Meeting/Committee	Finance & Resources Committee
Date of meeting	25th May 2023 at 5pm (via Google Meet)

1 Declarations of Interest and Eligibility

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

2 Welcome, introductions and apologies for absence

Attendees:

Janet Pryke	Chair
Debbie Marshall	
Monika Rodzos	
Jenny Worsdale	
Jason Austin	
Margaret Cobb	
Paul Lomas	

In attendance:

Maxine Bagshaw	Director of Governance
Phil Curtis	Executive Director Finance

Apologies for absence

There were no apologies for absence, with all members of the committee present.

3 2023/24 Draft Budget Review

The Executive Director Finance drew committees' attention to the budget document circulated in advance. Before discussing this the committee chair asked whether the four unplanned expenditure items reported to the board yesterday are included within the 2022/23 outturn figures provided in the budget document. It was explained that they are not included and that the budget includes figures up to the period 8 management accounts e.g. on page 7 the second column in does not yet include the four items reported and therefore there will be a potential -£800k difference.

Committee chair asked whether the rates referred to at NFPC are included as ongoing costs, it being the case that this is the only one of the four reported which will not be a one-off cost in 2022/23. Executive Director Finance advised that the rates for NFPC (without charitable relief) are £41k per annum and that this will be payable from this year. In terms of the budget for next year it was agreed that the Executive Director Finance would need to check whether the figure used in the calculation does or does not include the rate relief (ED: Finance, May 2023). If the figure in the budget does include rate relief then the impact would be circa +£30k costs.

Executive Director Finance explained that this is an interim budget and that he has worked with curriculum managers to reach this point. He provided assurance that there was a rigorous curriculum planning process undertaken this year with the senior team really challenging in terms of reality versus over optimism. Aspects particularly considered include:

- ESFA data which is 6% growth in 16-18 numbers. This is based upon ONS data. Originally curriculum managers suggested a 10% growth figure but this has been challenged.
- At risk classes/courses should it be the case that class size numbers are less than 10.
- HE numbers are assumed to include a slight growth, however this needs to be tested.
- Increased demand for apprenticeship delivery. This is being seen through the team led by James Godsell.

There is a belief that staff have worked hard to try and address last years over optimism.

A member of the committee asked whether there will be a 16-18 year old lagged funding impact. Executive Director Finance confirmed that the group knows what the allocation will be next year and is in fact £1.3 million more than originally assumed. This includes a number of elements, including:

- Increase in the per student rate
- T Level increases
- Ratio which is more favourable

In terms of student numbers, the group knows what the 42-day requirement is and this is based upon circa 90% of student numbers in September. This does provide a built-in buffer from the start day numbers, it being the case that prior year retention has been around 90%.

In terms of apprenticeship numbers, one member of the committee asked whether the figures include OOFs. Executive Director confirmed that the budget will include expenditure in relation to these but no income.

One member of the committee asked whether, if the college slips in to financial health categorisation of 'inadequate' will it prevent the group for delivering T Levels. Staff indicated that they would need to check this (ED: Finance, May 2023).

One member of the committee referred to the AEB line on page 3 and queried whether this was correct and whether or not an outturn of £5.8 million is realistic for 2022/23. Executive Director Finance confirmed that the group is currently very close to this. In terms of planning for AEB the position is quite complicated as it is impacted by the type of learner and consequently how the income is drawn down. Group is planning to do some distance learning but is also planning classroom-based delivery and infilling.

In terms of AEB and apprenticeship delivery, challenge from the committee was that the organisation needs clarity right at the start of the year and that the numbers need to be 'bottomed out' right from the start. One member of the committee indicated that there is also a need for clarity regarding subcontracted AEB delivery. Executive Director Finance indicated that the plan for next academic year is 20%, however the group does have ESFA permission to go up to 25% if required.

In terms of the 16-18 allocation, Executive Director Finance advised that in 21/22 the period 6 number was lower than period 4 and therefore ESFA exercised the right to use the lower number for the allocation. For 2022/23 the R46 data was used from the prior year (January 2022) which was an increase/more generous.

One member of the committee asked whether the AEB programmes planned for 2023/24 are different given that there looks to be the same income but a big difference in terms of learner numbers. Executive Director Finance expressed the view that these learner numbers are a snapshot at a point in time rather than a full year position.

Challenge from the committee was to check what, if any, opportunities to bid may be impacted by a financial health categorisation of 'inadequate'. CEO expressed the view that the group is likely to be able to participate in bids but not lead on the projects if that were the case. He indicated that T Level provision is more likely to be linked to an Ofsted grade rather than any financial intervention. Executive Director Finance advised that the ESFA/DfE have encouraged the group to apply to use Kiveton sale proceeds as revenue, this is on a test case basis. If permission is given this will significantly improve the position.

One member of the committee asked for an update in relation to AEB retention. Staff advised that the organisation is looking to do more shorter rather than longer programmes to improve retention and achievement. This may impact upon the AEB profile. It was explained that level 3 take up has not been as well as expected in 2022/23. Governors attention was drawn to page 10 which gives the AEB profiling for ESFA (D2N2) and SYMCA. Profile for SYMCA has gone up and it was acknowledged that the group is more successful in terms of delivering this. By comparison ESFA allocation has decreased, however this is being challenged. Executive Director Finance explained that the £7 million allocation includes a number of aspects and not just income and one example given was £600k for bursaries.

Question and challenge from one member of the committee was how the organisation is to manage AEB delivery so that there are never any overspends and an example given was on bursaries. Executive Director indicated that there are facilities in place to apply for more once spent. Challenge from the committee was whether or not the college has the right controls in place regarding pre-approvals if this is the case. Executive Director indicated that he has asked for a monthly profile to be provided in relation to AEB so that it can be better tracked. One member of the committee asked whether Daniel Stanbra also has oversight of advanced/adult learner loans and it was confirmed that he does.

