



**AGENDA
REFERENCE**

A

CORPORATION/COMMITTEE PAPER

**Finance and General Purposes Committee
6 May 2020**

<i>TITLE</i>	Minutes of the Finance and General Purposes Committee meeting held on 4 March 2020
---------------------	---

<i>PURPOSE</i>	To receive the minutes of the Finance and General Purposes Committee meeting held in 4 March 2020
-----------------------	--

<i>RECOMMENDATION</i>	The committee is requested to note the minutes and agree their accuracy
------------------------------	--

<i>No. of pages in main paper</i>	9
<i>Appendices/Annexes</i>	None
<i>Financial Implications</i>	None
<i>Risk Implications</i>	Implicit in paper
<i>Author</i>	Louise Hazel

MINUTES OF A MEETING OF THE BOARD OF LEICESTER COLLEGE CORPORATION:

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 4 MARCH 2020



Present: Jonathan Kerry (Chair) Chan Kataria
Tim Gray Caroline Tote
Verity Hancock

In Attendance: Louise Hazel Director of Governance and Policy
Shabir Ismail Deputy Principal/CEO
Hannah Georg Marketing and Communications
Manager (item 4)
Rod Wood Director of HR

1 DECLARATION OF INTERESTS

1.1 Staff declared an interest in item 8.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Danielle Gillett and Brigitte Heller.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

3.1 **The minutes of the meeting held on 12 December 2019 were received and agreed.**

3.2 As a matter arising it was confirmed that the Health and Safety officers had looked at the numbers of accidents in Engineering to make sure there was proper reporting and had confirmed that they were correct but future reports from the department would be monitored.

3.3 **The confidential minutes of the meeting held on 12 December 2019 were received and agreed.**

4 T LEVEL MARKETING

4.1 The Marketing and Communications Manager presented a report on T level marketing activity. The following points were highlighted.

4.1.1 The College would be offering T levels in four routes from 2021.

4.1.2 A SWOT analysis had been undertaken. Although there were

- opportunities, the main risk was around the lack of awareness of T levels among potential students and parents.
- 4.1.3 Some activity had already started although the priority would be to focus on promoting T levels to year 10 students and most of the communication would start in September 2020 to avoid confusion.
 - 4.1.4 A detailed plan for T levels had been developed. It had been very well received by the ESFA and was highlighted as a model example.
 - 4.1.5 The College had taken an opportunity to highlight to the DfE concerns about the lack of national marketing for T levels. It had been confirmed that some activity was planned but this was likely to be concentrated initially in wave 1 areas. The College was in the second wave and so it was hoped that there would be greater awareness by the time it offered the qualifications.
 - 4.1.6 The potential for the removal of funding for BTECs could have implications particularly for those providers not currently planning to deliver T levels. Although the College was currently the only provider offering T levels in Leicester, Gateway College would be applying to deliver them in competition and schools might also want to offer them.

4.2 **Governors asked a number of questions including:**

- 4.2.1 **There were several actions which were subject to budget availability; how crucial were these and what would the impact be if the budget was not available?** Some could be done from within existing budgets but some additional funding might be required. Not all activities were essential and the priority would be to do those which were likely to have most impact and to promote T levels to parents and influencers. The budget was being reviewed.
- 4.2.2 **How important the role of employers would be in delivering T levels.** They were crucial in the delivery of industrial placements. A large number of employers were on board and the College had been piloting industrial placements for two years. It had exceeded its quota last year and was on track for this year. Some sectors were harder to engage employers than others.
- 4.2.3 **How many students were expected to take up T levels?** At this stage it was not known. Some specifications had still not been released and so it was not yet known exactly which specialisms the College would be offering.
- 4.2.4 **What the costs and delivery income were likely to be.** This was not yet known; costs and income would be factored into the budget for 2020/21. However, the transition year would be important and the College was already planning for that. There would be capital requirements and funding was available; the College would be looking to submit bids for that shortly.
- 4.2.5 **Whether additional staff would need to be recruited.** There was an HR strand within the T level plan. A skills audit would be undertaken shortly to see if existing staff had the skills and expertise needed. There might be some training issues and it might be necessary to recruit some new staff if there were gaps in some specialisms.
- 4.2.6 **Whether schools were promoting T levels.** No. The College was

promoting them to schools and had offered to do presentations to any school that wanted.

