

Minutes of the Corporation Budget Meeting held Tuesday 22nd June 2021 at 4.30pm via video conference

Members present:	Katharine Clough Wendy Davies Charlie Harvey Alison Hodge Helen Lawley Valerie Little Jason Parker	Suhail Rana Liz Sithole Neil Thomas (Chief Executive & Principal) Tom Westley David Whatton (Chair) Andrew Woodford
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In Attendance: Georgina Barnard (Managing Director – IoT)
Andy Comyn (in attendance)
Gill Darwood (Senior Officer Corporate Governance) (SOCG)
Steve Johnson (Executive Director Estates & Capital Projects)
Louise Jones (observer)
Diana Martin (Vice Principal Curriculum and Standards)
Carl Riding (Vice Principal)

1 Confirmation of quorum and apologies for absence

1.1 Apologies for absence had been received from Liam Butler and Lord Austin. The SOCG confirmed that a quorum was present.

L Jones was welcomed as an observer to the meeting. Members also noted that A Comyn was continuing to support the College in the handover period to L Jones and was in attendance at the meeting to support the presentation of relevant papers.

2 Declarations of Interest

2.1 A Woodford declared an interest in relation to his involvement in the preparation of financial papers, particularly those at items 5.1 and 5.2

3 Minutes of Corporation Meeting

3.1 Minutes of the Corporation Meeting held on Tuesday 23rd March 2021

3.1.1 The minutes were confirmed as a true record for signature by the Chair.

3.2 Minutes of Corporation Meeting and Development Event Friday 7th May 2021

3.2.1 The minutes were confirmed as a true record for signature by the Chair.

3.3 Matters Arising

3.3.1 There were no matters arising other than those on the agenda.

4 Finance & Estates Committee Matters

4.1 Minutes of Finance & Estates committee held on 10th May 2021

4.1.1 Jason Parker as Chair of the Finance and Estates Committee presented the minutes of the meeting held 10th May 2021 and noted that the key items were covered on the current agenda.

4.1.2 **It was resolved** To note the minutes of the Finance and Estates Committee.

4.2 Items recommended for approval by F&E Committee:

4.2.1 Management Accounts to March 2021

4.2.1.1 A Comyn presented the management accounts and accompanying report for the period ended 31 March 2021. The report provided a commentary on the year to date financial performance of the College including the financial impact of Covid-19, and included a cash flow forecast up to July 2023. Key highlights were noted as:

- EBITDA at March 2021 was £2.3m, 7.4% of income.
- The 2020/21 EBITDA remained on track to deliver the full-year forecast of £2.1m.
- The new extended £5.75m revolving credit facility (RCF) with Santander was completed on 12 March 2021.
- The facility was for 3 years with up to 2 further years with the agreement of both the bank and College.
- The cash forecast assumed that £4m of the £5.75m RCF was drawn down throughout the forecast period to July 2023, providing the College with £1.75m of headroom in the facility to use as required.
- Bank covenants were forecast to be met throughout the period to July 2023.

4.2.1.2 **It was resolved** To approve the management accounts to March 2021.

4.2.2 Learner Financial Support Policy

4.2.2.1 A Comyn noted that it was considered good practice for the Finance & Estates Committee and Corporation to undertake a periodic review of the Learner Financial Support Policy. Changes related to amendments to dates and the change of name from ADC to Inspired.

4.2.2.2 It was noted that further guidance was awaited from ESFA at the end of July in respect of 2021/22 and it was agreed that this policy be re-presented at the next Finance & Estates Committee meeting when this guidance had been taken into account.

4.2.2.3 **It was resolved** To approve the learner financial support policy.

4.2.3 Fees and Charges Policy for 2021/22

4.2.3.1 A Comyn presented a report detailing the College's proposed fee structure and fee rates for the 2021/22 academic year. The report reflected changes to funding models and structures that were now in place, including the devolution of adult funding for learners in the West Midlands.

The only change proposed was an increase in the amount payable by co-funded adult learners up to a maximum of £1,500 per course in each year of study from £950 last year. The increase reflected that a small number of higher technical adult courses could now cost £3,000 plus per annum. No change was proposed to HE fees as the full time fee was already priced at the maximum allowable for the College under OfS

rules, and although HE part-time fees could be increased, they were considered to remain appropriately priced.

4.2.3.2 **It was resolved** To approve the fees and charges policy for 2021/22.

A Hodge joined the meeting.

4.2.4 **Updated Financial Regulations**

4.2.4.1 A Comyn noted that the Financial Regulations had been revised to reflect some changes to wording and job titles, together with amendments to a number of sections, which had been highlighted for ease of reference.

