Minutes of the Finance & Estates Committee held on Tuesday 19th January 2021 at 4.30pm via Microsoft Teams

Members Present:	Peter Davies (Chair) Valerie Little Jason Parker Liz Sithole Neil Thomas David Whatton Andrew Woodford
In attendance:	Georgina Barnard (IoT Managing Director) Andy Comyn (Chief Operating Officer) Gill Darwood (Senior Officer Corporate Governance) 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 Steve Johnson.

1.2 The SOCG confirmed the meeting was quorate.

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Minutes of Meeting held on 3rd December 2020

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

4 Matters arising

4.1 *Appointment of Chair designate and Vice Chair for 2020/21*

4.2 **It was resolved** To appoint Jason Parker as Chair designate to take over as Chair with effect from 31st March 2021 and to appoint Liz Sithole as Vice Chair for the year 2020/21.

5 Finance Matters

5.1 ESFA finance record

5.1.1 The COO presented the draft ESFA Finance Record, which he explained was a standard template which captured the statutory annual accounts numbers and monitored these against the ESFA's existing financial health assessment measures. He advised that the paper was presented for consideration and for members to recommend approval to the Corporation for submission to the ESFA by the deadline of 29 January 2021. The ESFA submission would also include the statutory accounts approved by Corporation in December (and subsequently signed by KPMG on 21 December 2020 after completing their final internal checks and audit work) and the final KPMG management letter. Both documents were attached for ease of reference.

5.1.2 As notified to members in December, the COO advised that this year's Finance Record was a little different as the ESFA had updated their template to include both the historical 2019/20 figures from the statutory accounts and the forecast out turn for 2020/21. The new template had not been available to present to members at the December 2020 meeting, but was now completed (other than noting the assumptions used in the 2020/21 forecast and including the impact of Covid on income and costs in the table below the Statement of Comprehensive Income) for consideration and approval by members. The 2020/21 out turn included in the Finance Record reflected the 2020/21 forecast approved by Corporation in November as part of the RF1 forecast.

5.1.3 The COO advised that the RF1 forecast did not take into account any impact of the latest lockdown as it was prepared well in advance of this being announced. Whilst there would be some movement in the 2020/21 figures compared to the RF1 forecast, it was prepared on a relatively prudent basis. Furthermore, there would be some additional support that would now be available (such as the extension to the Job Retention Scheme which the College had taken advantage of by furloughing more staff in January) and was continuing to monitor and control all expenditure robustly, so at this stage the College did not consider there would be a material change to the RF1 2020/21 forecast out turn, which was reflected in the Finance Record.

5.1.4 As previously advised, the College's 2019/20 financial health as measured by the ESFA's assessment was 'Requires Improvement' with a score of 130 out of a possible 300. Similarly, and as approved in November, the College's 2020/21 financial health was also 'Requires Improvement' with a score of 130 points.

5.1.5 The chair noted that he assumed the extent of possible variation in results as a result of Covid would not be sufficient to change any of the scores, which the COO agreed was anticipated to be the case. The chair also noted the reference to benchmarking data, and the COO confirmed that the College would eventually receive back a benchmarking document containing comparable data for all colleges. It was agreed that this would be useful to share although the COO noted that the report itself was not ideal to present due to the high level of detail but could be used as the basis of a report by exception.

5.1.6 The COO provided clarification on a number of points of detail in relation to the financial health scoring methodology.

5.1.7 **It was resolved** To recommend the ESFA Finance Record to Corporation for approval.

5.2 **Management Accounts – November 2020**

5.2.1 The COO presented the management accounts and accompanying report for the period ended 30th November 2020. The report provided a commentary on the year to date financial performance of the College compared to the recently revised RF1 forecast agreed by Corporation in November. The key points to note were:

- EBITDA was £5.01m, which was within £20k of the RF1 YTD forecast.
- Income was currently £19.28m, which was within £38k of the RF1 YTD forecast.
- Expenditure (excluding interest and depreciation) was £14.13m which was £18k ahead of forecast.

5.2.2 Historically, it was shown to be too early in the year to be able to draw any real conclusions about full year actual performance compared to forecast, particularly given the difficulties in accurately profiling monthly income and cost budgets in the early months of a new financial year, which was made even harder by the on-going impact of Covid this year.

5.2.3 The COO noted that, as previously outlined at item 5.1, the RF1 forecast did not take into account any impact of the latest lockdown as it was prepared well in advance of this being announced. Whilst there would be some movement in the 2020/21 figures compared to the RF1 forecast, it was prepared on a relatively prudent basis. Furthermore, there would be some additional support that would now be available (such as the extension to the Job Retention Scheme which the College had taken advantage of by furloughing more staff in January) and the College continued to monitor and control all expenditure robustly, so at this stage it did not consider there would be a material change to the RF1 2020/21 forecast out turn. With the Covid-19 situation ongoing, continued careful management of both pay and non-pay budgets continued to be essential to ensure that the forecast year-end EBITDA was achieved.

5.2.4 He confirmed that the financial covenant position was currently strong with sufficient headroom and he noted that an updated cashflow forecast to 2023 was provided with the accounts.