4.2.7 **Whether the College would be ready to deliver if there was considerable interest.** Yes, plans were in place.

4.2.8 **What the expected contribution rate would be and whether T levels would strengthen or weaken the financial plan.** It was too early to know what the contribution would be. T levels would be built into the delivery and financial plan for 2021/22. It was also not yet clear what the impact might be on displacement of existing activity.

4.3 **Governors noted the report on T level marketing activity and requested further information on the financial contribution of T levels at an appropriate time.**

5 THREE-YEAR FINANCIAL PLAN

5.1 The Deputy Principal presented the final version of the three-year plan, previously agreed by Corporation. The following points were highlighted.

5.1.1 There had been two more versions of the model provided by the ESFA since the plan had been agreed by Corporation in January. None of the commentary or headline numbers had changed within the plan.

5.1.2 Some of the lines in the statement of comprehensive income and balance sheet had changed but these had not affected overall figures.

5.1.3 It remained difficult to complete a firm financial plan at this point in the year because the allocations were not yet known and curriculum planning had not been completed.

5.1.4 The plan showed financial health as 'Good' throughout with strong ratios and cashflow.

5.1.5 The Director of Finance was commended for her hard work in completing the plan and dealing with the considerable issues associated with all the versions and errors in the ESFA model.

5.1.6 The Finance Directors Group's letter to the ESFA was highlighted together with the ESFA's response which was felt to be inadequate. However it was expected that dialogue with the ESFA would continue.

5.2 **Governors asked a number of questions including:**

5.2.1 **If there were comments back from the ESFA and the College had got the model wrong, what would the implications be.** The College developed its own plan to get it to where it needed to be financially; this was then input to the model. Any comments from the ESFA would need to be looked at.

5.2.2 **The FE Commissioner team had only endorsed six of the 33 college plans reviewed through diagnostic assessments in the past year; the College was one only of those six which was an excellent achievement.** Acknowledged.

5.3 **Governors noted the final version of the three-year Financial Plan and the Finance Directors Group's correspondence with the ESFA.**

6 FINANCE REPORT (PERIOD 6) AND SPRING TERM REFORECAST

6.1 The Deputy Principal presented the Finance Report (period 6) and Spring Reforecast. The following points were highlighted.

- 6.1.1 The year to date result was an operating surplus after restructuring costs of £2,334k compared to the budgeted surplus of £2,202k.
- 6.1.2 At this stage, the latest data return suggested the College would exceed its 16-18 learner responsive number and funding target.
- 6.1.3 Taking into account the latest data return and predicted further enrolments and achievement, the College appeared to be on track to exceed its AEB income allocation and achieve at least 103%.
- 6.1.4 Apprenticeship income was currently slightly below target. The latest reforecast suggested the overall apprenticeship income would be £150k lower than was expected at the autumn reforecast at £5.0 million against an original budget of £5.5 million. However, it was difficult to predict the EPA figures this year.
- 6.1.5 Overall HE income was forecast to be £256k below target. Competition remained strong in this area. There had been withdrawals; the additional subcontracting which had been approved at the December Corporation was not likely to be needed.
- 6.1.6 Pay savings of £362k had been factored into the reforecast. The majority of the savings were from admin and central services as recruitment was proving difficult in these areas. Teaching support savings were mainly as result of the apprenticeship assessments costs now sitting under non-pay expenditure.
- 6.1.7 Staff restructuring costs had been reduced by £100k as it was unlikely that cross-College efficiency savings would be required.
- 6.1.8 Overall the expected Total Comprehensive Income after restructuring costs had increased by £55k from £445k to £500k.
- 6.1.9 The College continued to meet its bank covenants and maintain its financial health as 'Good' after undertaking the spring reforecast.