4.2.4.2 **It was resolved** To approve the updated Financial Regulations.

4.2.5 **Committee business plan for 2021/22**

4.2.5.1 The SOCG presented the business plan for the Finance & Estates Committee which provided an indication of business and reports which would be submitted to the meetings for the Committee scheduled for 2021/22.

4.2.5.2 Following consideration of the business plan at the Finance & Estates Committee meeting it had been agreed that the following would be added to the business plan, which had now been done:

- The agreed financial metrics would be built into the monthly management accounts going forward for ease of reference.
- An annual review of the Estates Strategy would come to the committee to ensure it was still fit for purpose and relevant in March.
- The curriculum contribution report would be monitored on an annual basis through two reports to the committee:
 - Report to the December committee which would provide an update on actual enrolments against the plan and summary of class size and contribution analysis.
 - Report to the May committee which would provide an update on planning for the following academic year ahead of full report to Corporation.

4.2.5.3 **It was resolved** To approve the business plan for the Finance & Estates Committee for 2021/22.

5 Financial forecast matters

5.1 3 year financial plan 2020/21 to 2022/23

5.1.1 A Comyn presented the 3-year forecast for the years ending 31 July 2021, 2022 and 2023 supported by a forecast commentary, financial metrics agreed in the Financial Strategy, bank covenant calculations/tests and some of the main pages from the ESFA's new Colleges Financial Forecast Report (CFFR).

5.1.2 In summary:

- 2020/21 Revised Forecast 2 - out-turn had been updated from the forecast agreed as part of the Financial Strategy approved by Corporation in January 2021, forecast to be slightly ahead of previously approved plan.
- 2021/22 Budget was materially in line with the Financial Strategy agreed by Corporation.

- 2022/23 Forecast had been produced using a prudent set of assumptions, again materially in line with the Financial Strategy.

- 5.1.3 Members noted the accompanying documents which provided further detail on financial plans. Following the restructuring exercises completed over the last 12 months it was noted that the proposed 3-year plan met the financial milestones agreed in the Financial Strategy and all bank covenants throughout the period of the plan ending 31 July 2023. Furthermore, these forecasts showed the College achieving Good financial health in year 3 of this plan in 2022/23 as previously presented to Corporation.
- 5.1.4 A Comyn provided a summary of the operating performance for the year 2020/21. The principles and underlying assumptions used to prepare previous projections for the 2020/21 year were largely unchanged, however through continued cost control to offset reducing income levels arising from the impact of Covid, the latest 2020/21 EBITDA forecast had increased to £2.335m (5.04% of income).
- 5.1.5 He further provided a summary of the proposed budget for 2021/22 and 2022/23 providing further detail on the assumptions in relation to the content of the budget.
- 5.1.6 *Income*
Total income was budgeted to be £48.8m in 2021/22, which was an increase of £2.5m compared to the 2020/21 forecast out turn and unchanged from the financial strategy previously agreed. The forecast EBITDA for 2022/23 was £4.433m, 8.81% of income, which was £429k higher than the 2021/22 budget but only £288k higher than the financial strategy.
- 5.1.7 In response to a question from V Little, A Comyn noted that there was some income growth built into the plan for 2022/23 but the forecast was deliberately prudent. Should the economy recover more quickly than anticipated, the CE&P noted that the College would be in an agile position and able to respond to any growth opportunities.
- 5.1.8 *Expenditure*
It was noted that the forecast expenditure included a 1% pay award and incremental progression for those eligible in both 2021/22 and 2022/23. The budget for 2021/22 included up to £0.8m of new roles which was an increase on the £0.4m included within the Financial Strategy, which had been possible due to the careful monitoring of vacancies following the restructuring programme run over the last 12 months. The figure of £0.8m was an annualised pay cost. This was felt to be a prudent forecast as not all staff would be recruited at the start of the year, so the in-year cost was anticipated to be below £0.8m.
- 5.1.9 The increase in non pay costs was attributable to an increase in activity levels with learners back on site as well as the estates running costs incurred with the opening of the IoT from September 2021.
- 5.1.10 *Capital Expenditure*
It was noted that the College contributions had already been agreed by members in the financial strategy with the aim of building cash reserves and reducing reliance on the RCF. The capital expenditure included the agreed contributions to the T level development project and IoT equipment.

