

<b>Meeting/Committee</b>	<b>Finance Committee</b>
<b>Date of meeting</b>	Monday 21 <sup>st</sup> March 2022 at 5pm

## 1 Welcome, introduction and apologies for absence

### Attendees:

Janet Pryke	Chair for this meeting
Rob Lawson	Chair designate
Jason Austin	
Margaret Cobb	
Ian Sackree	
Jenny Worsdale	

### In attendance:

Phil Curtis	Executive Director of Finance
Tony De'Ath	Executive Director of Corporate Services
Daniel Stanbra	Director of Adult Education and Contracts

### Apologies for absence

Apologies for absence were received from Monika Rodzos and Maxine Bagshaw. It was explained that the meeting was to be recorded so that the Director of Governance could then create the meeting minutes.

## 2 Appointment of the new Committee Chair

The Chair advised that, as part of the review of governance, a suggestion made by the ESFA and the FEC is to have a separate Chair for Board and the Finance Committee. She indicated that, to move this recommendation forward, Rob Lawson has been approached and has kindly agreed to Chair the committee. She confirmed that she will continue to be a committee member and all members of the committee confirmed that he would be provided with their full support.

AGREED: to appoint Rob Lawson as the Chair of the Finance Committee.

## 3 Declarations of interest

The Chair reminded everyone present to declare any interests that they may have on matters to be discussed. No specific declarations were made and standing declarations were noted.

#### **4 Minutes of the meeting held on 26<sup>th</sup> January 2022**

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the minutes of the meeting held on 26<sup>th</sup> January 2022.

#### **5 Action progress report**

Committee were happy to note the content of the update provided and acknowledged that both aspects were included within reports today.

One member of the committee asked whether there had been any further update in relation to the new financial health calculation proposed from the ESFA. Executive Director Finance advised that the ESFA are still in discussions regarding this and have advised that there are no immediate plans to introduce.

#### **6 AEB and Subcontracting Report**

Daniel Stanbra introduced this item and explained that the report provided was intended to give the more granular analysis and detail requested at previous meetings.

Committee were advised that, whilst the group is driving forward the plan, there are risks which remain.

Committees attention was then drawn to the subcontracting report

(Daniel Stanbra left the meeting at 5.50pm)

#### **7 Management Accounts – February 2022**

Executive Director Finance introduced this item and key matters highlighted were:

- Page 2 provides the overall summary
- HE income is down against forecast as can be seen in table 1 and this area is now RAG rated as amber
- EBITDA and deficit position are better than budget as at period 7
- Cash remains strong – at the time of reporting it was £5.5 million and is expected to be £4 million by month end.
- Financial health does need to improve. Current forecast is 'requires improvement' by yearend and is therefore RAG rated as amber.
- Table 5 identifies risks and opportunities:
  - AEB is a risk
  - There is higher than expected commercial funding through NFPC
  - Additional grants received
  - Apprenticeship numbers are currently under review
- Page 3 shows that the deficit to date is £403k better than budget
- EBITDA position is £274k and the expectation is for it to be better than forecast at yearend
- There are a number of variances. Tuition fee funding variance - £837k is matched by expenditure so either the group will spend it or pay it back. Group is currently reviewing its operations to ensure that spend is allocated appropriately.
- Page 8 provides details on covenants – expectation is still to meet them all

- There is a little more work to do in terms of the balance sheet at page 9, particularly in relation to analysis of implications for depreciation and revenue recognition. Challenge from the committee was to provide clarity in terms of both the actual at each report and also yearend expectation. Executive Director Finance confirmed that he would be looking to reconcile at each period and not just at yearend. Challenge from the committee was that it would be useful to show some 'fund flow'. It was agreed that this would be incorporated within cashflow reporting, with a cash flow statement provided going forward.
- Pages 15 and 16 show the college position which is £365k better than budget
- Page 17 relates to NFPC. Currently it shows a deficit but this is to be reviewed as this is contrary to previous reports. There appear to be increased costs which need to be unpicked a little.
- Page 18 shows that RES Limited is on target

AGREED: to note the content of the February 2022 Management Accounts.

## **8 Midyear Financial Review and Reforecast for 21/22**

Committee were advised that reforecasting takes place on a regular basis and is incorporated within the monthly management accounts. Key matters highlighted were:

- Group has significantly more income (£1.1 million) when compared to budget. This is due to releasing some grants on the balance sheet and also more grants have been received in.
- Position in relation to tuition funding
- Additional costs associated with additional income
- In relation to student numbers, there is quite a bit of work still to do in terms of business intelligence data and the implications for both yearend and next years predictions.

AGREED: to note the update provided.

## **9 2022/23 Budget – Timetable and Assumptions**

Executive Director Finance provided a verbal update and key matters highlighted were:

- The group is currently in the budget planning process
- ESFA allocations confirmed for 22/23
- Curriculum managers have been working on their 22/23 plans and these were submitted by deadline on Friday
- Finance team have scheduled interviews with curriculum managers to look at the curriculum intent and associated data e.g. class sizes, contribution levels etc.
- 3 year plan is being created for the ESFA

In terms of assumptions, these include:

- Increased cost of living
- National insurance cost increases
- Inflationary factors
- Energy prices
- Estates and IT – capital investment priorities

AGREED: to note the content of the update provided.

## 10 Funding Allocations 2022/23

Executive Director Finance advised that:

- Overall core funding increased by circa £500k – this is because the per student funding rate increased

Challenge from the committee was that there is an obvious need to minimise withdrawals.