6.2 **Governors asked a number of questions including:**

- 6.2.1 **Costs appeared to be under control so what would be the main risks in terms of income.** The AEB was always difficult to predict and achievements which were yet to come in although recruitment was strong and ahead of the position last year. The unknown factor for apprenticeships was how many EPAs there would be but this should not have a significant impact in financial terms. HE subcontracting was a risk although the margins were small and so any underachievement would not have a major impact on the bottom line.
- 6.2.2 **Would there be an impact if the College had to close for a period of weeks.** Possibly although it was unlikely that just the College would be affected and the funders might have to take on a view on how to respond to exceptional circumstances.
- 6.2.3 **Was the College's position more stable than in previous years?** It felt as if it was, although the allocations had not been received and the Budget was still awaited and so it was wise not to be complacent.

- 6.2.4 **How was the communication to staff about the improvements in financial position against the ongoing need to control costs being handled?** The College was transparent in its communications with staff. Managers could view data through the Matrix which helped and regular meetings were held between the finance team and budget holders to monitor performance and inform reallocation of budgets and reforecasts throughout the year.

- 6.3 **Governors noted the Period 6 finance report and agreed to recommend the Spring Reforecast to Corporation for approval.**

7 16-18 INDICATIVE FUNDING ALLOCATION

- 7.1 The Deputy Principal provided an update on the College's 16-18 allocation for 2020/21. The following points were highlighted.

- 7.1.1 The allocation included 59 more students than in 2019/20. An additional £600k had already been factored into the plan for 2020/21 which was felt to be prudent. The allocation showed an increase of £1.3 million for 16-18 compared to the current year which included the £600k already assumed as well as an additional £700k. This was due to the increased numbers and an increase in rates and cost weighting factors.
- 7.1.2 The plan had assumed £350k of efficiencies which would not be needed although opportunities for efficiencies would continue to be taken.
- 7.1.3 The curriculum planning process would continue and would make sure that this allocation could be delivered.
- 7.1.4 The other allocations were awaited. The Association of Colleges appeared to be confident that the adult funding rate would be increased although no increases had been assumed at this stage.

- 7.2 **Governors noted the update on the 16-18 funding allocation.**

8 LGPS REVALUATION

- 8.1 The Deputy Principal presented a paper setting out the Local Government Pensions Scheme (LGPS) Revaluation. The following points were highlighted.

- 8.1.1 The revaluation at 31 March 2019 showed an improvement in the position from 82% in 2016 to 96% in 2019. The overall Leicestershire Fund was valued at 89%.
- 8.1.2 The aim was to move to full funding within 15 years; this had previously been 20 years but the introduction of the insolvency regime meant that colleges were regarded as higher risk institutions than previously.
- 8.1.3 The new effect was an increase of 1%. A meeting had taken place with the pensions team to discuss this. The College's position appeared to be more favourable than others institutions.

- 8.2 **Governors asked a number of questions including:**

- 8.2.1 **The College would still need to pay a high level of contribution. Were there any alternative options to the current arrangements?** A number of options had been highlighted at the 2019 away day. The consultation on changes to requirements around LGPS membership was still ongoing and the outcome of this should be known soon and the options open to the College would be reviewed again after this.
- 8.2.2 **Whether the pensions deficit was required to be included in the financial health.** It was not although the higher contribution rate would contribute to the cost.
- 8.2.3 **Whether the 96% was ring fenced for the College.** It was.
- 8.2.4 **It did not seem sensible to consider repaying the deficit early given that another revaluation would take place and might change the position.** Agreed.
- 8.3 **Governors noted the paper on and requested an update on pensions options at a suitable time.**

9 KEY EMPLOYMENT CHANGES

- 9.1 The Director of HR presented a paper on recent employment changes and the potential impacts on the College. The following points were highlighted:
- 9.1.1 The right to parental bereavement leave and pay would allow parents of a child under 18 who died to take two week's leave. The College would treat any such cases sensitively.
- 9.1.2 New rules on written statements of particulars meant employers would need to provide these to all workers not just employees and by the start of employment rather than within two months as currently the case. The College already included these within contracts but some work was needed to include all the information required. Around 65% of staff were on part-time contracts and there were over 80 different working patterns.
- 9.1.3 The reference period for calculating holiday pay for workers who did not work regular hours increased from 12 to 52 weeks. The College complied with this by providing an addition to salary to cover holiday pay for workers with irregular hours.
- 9.1.4 Increases in the statutory national living wage would mean the College would need to make changes to pay rates for those on scales 1-3. The cost of this would be £55k plus on costs. The changes would impact on pay differentials and there could be an issue next year if the rates continued to increase. This might require a more significant restructuring of the grading structure.
- 9.2 **Governors asked a number of questions including:**
- 9.2.1 **How much it might cost to implement the changes to a new grading structure.** It was difficult to know and it would depend on the approach taken. A new job evaluation scheme would also need to be bought.

