

Minutes of the meeting of the Virtual Finance and General purposes Committee held on Tuesday 26 June 2024 at 17.30

Present

Richard Bevan	Committee Chair
Hermione Williams-Copp	External Governor
Gaynor Castle	External Governor

In Attendance

Jason Jones	Deputy Principal, Education and Learners.
Bill Blythe	Vice Principal Finance, Resources & Regional Affairs
Joanna Boardman	Director of Governance and Director of Executive Operations

1. Apologies for Absence

Apologies were received from Sean Mackney, Sheena Murphy-Collett, Melinda Stacey, Stephen Wells and Lewis Wilcox.

2. Declaration of Interests

No declarations of pecuniary or non-pecuniary interests were made in respect of the items on the agenda.

3. Confidential Items

No items were noted as confidential.

4. Matters Arising

No matters arising.

5. Matters Brought Forward by the Chair

The Chair of the Committee, noted that the college was in active working relationship with the Further Education Commission (FEC) now, which may provide context for the meeting and asked the Executive to give some background to the wider group.

It was confirmed that the college had been engaged with the FEC since last year and had entered voluntarily into the Active Support programme that they offer to colleges. As part of that programme the Board also applied for support in recruiting additional governors where you could submit a business case for help with recruiting governors with one governor being recruited for free and paying a much-reduced fee for any additional governors beyond that. We were successful in the submission and appointed two new governors through the process with PERIDOT.

As part of the programme the college has worked on reprofiling the loan for the Salix project and opted into the Curriculum Efficiency and Financial Sustainability Support (CEFSS) process for which the management action feedback discussion is this week.

Most recently the Board engaged with the regulators, FEC and the Department for Education and the Funding Agency for support following the resignation of the Principal.

Becky Edwards from the FEC has also met with the Deputy and Vice Principal to offer guidance and support and sense check around financial matters which has included:

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- Timing of Management Accounts
- Assurance on Higher Education planning
- How the income of the college is made up across all areas
- Target setting and how those are managed within the Business Planning Process
- Cashflow
- Budget Snapshots

6. Minutes and Actions

23FGP18/i

The minutes were approved and agreed to be an accurate record.

The minutes were approved for publication. It was noted that the action on the Closure of Sustain and Grow should go to the Board in July 2024.

7. Papers

7.1 To Receive the Month 9 Management Accounts

23FGP19

It was shared that the final out-turn position is expected to be covenant compliant, though it is critical to highlight (as was reported to the Task & Finish Group) that the debt service is very tight based on the actual level of cash generated this year.

As of Month 9, a £48k non-compliance on a turnover of £20m, which is a very small amount can be seen. By Month 10, we have assured ourselves that the risk of a covenant breach is limited.

JJ, CI, and BB will meet with Barclays on Thursday, and if the situation changes, they will seek an urgent waiver, though this is becoming less likely.

As the college approaches the end of the year, risks, especially to income, are reducing, with confidence being shared about the 16-18 funding. The AEB budget was also shared as on track, and achievements outcomes are in line with expectations. The college had launched a reasonably well-attended programme on British Sign Language, bringing in additional funding.

The ALS was reviewed, and the college had noted a potential risk where students leave early, resulting in a £150 per month loss, but retention figures have held up well, and there were fewer late notifications of withdrawals when compared to previous years.

Apprenticeships were shared as remaining the most volatile offer, with a significant budget ask of around £3m and being dependent on monthly programme payments as well as the substantial achievement payment at the end of the programme.

However, improvement was noted as there do not appear to be as many significant issues this year. The Faculty Manager and Director of Compliance report very positively, indicating a more well-managed year-end, with success rates at or above national levels. Last year, attendance and achievement were poor, but they are currently trending slightly above budget, though this may not remain stable.

Regarding Higher Education partnerships it was shared that Bolton University passes on 21% of the fee income for BSC and Nursing Associate courses, although there has been some difficulty in confirming the expected numbers. There was also some outstanding income from the Education Teaching Foundation, with an anticipated risk of £16-20k due to heavy workloads in academic areas preventing the completion of expected tasks.

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On a question around how the college forecasts teaching staff costs, it was confirmed that Full Time Equivalency rather than class size. The methodology involves maintaining an establishment spreadsheet for contracted numbers with pay forecasts for current and future years. There was clarity shared that the college will only carry cashable savings with specific actions/tasks attached.

The college also shared that they were intending to complete some work across the data sources available and create a 'single point of truth' moving forward.

It was explained that in terms of cash flow, next year's figures cannot be quite triangulated at this stage. Factors that are involved in this include the increased Department for Education (DFE) loan and Salix funding which are challenging to match, as the loan is a revolving credit facility rather than a traditional loan. Within the loan terms when the college incurs expenditure, it notifies the DFE, which then releases funds, but repayment involves fixed quarterly amounts until the principal is repaid.

This often results in spending a month ahead of receiving funds. Cash balances are expected to remain flat until December, with a significant increase from the sale of Tiverton Field (£2.2m).