One member of the committee noted that the allocation is based upon student numbers of 2844 and they therefore asked what the colleges target is in terms of recruitment of new learners and continuing learners. Committee were advised that the target within the plan is 3,200 and therefore it was acknowledged that there is quite a bit of recruitment work to do. It was noted that, if this target is achieved, then the group will have circa 300 students that it would need to support without associated funding coming in for them in 22/23.

Question and challenge from the committee was that the amount in block 2 has decreased by £400k and they asked for confirmation that this relates to Maths and English delivery. It was confirmed that it does and a challenge from the committee was whether or not students enrolling really do have the right level of knowledge in maths and English to be able to access Level 3 provision. They questioned whether the college would, in reality, still have to undertake a level of work required to support students in relation to Maths and English despite the budget being cut.

AGREED: to note the content of the update provided.

## 11 HE Fees for 2022/23

CEO advised that the college has until this year used the University of Hull to support the teacher education programmes, however they have advised that they will be withdrawing next year. Staff have looked at other alternatives in terms of the offer, quality of provision etc. and Huddersfield University is the preferred partner. Committee were advised however that there is an increased cost in change from Hull to Huddersfield, which is £1,400 per learner. CEO confirmed that analysis has been undertaken and that this is in line with what other providers locally are charging. Suggestion is that the group passes on 50% of the additional cost to the learner (£700) per full time course.

Committee were advised that the board's decision could be to a, support the proposal regarding 50%, b, ask students to pay none of this additional or c, ask them to pay all. In relation to the latter, committee were advised that this would then take the group above what others locally are charging and a risk would be pricing out of the market. Cost to the group of only passing on the £700 would be £20k per year. Committee were advised that the group has both a full time and a part time offer and that both would increase proportionately.

CEO advised that, in reality there is not much choice given that Hull are withdrawing. Committee asked what the position is in relation to existing learners. CEO advised that most are finishing this year as they are on 1 year courses, however if they are continuing then Hull University would have to honour the arrangement.

CEO advised that the rules prevent the group from interviewing prospective students until the correct fees are published on the website and therefore both board and OFS approval is required for the change.

AGREED: to recommend that the board approve the HE fees as proposed.

It was agreed that a copy of the full report on this would be provided to the board (CEO – March 2022).

## 12 Updated 3 year Financial Forecast

Executive Director Finance provided a verbal update and confirmed that this was still a 'work in progress' and it was acknowledged that its creation is required by the ESFA but that it does require an element of 'guess work' given that funding allocations are only known one year in advance.

## 13 Risks

Executive Director Finance advised that he has been undertaking quite a bit of work in relation to the risk register and key matters highlighted were:

- Risks have been taken from the strategic plan and then broken down by operational area
- Strategic risks have been identified as have risks to be monitored by this committee
- Also to be included is detail on how the group wants to manage and mitigate risks and an example given was in relation to ESFA funding
- Another key aspect is how we measure and how we talk about risks e.g. likelihood - is it days, weeks, months, terms or a lifetime
- Group also needs to consider impact and what is important e.g. is there a value that is a trigger for how risk is managed.
- There needs to be careful consideration of how strategic risks are used in terms of funding allocations and committees attention was drawn to page 2 of the report.

A number of risks were then specifically discussed and the Executive Director Finance outlined his approach.

- 1) Meeting the conditions of funding
  - Maths and English is an example considered earlier in the meeting
  - Risk is the reduction/clawback for noncompliance
  - There is a need to look at how this risk is communicated and shared across the organisation so that there is ownership at key points in time e.g. enrolment, attendance tracking etc.
- 2) Recruitment of students
  - The significant number of withdrawals between RO4 and RO6 was given as an example
  - This could be because there is a suboptimal marketing plan in place or it is out of date
  - Risk associated is loss of funding and therefore group needs to ensure that there is a marketing strategy in place which is fit for purpose.

Question and challenge from the committee was whether or not it is right that the Executive Director of Finance is the risk owner in many of these areas. They indicated that they wanted to see the risks allocated to the right owner. Committee were advised of the operational reasons for the document as it is currently presented and it was confirmed that staff need refresher training before

the system is updated with correct risk owners. Challenge from the committee was to ensure that the management of risk is not a desktop exercise and that it is important to have accountable owners identified. Executive Director Finance confirmed that there will be a lot more done by others operationally.

As an overview, committee all agreed that they were really pleased to see a new approach being taken in relation to this.

AGREED: to note the content of the update provided.

#### **14 Health and Safety Midyear Report 21/22**

The Executive Director Corporate Services introduced this item and explained that the first half of his report provides initial data e.g. number of incidents and accidents. He explained that numbers are increasing as there is more on site activity and this includes residential. There is more activity as curriculum delivery models are getting back to 'normal'.

Second part of the report is the latest version of the Health and Safety Policy. Key change is the structure chart, given the interim management arrangements.

AGREED:

- a) To note the content of the report provided
- b) Recommend that the board approve the updated Health and Safety Policy as presented.

#### **15 Estates and bids update**

It was agreed that discussions on this would be recorded on a separate basis.

#### **16 AOB**

There were no items of additional business.

#### **17 Date and time of next meeting**

It was agreed to amend this and have the meeting take place on 3<sup>rd</sup> May rather than 4<sup>th</sup> May at 5pm.

**Meeting closed at 6.45pm**

Signed \_\_\_\_\_ Chair

Date \_\_\_\_\_