5.2.5 The COO provided clarification in relation to points of detail raised by members. He confirmed that the rolling credit facility of £4m was drawn down in full currently which was illustrated on the cashflow chart where it was plotted against the net cash position. The COO noted there would be an opportunity for further discussion on this under item 7 on the agenda.

5.2.6 **It was resolved** To recommend the November 2020 management accounts to Corporation for approval.

5.3 **Insurance annual report**

5.3.1 The COO presented the annual insurance report which showed the insurance cover in place over College assets and had been prepared to support the College's self-assessment of compliance with regularity and propriety requirements in terms of providing evidence that College assets were adequately safeguarded and that appropriate employer and public liability cover was in place.

5.3.2 Insurance cover was renewed annually but was reviewed throughout the year to assess its adequacy and ensure it appropriately reflected any changes to the operational activities of the College and its assets in-year. The COO advised that the College had approached its insurers for a quote on Cyber insurance cover to assess the need to insure the College's financial losses in the event of a cyber-attack or data breach.

5.3.3 He advised that the College last tendered for insurance services in 2017 and appointed Zurich for a 3-year period starting on 1st August 2017. The appointment may be extended annually thereafter for up to two further years. It was proposed to extend Zurich's appointment for the second of two possible years in 2021/22 year starting 1st August 2021.

5.3.4 D Whatton noted that he had raised the issue of cover arrangements for staff working from home during lockdown and the COO noted that the College did have liability for staff working from home and some work was now being undertaken in terms of the health and safety aspects of home working and staff would be given the opportunity to raise any issues or support requirements they may have in terms of their working environment.

5.3.5 In response to a question from J Parker the COO noted that the College utilised the Crescent Purchasing Framework to undertake tendering for insurance and no broker fees were therefore payable.

5.3.6 **It was resolved** To recommend the proposal to Corporation that the College extend Zurich's appointment for the second of two possible years starting on 1 August 2021 ahead of tendering for the insurance services in the 2022/23 year.

5.4 **Curriculum contribution analysis 2019/20**

5.4.1 The COO presented the curriculum contribution analysis 2019/20 which had been compiled using information gathered from both the student records system and the management accounts for the year ending 31 July 2020. He explained that the report was prepared to help overcome the inherent difficulties in measuring profitability from the management accounts due to the use of the lagged funding methodology in the FE sector. The contribution analysis helped assess the profitability of College and curriculum delivery in one year by matching the income derived from the delivery of provision to the costs incurred in delivering that provision in the same year. The spreadsheet provided a summary by curriculum area of progress towards the historical target of 50% gross contribution margin.

5.4.2 In total, the curriculum areas (excluding Worldwide and Partnerships) delivered a gross contribution margin of 42% in 2019/20. This was 6 percentage points lower than the gross contribution margin delivered last year of 48%, which was attributable to the significant decrease in income in 2019/20 arising from the Covid-19 pandemic. Whilst costs were robustly controlled, there was a limit to the cost savings that could be made, which reduced the College's margin and full-year operating performance as reflected in the lower EBITDA reported in the College's statutory accounts approved by Corporation in December.

5.4.3 The gross contribution levels for Arts & Academic and Vocational Skills had however met or surpassed the College target of 50%. The Advanced Technology contribution was relatively close to the 50% target at 45%, however this had been impacted by the use of specialist external providers to deliver highly technical parts of some programmes. As would be expected, Business & Core had a significantly lower gross contribution margin at 20% (compared to 23% last year). This was primarily because the costs for cross college support for Education Support Assistants (ESAs) and GCSE delivery resided in this area, which meant they were effectively subsidising the costs of providing support to all areas of the

College. Furthermore, Business & Core contained the Aspire Centres, which had a much lower staff to learner ratio and therefore comparatively a much higher cost to income ratio. Similarly Partnerships and Worldwide did not achieve the 50% target as this area had a different business model with the majority of income in this area delivered by third party organisations.

5.4.4 Moving forward the COO explained that the College was working on improving the business and financial intelligence available to managers on margin analysis through its work on Power BI, which was progressing well. Future reports would be based on current and future business planning rather than historic data.

5.4.5 **It was resolved** To note the curriculum contribution analysis 2019/20.

5.5 **Commercially Sensitive - Procurement of specialist equipment for the IoT**

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

6 Policies for approval

6.1 **Treasury management policy**

6.1.1 The COO advised that further revisions to the policy had been undertaken following its previous submission to Corporation, where members requested that the policy should show clarification of investment arrangements. Changes to section 4.7 of the document had been made to reflect this recommendation as highlighted by the tracked changes for ease of reference.

6.1.2 **It was resolved** To recommend the revised Treasury Management Policy to Corporation for approval.

7 Strategic Matters

7.1 **CONFIDENTIAL**

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

8 Date of Next Meeting

8.1 The next meeting was scheduled to take place on 10th May 2021.

9 Any Other Business

9.1 There were no other items of business.

The meeting finished at 18.17 hrs.

Jason Parker, Chair 10th May 2021