

Minutes of the Finance & Estates Committee held on Monday 11th May 2020 at 4.00pm via Microsoft Teams

Members Present: Peter Davies (Chair)
Valerie Little
Jason Parker
Liz Sithole
Neil Thomas
David Whatton

In attendance: Andy Comyn (Chief Operating Officer)
Gill Darwood (Senior Officer Corporate Governance)
Steve Johnson (Executive Director Estates & Capital Projects)
Diana Martin (Vice Principal)
Carl Riding (Vice Principal Curriculum & Performance)

1 Confirmation of quorum and apologies for absence

1.1 Apologies for absence were received from Jonathan Sandhu and Sanjeev Ohri. The SOCG confirmed the meeting was quorate.

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Minutes of Meeting held 3rd February 2020

3.1 The minutes of the meeting held on 3rd February 2020 were agreed as an accurate record for signature by the Chair.

4 Matters arising

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

5 Strategic Matters

5.1 Financial update in relation to Covid-19 impact

5.1.1 The COO presented the paper which provided the latest financial projections for the College following the Covid-19 outbreak. He explained that the majority of the content of the paper was presented to and approved by Corporation on 28th April, however the executive summary had been updated to reflect the latest information available. He highlighted the following points in respect of 2019/20:

- a claim had been submitted for up to £501k to the ESFA for the post-16 relief scheme to support non-levy apprenticeship funding from April to June 2020, notification of approval had been received on 7 May. Whilst the claim was for up to £501k, current projections were showing that the College would receive about £192k of funding through this scheme depending on the level of withdrawals or breaks in learning over the next couple of months.
- any re-opening of the College was very likely to lead to increased costs to enable a safe return taking account of all social distancing and health and safety

measures, although at this stage it was difficult to quantify what these might be, both in the current year and next.

- it was likely that a return to College would mean that some staff were taken off furlough leave under the Government's Job Retention Scheme. Following the April Job Retention Scheme claim submitted on 7 May, it was estimated that the claim for furlough staff to 31 May would be approximately £446k, £54k below the £0.5m of income in the forecast. However, the forecast included furlough leave only up to 31 May, but the scheme had been extended to 30 June, so allowing for a proportion of staff returning from furlough leave in June, it was still expected to receive £0.5m of income through this support package in the forecast period.
- The combination of these items would increase the 2019-20 EBITDA above the £2.446m previously reported, to an estimated out turn of £2.6m although this was still subject to change.
- There was not anticipated to be any breach of bank covenants

5.1.2 A revised high level forecast out turn for 2020/21 had been prepared which showed the high level cash flow had been modelled in the early stages of 2020/21 on the basis of reduced income next year. On the basis of a £5m reduction in income next year, with the majority of the reduction profiled in the first half year, with no mitigating cost savings made at this time in the model, the College would remain cash positive until early 2021.

5.1.3 The COO noted that this gave members assurance of the College's viability in the short term, and the appropriate time to implement any cost mitigating actions required to ensure the College remained sustainable in the long term if income was to decrease by around 10% as modelled.

5.1.4 The COO noted that the cash flow forecast did not assume any reliance on funds from the DfE in respect of IoT funding.

5.1.5 The CE&P reported that there would be a further meeting with ESFA later in the week but they had no concerns on the College's position. In response to a question from the Chair, the COO advised that there had been no indication that the ESFA planned to review the financial health scoring matrix.

5.1.6 The CE&P noted that the ESFA could consider support to colleges to keep provision in place in anticipation of an upturn in demand for apprenticeship provision otherwise there would need to be a corresponding cost reduction exercise.

5.1.7 In respect of the West Midlands Combined Authority, he reported that they were introducing flexibilities for next year for provision for adult unemployed learners, but only within existing allocations, at present they were not providing any additional funding.

5.1.8 The COO gave assurance that within the College, every effort was being made to safeguard apprenticeships at present, with no business development staff being furloughed so that communications were being maintained with employers and their apprentices. In respect of next year, delivery would be unitised so that apprentices could start at any point in the year.