- 9.2.2 **Whether the change to the national living wage would improve the gender pay gap.** It should and the College welcomed being able to pay the lowest paid staff more.
 - 9.2.3 **Whether the statement of particulars was only required at the start of employment.** It was although if existing staff requested the information, the College would have to provide it.
 - 9.2.4 **Whether IR35 had impacted on the College.** It had already dealt with this and because the College did not use many contractors, it had not had a significant effect.
- 9.3 **Governors noted the paper on key employment changes and the implications for the College.**

10 EMPLOYMENT TRIBUNAL

- 10.1 The Director of HR outlined a new employment tribunal case which the College would be facing. The following points were highlighted:

- 10.1.1 It was a complex case which involved an existing employee claiming against the College and another employee; the claims would be dealt with together. The claim was for discrimination against a number of protected characteristics.
- 10.1.2 Formal and informal complaints had been made and had been investigated although the investigating officer had been unable to find evidence of discrimination. The claimant had not appealed the outcome.
- 10.1.3 A preliminary hearing was scheduled for April 2020 with the tribunal scheduled for April 2021.

- 10.2 **Governors asked a number of questions including:**

- 10.2.1 **Whether this had been through ACAS.** It had but there had been no opportunity for settlement through that process.
- 10.2.2 **Whether the College had insurance to cover employment tribunals.** It did not but it had won all recent tribunals.
- 10.2.3 **There was the potential for unlimited liability given that the claim involved protected characteristics.** Correct; the College would deny all the claims.

- 10.3 **Governors noted the information and the potential for there to be financial implications for the College.**

11 BAD DEBT WRITE OFF

- 11.1 The Deputy Principal presented a paper requesting authority to write-off debts that were considered uncollectable. The following points were highlighted:
- 11.1.1 Any attempt to re-enrol by students with unpaid debts would trigger an alert and they would not be allowed to re-enrol until the debt was paid.

11.2 Governors asked a number of **questions** including:

11.2.1 **Whether the cases involved people whose circumstances had changed or those who just did not want to pay.** Generally, they involved a change in circumstances and in these cases the College would try to agree a payment plan to accommodate the changing circumstances.

11.2.2 **What the cumulative value of bad debt was.** The budget included £100k for bad debt provision but this was never reached.

11.3 **Governors requested information on the cumulative total of bad debt write offs.**

11.4 **Governors considered the paper and agreed to approve the write-off of uncollectable debts totalling £7,576.86.**

12 WAIVERS OF FINANCIAL REGULATIONS

12.1 **Governors received and noted the report on waivers of financial regulations.**

13 FURTHER EDUCATION BODIES INSOLVENCY GUIDANCE

13.1 **Governors received and noted the FE Bodies Insolvency regime guidance.**

14 DATE OF NEXT MEETING

14.1 Wednesday 6 May 2020

15 ANY OTHER BUSINESS

15.1 The Director of Governance and Policy reported on the College's action in response to the coronavirus (COVID-19). There were no cases reported in Leicester so far. An action plan and communications plan were in place to respond to potential stages of escalation and the level of response required at each stage. The College was following Government guidance and was passing this on to staff and students.

15.2 **Governors noted the information.**

15.3 The Deputy Principal and Principal reported on a meeting with the LLEP to discuss potential capital projects particularly an Institute of Technology (IoT). It was possible that there might be several expressions of interest for IoTs in the region but it was possible that only one might be funded. Most other IoTs had involved several universities and colleges and so a combined proposal might be required.

15.4 Governors asked a number of **questions** including:

15.4.1 **What the timescale for making decision would be.** An initial

expression of interest was needed soon although final applications would be towards the summer. Further information would be brought back to Corporation.

15.4.2 **What the value of funding might be.** For IoTs it could in the tens of millions.