5.1.11 In response to a question from the Chair, A Comyn advised that capital for IoT equipment was included for 2021/22 only. The Chair noted that the Corporation would need to consider this at a future stage if the College wished to reconsider this position. It was noted that any specific requests for additional equipment could be proposed depending on new curriculum developments in the future. The CE&P advised that new sources of funding were now being made available for higher technical delivery and so there was a possibility that the College could bid through that fund for any additional equipment. G Barnard noted that there were a number of bidding opportunities to look at addressing the shortfall and it might be that a decision would be made to look at different programmes to those included in the original bid which had been done some years ago, to take account of current demand and latest technology. This would be a future consideration for the Corporation.

5.1.12 *Cash and working capital*

A Comyn highlighted that the cash position at July 2021 was in an improved position compared to the original prediction with a reduced requirement on the RCF. The cash flow showed a year on year improvement, with improving levels of net cash and cash days.

5.1.13 In response to a question from L Jones, A Comyn noted that the forecast did not include any provision for clawback of AEB, as it was assumed that the only risk of clawback came from the ESFA AEB and not the WMCA funded provision, which would not be a material figure.

5.1.14 *Bank covenants*

The three bank covenant tests were noted and A Comyn noted that all covenants were forecast to be met in all three years with good headroom.

5.1.15 *Financial health assessment*

The financial health assessment scores were noted. A Comyn advised that the ESFA were looking to introduce a new set of measures and were placing more importance on intra year performance which would be quite challenging for most colleges. The financial health assessment included the proposed new measures, which would show the College in a better position than the current measures, scored a rating of good in 2021/22 and remaining good in 2022/23.

5.1.16 **It was resolved** To approve the 3 year financial plan 2020/21 to 2022/23 including the 2021/22 budget, a 1% pay award for all staff including senior post holders from 1st August 2021 and the Students Union annual grant of £65k.

5.2 ESFA financial return (Colleges Financial Forecast Return)

5.2.1 A Comyn shared the Colleges Financial Forecast Return. It was felt that this model was much improved on the previous version and would provide ESFA with greater scrutiny and clarity in relation to colleges' cash position and operating performance. A Comyn advised that the College proposed to use this model going forward for revised future budgets.

5.2.2 A Comyn demonstrated within the financial return the figures which had been referred to in the 3 year financial plan approved at item 5.1, in particular members noted:

- Balance sheet showing net current assets and increase in cash.

- Cash flow showing cash generated through operations and spend on capital expenditure.
- Capital grant liability increase due to IoT capital.
- Working capital dashboard showed a stable position throughout the period.
- Financial health tab showing the financial health rating for each year on both the current system and the proposed new system. It was noted that the new measures included points awarded for either debt service cover or cash generation from operations (taking the lower of these scores).

5.2.3 It was noted that some monies awarded for grants this year may fall into next year and so the net capital expenditure would be correspondingly higher in next year and lower in this year.

5.2.4 T Westley asked if any resilience testing had been carried out in relation to inflation. A Comyn advised that this had not been factored into the forecast on the basis that this would have a two way effect on costs and income. He noted that bank rates were fixed for 50% of the loan.

5.2.5 The Chair noted that a number of companies, including some sub contractors, were having cash flow issues and asked if this risk was built into the model. A Comyn noted that this was partially provided for in non payment of outstanding debt and that monthly repayment arrangements were sought for repayment of debts where this was appropriate. It was not considered that any bad debt would be a material amount and therefore necessary to include in the high level risk register.

5.2.6 **It was resolved** To approve the Colleges Financial Forecast Return for submission to ESFA.

5.3 **ESFA financial health letter and dashboard**

5.3.1 The CE&P advised that, every year, following receipt of the financial statements and returns, the ESFA provided their response on the College's financial health. Copies of the following documents were noted:

- The ESFA's letter summarising their response on the College's financial health. They agreed with the College's assessment of a 'Requires Improvement' grade (previously 'Satisfactory') for last academic year and this one. They had raised a query in relation to asset impairment review.
- The latest ESFA financial dashboards that supported the above letter. Whilst none of this information was new to members, it did provide some useful national comparators.
- The College's response to the query in relation to asset impairment review and the ESFA confirmation that they were happy with the action taken. This was reflected in the financial regulations as approved earlier.

5.3.2 **It was resolved** To note the ESFA financial health letter and dashboard.

6 **Confidential - Santander trade facility**

This is the subject of a separate and confidential minute.

7 **Date of Next Meeting**

7.1 The next meeting would take place on 6 July 2021 at 4.30pm.

8 Any other business

8.1 No further matters of business were raised and the part 1 meeting then closed.

Staff members and staff and student governors left the meeting.

The part 1 meeting ended at 18.00.

The part 2 minutes were the subject of a separate confidential document



David Whatton, Chair

6th July 2021