It was shared that the Audit Committee decided at its last meeting that internal auditors have been asked to audit cash flow forecasting and conduct stress testing on budgets. This when working alongside the active support programme from the FEC should provide strong external assurance to the Board.

7.2 To recommend the draft Budget 24/25 and Financial Forecasts

23FGP20

The meeting addressed concerns regarding the final out-turn position, which was expected to be covenant compliant, but highlighted tight debt service based on the actual cash generated that year. Efforts were being made to address the deficit, with a forecasted £802k operating surplus projected for the following year. A principal change involved was bringing forward restructuring cost provisions into the current year rather than waiting until the next, a decision coordinated with the Task & Finish group and external auditors at the time. The projected surplus was considered achievable due to the planned completion of the restructuring program, expected to yield cashable savings.

It was confirmed that key income lines, particularly 16-18 funding, operate on lagged learner numbers, with recruitment and retention numbers by December 2023 forming the base budget for 2024/25. There had been an issue with T Level funding, experiencing in-year clawback for learner number underachievement, which required adjustments following a detailed scenario analysis conducted that year.

Subcontracting was described as remaining as a contentious issue within the DFE, FEC and among some college leaders.

In general, while HE income may have been slightly under projected figures, there was optimism regarding Apprenticeship income, leading to increased confidence for the following year compared to previous periods, owing to the absence of hypothecated targets.

The committee acknowledged that a potential risk remained of a poor Ofsted report in the coming autumn affecting learner outcomes, although it was considered unlikely.

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High needs income from Devon County Council was reported as having shown strong growth due to the Home to Onsite (H2O) initiative, supporting learners facing confidence, emotional, or mental health challenges by gradually transitioning them to full onsite delivery. The initiative, which had started the previous year and had quickly gained traction, was noted for its clear demand.

In looking forward to 2024/25, there were no anticipated issues shared with learner numbers and projections for 2025/26 were explained as being based on lagged funding and the anticipated impact of T Levels.

Progress was shared, with an expected improvement of approximately 25% in outcomes and forecasts for 2026/27 suggesting a moderate growth in learner numbers, factoring in population expansion and full capacity at feeder schools such as Exeter.

Despite cautious optimism about growth, the committee emphasised the need for prudence. Concerns were raised regarding the college's past deficit and the reliability of future growth projections. The discussion explored the potential benefits of adopting a more conservative forecast to mitigate risks, including preparing a College Financial Forecasting Return (CFFR) that accounted for different scenarios, such as reversing out 16-18 learner number growth and conducting various sensitivity analyses.

Capital projects were described as aligning with external funding income, but there was a call for greater ambition in future, as opposed to the current approach.

The committee agreed to speak to the concerns on the positive forecasting at the upcoming Board meeting and asked the college to prepare a new forecast with that adjustment in mind.

Overall, the meeting concluded that cashflow appeared healthy, with February 2025 identified as a low point, but no significant concerns were noted in the short term.

The recommendation to the Board was to consider reversing the student growth numbers in outer years for a more conservative outlook based on the discussions held during the meeting.

7.3 To approve the Sub-Contractor Activity Annual Report 23FGP21

Noting the £250k potential sub-contracting proposal the report was approved.

7.4 To Recommend the Financial Regulations 23FGP22

It was noted that the structures would need updating (all processes would be closed by that stage) before submission to the full board meeting.

With those amendments the regulations were approved for recommendation to the Board.

7.5 To note the Annual health and Safety Report 23FGP23

The report was noted and commended for the update by the Chair.

7.6 To recommend the Termly (Spring) HR Report 23FGP24

The report was acknowledged and agreed for recommendation to the Board.

7.7 To Approve the Bad Debts Write Off 23/24

23FGP25

The report was discussed, and it was shared that there were two debts to write off:

- One was a statute which barred the college from pursuing the debt due to expiry date (made worse due to inability to chase debt during Covid).
- The second was around mental and physical health issues so was a reasonable case to not pursue.

Policies

Approve Subcontracting Fees and Charges and Supply Chain Policy

23FGP26

It was asked if the college could explain the breakdown grid of management fee charges across different types of sub-contractor and the college agreed to feedback via the Director of Governance outside of the meeting.

Once that had been done it was agreed that the policy could be approved via chairs action.

Approval postponed.

The Health and Safety Policy

23FGP27

The policy was noted and approved.

Meeting ended at

Action Plan

Action No	Action	Completion Date	Owner	Status
1	Present a selection of business planning scenarios to the next Strategic Review Committee	11 July 2023	Sean Mackney	Completed
2	Create Task and Finish Group	1 April 2024	Joanna Boardman	Completed
3	Present an update to the Sustain and Grow Programme to the next Strategic Review Committee	11 July 2023	Sean Mackney	For Board now
4	Present a post incident report on the Wi-Fi outage	Next meeting	Bill Blythe	Completed
5	Changes to Health and Safety Reporting Requested	1 July 2024	Sheena Murphy-Collett	Completed
6	Subcontracting Grid to be explained to the committee chair and policy approved by chairs action	1 August 2024	Bill Blythe and Richard Bevan	

The next meeting of the Finance and General Purposes Committee TBC 24/25