5.1.9 It was noted that the final budget in respect of 2020/21 would need to be considered and approved in June. (*Note: Full Corporation Budget meeting scheduled for 22nd June 2020*).

5.1.10 **It was resolved** To note the financial update.

6 Finance Matters

6.1 Management Accounts – March 2020

6.1.1 The COO presented the management accounts and accompanying report to March 2020. He explained that the report provided a commentary on the year to date financial performance of the College and the forecast financial impact of Covid-19, including a summary of the expected year-end operating and cash out turn based on the latest information available at the time of writing.

6.1.2 These showed that the College had been on track to deliver EBITDA and record breaking apprenticeship figures prior to Covid-19. The current position which was slightly below year to date forecast was due to some uncertainty in being able to accurately forecast profiled income and costs on a month by month basis.

6.1.3 The COO confirmed that there was forecast to be a cash positive position through to early 2020/21, based on reducing income by £5m but not reducing any costs. Should no mitigating actions be taken, there would be an additional cash requirement but actions would be undertaken to avoid this. He explained that the bank had been very supportive and had indicated their willingness to consider any cash requirement once detailed planning was complete.

6.1.4 The Chair noted that the fall in income was attributable solely to the Covid-19 outbreak and that the College had a good relationship with the bank and ESFA to give confidence in the ability to maintain learning and income.

6.1.5 **It was resolved** To recommend the management accounts to March 2020 to Corporation for approval.

7 Development and capital projects update

7.1 Development projects update (including ATECC)

7.1.1 The CE&P provided a brief update on operations at ATECC, explaining that the centre was currently given over to use by the local authority as a Covid-19 relief centre. It was hoped to re-open the centre from June onwards for some learners to complete technical elements of their programme, in a similar way to the main College.

7.1.2 The CE&P explained that all other aspects of ATECC operations and its financial performance remained as previously reported to the Corporation

7.1.3 **It was resolved** To note the update.

7.2 Capital projects update

This matter is the subject of a separate and confidential minute.

8 Partnerships and sub-contracting

This matter is the subject of a separate and confidential minute.

9 Policies for approval

9.1 Learner Financial Support Policy Review

9.1.1 The COO explained that it was considered good practice for the Finance & Estates Committee to undertake a periodic review of the Learner Financial Support Policy.

9.1.2 He explained that a tracked changes document showed the amendments made to this policy, which had been updated to reflect changes to current structures, designations and processes.

9.1.3 **It was resolved** To recommend the policy to Corporation for approval.

9.2 Fees and charges for 2020/21

9.2.1 The COO presented the report on the College's proposed fee structure and fee rates for the 2020/21 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.

9.2.2 The College had absorbed the additional inflationary pay and non-pay costs of delivering provision for the last three years, however the College proposed to increase fees this year for UK and international learners, whilst still seeking to maximise learner participation across the College.

9.2.3 It was noted that the fees were reviewed annually but that this was the first time an increase had been proposed for three years. The COO confirmed that these fees were comparable to other West Midlands providers and provided consistency with planned HE fees which would be offered in the IoT next year.

9.2.4 Discussion took place on the College's arrangements in relation to any refund of fees in the current Covid-19 outbreak and the CE&P confirmed that, although the College had in place a refund policy, in exceptional and individual cases refunds may be agreed for learners unable to complete their programme.

9.2.5 D Whatton suggested that clarification would be helpful that the fees related to 'classroom based programmes' which may be delivered online for a temporary period, as opposed to fully online delivery which was currently delivered free of charge in most cases.

9.2.6 **It was resolved** To recommend the report to Corporation for approval.

10 Date of Next Meeting

10.1 The next scheduled meeting was noted as 3rd December 2020.

10.2 It was noted that the committee may need to hold an additional meeting early in the autumn term.

II Any Other Business

II.1 No further matters were raised.

The meeting closed at 17.04

Approved by the Finance & Estates Committee 3rd December 2020