Committees attention was then drawn to page 3 of the budget document and a number of aspects were highlighted, including:

- The table in green includes staff costs to deliver the curriculum plan
- The orange box sets out the contribution levels
- There are two scenarios, the first of which is based upon current staffing and the second is an 'ideal situation' where staffing would be matched to need i.e. optimal staffing. For the purpose of the budget, a worst-case cost figure has been used. It

was confirmed that the organisation will have much more certainty regarding staffing needs at day 42.

One member of the committee asked whether the budget includes the restructure discussions which took place at the Task and Finish Group yesterday. Executive Director Finance indicated that they are not yet included. Challenge from members of the Task and Finish group were that there are higher staffing cost proposals with the aim of 'paying the going rate' and therefore this could have a negative impact on this budget. Executive Director Finance indicated that the college will manage whatever budget is agreed and that a set of parameters will be agreed and that, beyond this, it will require committee or board approval.

One member of the committee asked whether a 1% salary increase is realistic given that the real living wage is +4.8% next year. The Executive Director Finance indicated that the group has always notionally put in 1% and that it isn't going to be possible to put more into next years budget given current unknowns and based upon affordability.

Executive Director Finance referred to the Structures and Savings Task and Finish Group discussions yesterday and explained that a review will be completed of Curriculum Managers before September 2023, but that in relation to CTL's there is a bigger piece of work to do first in relation to terms and conditions, salaries, role titles etc.

In terms of any pay award committee were advised that the AOC has not made a recommendation this year but potentially it could be 2.5%.

Challenge from one member of the committee was that the budget setting process seems to be a 'moving feast' and that there appears to be so many uncertainties that this could then add pressure to the budget. Executive Director Finance indicated that, if the organisation was to change salary ranges then any percentage increase would be included within this change and not be additional.

One member of the committee asked why the staff cost bill is the same as this year when the restructures were intended to identify savings. Executive Director Finance indicated that the budget setting principle is that staff costs are 66% of income and that, as funding has increased, this has given some relief in terms of staffing restructures. He confirmed that some savings have been made as a result of the restructures completed to date, however the amount of savings has been offset by other costs including a 1% pay award and LGPS increases. He confirmed that so far there have been no teaching staff savings. Challenge from the committee was a need to reduce the teaching staff cost based upon actual student numbers.

Committee then discussed capital works planned and the Executive Director Finance confirmed that it is likely that the organisation will be able to use capital funds received in, rather than revenue/reserves, which will put the organisation in a better position.

Executive Director Finance indicated that within this budget the full request for allocation/costs from the non-teaching areas have been included, however this is being reviewed with the senior team applying pressure in terms of what and why. Aim is to move away from a standard ratio and to what is actually needed.

Committees attention was then drawn to page 7 which gives detail on a number of areas including staffing, structure, operating expenses and depreciation. He indicated that the top line position is an expected operating surplus and EBITDA of £2.4 million. Committee asked for an explanation around the interest cost assumptions. Executive Director Finance confirmed that it matches the Bank of England base rate. Group has two loans which are base rates plus a fixed amount.

Committee then considered the budget document further and their attention was drawn to

- Page 2 which sets out KPI calculations
- Pages 11 and 12 which show the breakdown of income and cost changes

Executive Director Finance indicated that at the next meeting the format of the budget will be aligned to the management accounts rather than the current ESFA format which is required.

Question and challenge from the committee was whether or not the organisation will end up with a budget that governors can live with i.e. what is necessary rather than what is desired. Executive Director Finance confirmed that to improve the budget planning process for 2024/25 there will be a staff training plan in place and that this should ensure that newer leaders are more accountable. He confirmed that he has a level of confidence that a realistic budget can be set but did indicate that there is a need to have the software in place to support this with staff moving away from spreadsheets.

In terms of the budget setting process he confirmed that the next phase is sensitivity analysis and modelling. This will include:

- Different percentage salary increases
- Actual learner numbers in high risk areas
- Mitigating actions and next steps

In terms of the budget, committee asked what the role of campus directors will be. Executive Director confirmed that the plan is to have frequent budget meetings and that the Directors will be held to account. New Vice Principal will also have campus oversight.

Committee were advised that risks will be fed in to the sensitivity analysis as will consideration of opportunities but that this version does not yet have that included. He expressed the view that in the next iteration there will be minor amendments e.g. NFPC rates but that in principle the figures will be as proposed in this document.

When considering the budget and staff costs in particular, a challenge from the committee Chair was to compare the current position and next years budget with the slides presented earlier in the year showing the savings required. She indicated that governors will want a walk through in terms of what it was envisaged that the restructure would achieve compared with what has been achieved with clarity provided in relation to savings, changes and additional costs (Executive Director Finance, June 2023).

One member of the committee asked whether this budget would put pressure on cash flow. Executive Director Finance expressed the view that, if the EBITDA is achieved then it should mean more cash.

Committee were advised that a conversation is planned with the bank to review covenants. Committee all agreed that they would need to know the bank position regarding covenants urgently as this will impact upon forecasting, risks and sensitivity analysis. It was agreed that an update on this would be circulated outside of the current meeting schedule as soon as known (Executive Director Finance, June 2023).

AGREED: to note the content of the update provided.

4 AOB

There were no items of additional business.

5 Date and time of next meeting

This was confirmed as Tuesday 27th June 2023 at 5pm.

The meeting closed at 5.55pm.

Signed ___________________________________ Chair

Date ___________________________________