies and supplier payments. The Committee agreed that the CFFR should be adjusted to reflect the impact of these actions. Assurance was sought that none of the vacancy freezes would have an adverse impact on the quality of teaching and learning.

It was reported that a conversation with the Bank to seek a waiver might also be considered if the risk of covenant breach materialised. Governors supported an early approach to the Bank to seek their advice on the best option.

It was noted that only the cash covenant was currently at risk, but governors sought information about the point at which other covenants would be jeopardised. Management responded that this would need to be calculated.

In response to governors' questions, there was discussion of the possible demand for an increased cost of living pay award.

Governors commented that they would like the cashflow charts to extend further and cross reference the bank covenants. The request to identify capital cashflows separately was reiterated.

A paper was also requested setting out the risk of further funding clawback, and the controls in place to mitigate against this.

**RESOLVED:**

**That the CFFR be approved subject to the following:**

- **Necessary adjustment to reflect any significant downside risk in terms of apprenticeship income**
- **The reflection of savings adjustments**
- **An initial advisory discussion with Barclays Bank.**

**PCE**

**AGREED: That the decision should be communicated to the Board of Governors by email**

**Clerk**

**ACTION: A paper to a future meeting setting out the funding clawback risk, and controls to mitigate it.**

**DPCE**

### **3.2 Budget Framework**

*Supporting paper by the Interim Director of Finance/ DPCE*

Governors noted the following:

- Future ambition to build a budget framework with a contingency included to help manage income and expenditure risks.
- The expectation that international and rental income will normalise in 2022-23.
- An anticipated income increase of 2.3m next year.
- Measures to maximise funding for High Needs Students were being taken.
- An increase in pay to income ratio from 61% to 63% to include a pay award, along with National Insurance and National Minimum Wage increases.
- Decreasing reliance on subcontracting as part of the ongoing curriculum planning process.
- In terms of non-pay expenditure, there was a significant risk around utilities costs when the current fixed term period ended in November. All pay costs were being reviewed from the bottom up, with a target 3% saving on other costs. The ambition of achieving these savings whilst covering inflationary increases and building a contingency was acknowledged.
- A surplus of £500k was projected. Once depreciation was discounted, the 'education' EBITDA was calculated as £5m from which all ongoing capital and loan interest and repayments would be serviced.

Governors raised the following questions and concerns:

- It was asked if provision would need to be made for further funding clawback. Management confirmed that the weaknesses that led to anomalies in the student records for AEB and Apprenticeships were being addressed.
- There was concern that the current ratio in 2022-23 was worsening, with increased net current liabilities into 2023-24. It was explained that the impact of the Nethermayne receipt on the balance sheet had been to disguise the NCL position, and that this had historically stood at £3m. As long as the college spent

less than this on capital, cash generation would be boosted and, over time, those NCLs would start to dissipate.

- It was observed that the cash balance in July 2023 was forecast at a similar level as the current year. Concern was expressed that the college would be in a similar position with regard to bank covenants.
- In response to challenge about the timing of the capital works, particularly to the undercroft carpark, management explained that this was necessary in order to avoid increased liability to other carpark users.
- Governors asserted that a pessimistic view should be taken when budgeting for increased utilities costs and inflation. Management reported that savings might be found by using college buildings more efficiently.
- There was strong support by the Committee for a reasonable pay award, in terms of recruiting, rewarding and retaining staff.

### **3.3 March (p8) Management Accounts**

*Supporting paper by the Interim Director of Finance*

Governors noted the following headlines:

- The overall position was slightly ahead of the revised forecast although, due to timing issues and uncertainty around apprenticeship income, this was likely to change.
- International income currently exceeded the forecast.
- Staff pay costs were over budget due to increased agency costs.
- The figures now included a on-off adjustment for VAT.
- Financial Health remained RI, consistent with last few months.
- The deficit for the year would swing round to a small surplus by year end, reducing the current ratio to a more favourable position.

### **3.4 Treasury Management Policy annual update**

Only minor changes to authorisations and signatories had been made.

**RESOLVED: That it be recommended to the Board of Governors that the Treasury Management Policy 2022 be APPROVED.**

## **4. Human Resources – Interim Headlines Report**

*Supporting paper presented by the Head of HR*

It was noted that a full report would come to the June Committee meeting. Headlines and key discussion points were:

- The average sickness days had increased to 6.96. Although there had been a high incidence of absence with respiratory illness, including Covid, this had dropped off in recent weeks. The change in government policy was a contributory factor.
- There were ten staff on long-term absence; 3 were stress-related to Covid, 2 had partners with clinical vulnerability. It was confirmed that the data included staff who had left. Of the current staff, measures were in place to support their return to work. A range of initiatives were planned for Mental Health Awareness Week on 9th May.

- At the Committee's request, a new table had been included showing the current headcount and leavers by department in percentage terms. Governors commented that this was helpful in highlighting different areas where staff attrition was high, due to the competitive jobs market and prospects of higher pay elsewhere.

The Committee welcomed the approach to strengthening engagement with and feedback from staff, and the benefits that were being provided to staff in lieu of increased pay, such as free breakfasts, parking and access to college courses.

The current live employment claims were noted.

*Roney Brookes left the meeting at 19.20*

**AGREED: That a summary of the measures being taken to support and retain staff be provided in the next HR report.**

## 5. Capital Projects and Estates Update

*Supporting paper presented by the DPCE for the VP Corporate*

Governors noted that the Nethermayne project was nearing completion. There was agreement that future capital decisions would fall outside the delegated authority previously granted as part of the approved project plan, and should come to the Board of Governors.

A reconciliation of how the Nethermayne receipt was spent was also required.

**AGREED: That delegated authority limits for capital expenditure would be checked as part of the upcoming review of the Financial Regulations, and the Committee advised accordingly.**

**AMcG**

## 6. Sustainability

The Chair reported on the requirements for FE Corporations to drive, and have oversight of sustainability within their colleges. The reporting requirements would change from the following year, with mandatory reporting of carbon reduction figures within the annual accounts. The AOC had developed a roadmap and other useful guidance, including case studies from other colleges.

It was noted that the college had a cross college sustainability committee. Further conversations would be held outside the meeting to agree appropriate level of reporting and engagement with governors on the issue.

**AGREED: That the Chair of P&RC, the Principal and Deputy Principal would discuss the sustainability agenda and bring proposals for governance oversight back to the Committee.**

**LF/PCE/  
DPCE**

## 7. Integrated financial schedule of business 22-23

The Clerk reported that the integrated schedule had been developed from the most recent DfE College Financial Planning Handbook. The

DPCE confirmed that the college would continue to be required to make quarterly CFFR returns in January and April.

The Committee endorsed the schedule as a useful tool to integrate reporting requirements with committee business.

**8. Forthcoming College Events - noted**

**8. Dates of Next meetings**

23 May: Budgeting sub-group

27 June: Full P&RC. The Chair reported that he would be absent for this meeting. The Vice Chair agreed to stand in.

There being no further business, the Meeting finished at 20.00.

Signed.....Dated.....