



AGENDA
REFERENCE

A

CORPORATION/COMMITTEE PAPER

Finance and General Purposes Committee
1 July 2020

<i>TITLE</i>	Minutes of the previous meeting held on 6 May 2020
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<i>PURPOSE</i>	To receive, agree and approve the minutes of the previous meeting held on 6 May 2020
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<i>RECOMMENDATION</i>	Governors are recommended to note the minutes and agree their accuracy
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<i>No. of pages in main paper</i>	8
<i>Appendices/Annexes</i>	None
<i>Financial Implications</i>	None
<i>Risk Implications</i>	Failure to follow agreed and proper practices
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MINUTES OF A MEETING OF THE BOARD OF LEICESTER COLLEGE CORPORATION:

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 6 MAY 2020



(Meeting held online via MS Teams)

Present:	Danielle Gillett (Chair) Verity Hancock Brigitte Heller Chan Kataria Jonathan Kerry	Zubair Limbada Simon Meakin Louisa Poole Caroline Tote Tom Wilson
In Attendance:	Louise Hazel Shabir Ismail Rod Wood	Director of Governance and Policy Deputy Principal/CEO Director of HR

1 DECLARATION OF INTERESTS

- 1.1 There were no declarations of interest.

2 APOLOGIES FOR ABSENCE

- 2.1 Apologies for absence were received from Tim Gray. It was explained that other members of the Corporation were joining the meeting to hear the update on the implications of Covid-19.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

- 3.1 The minutes of the meeting held on 4 March 2020 were received and agreed.
- 3.2 As a matter arising it was confirmed that further information on both the financial contribution of T levels (minute 4.3) and on pensions options (minute 8.3) would be brought back to future meetings.

4 IMPLICATIONS OF COVID-19

- 4.1 The Principal gave an update on the implications of Covid-19 and the College closure. The following points were highlighted.
- 4.1.1 The College was completely closed although teaching and support was continuing online wherever possible. There had not been

- requests for provision to continue onsite for vulnerable students.
- 4.1.2 A few members of staff had been on site to complete tasks that could not be done from home but they were working safely and regular checks of buildings were also being conducted.
 - 4.1.3 At Ross Walk, staff had asked if the sewing room could be opened to enable them to make scrubs and other equipment for healthcare workers and this was happening successfully. This had also helped with staff morale.
 - 4.1.4 Student engagement had been around 70-80% before Easter. This had since declined for a number of reasons including conflicting information from awarding bodies, competing demands on students' time, caring responsibilities and the fact that some students had now got jobs.
 - 4.1.5 Tutors were trying to maintain learning up to half term when the focus would switch to assessment and to progressing and new students for 2020/21. There had been lots of innovation in teaching and learning although there was variable practice.
 - 4.1.6 Some apprentices had been furloughed although the majority were still with the College. Some were on a break in learning.
 - 4.1.7 Directors were working hard to maintain contact with staff and morale was good in most areas. It had not been possible to equip all staff with the IT equipment and this would be an issue for the future.
- 4.2 **Governors commented that it was good to hear that morale was holding up and noted that keeping communication with staff would be challenging.**
- 4.3 The Deputy Principal presented the Finance Report (Period 8) including financial implications of Covid-19 and the College closure. The following points were highlighted.
- 4.3.1 The Period 8 accounts represented the College's performance immediately prior to the closure of College's campuses, due to the coronavirus outbreak; none of the adverse financial implications of the pandemic were reflected in this month's figures. The College had been on track to further improve its financial performance to that reported in the spring reforecast.
 - 4.3.2 The year to date result was an operating surplus after restructuring costs of £623k compared to the budgeted surplus of £507k.
 - 4.3.3 The accounts now included an initial assessment of the financial implications associated with Covid-19. This showed an overall potential income loss of £2,280k. Set against this were potential savings in pay and non-pay costs with the total estimated financial impact at £589k before any furlough claims. This compared to an estimated average loss among colleges across the sector of £616k.
 - 4.3.4 The ESFA had confirmed the College would be paid on profile for its AEB activity although since the College was expecting to exceed 103% of delivery, this would represent a loss of around £300k.
 - 4.3.5 Estimates of the loss of apprenticeship income had been done early; the position was now thought to be more positive than initially thought.

- 4.3.6 The table showing the financial impacts would be updated in each set of accounts from now on.
- 4.3.7 The internal auditors had been asked to review the College's interpretation of the changes to funding rules to reduce the risk of any future clawback.
- 4.3.8 It was expected that there might be more challenges around the repayment of fees but the College was holding the line that if teaching was continuing in some form, fees would not be refunded.
- 4.3.9 The College was not paying invoices where services had not been received including from awarding bodies.
- 4.3.10 The cash position would be key. Taking a prudent view that the furlough claim was unsuccessful, it was anticipated that cash balances could be approximately £500k lower at the end of the year than previously forecast. A detailed daily cashflow had been prepared to ensure that the College did not run out of money. The cash balance forecast for the end of July 2020 was estimated at £5 million including payment of the VAT Lennartz claim. Based on high level assumptions, the College was likely to face cashflow pressure in March and April 2021 when the cash balance was estimated to be £3.9 million.
- 4.3.11 Because of the uncertainty, the extent of capital investment and the impact on cash would need to be reviewed. There would be additional costs associated with different ways of working. This would need to be brought back along with proposals for bank loans and credit revolving facility.

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

- 4.4.1 **Whether it was possible to appeal that there would be no reconciliation for AEB and no payment over 100%.** This was not yet known. The expected over achievement had been raised with the ESFA and dialogue was ongoing but at this point it was prudent to assume that the College would not be paid for more than 100%.
- 4.4.2 **Whether the College's furlough claim had been successful and how much had been paid.** The claim for £139k had been paid; it was anticipated that the total furlough claim would be around £400k by the end of June.
- 4.4.3 **Whether the estimated financial impact included additional one-off costs.** There had not so far been any additional costs although this would be covered under AoB.
- 4.4.4 **Whether the College's approach would be not to repay fees unless there was a good individual case.** Correct; the main exceptions would be if a student was a carer or was vulnerable. A break in learning might be offered as an alternative to repayment.
- 4.4.5 **Whether the net impact of £200k was likely to be worst case.** It was felt that it was; the impact on apprenticeship income might not be as significant as outlined in the paper. Provided the furlough claim was paid, the College should be able to get back to the spring reforecast position. If the claim was not paid, the banking covenant relating to debt service costs might be at risk. However, a meeting had been held with the bank at which it had indicated that it would treat

- Covid-19 related items as exceptional items.
- 4.4.6 **£600k as a percentage of cash was significant but it was good to hear the bank was taking a pragmatic approach.** Acknowledged.
 - 4.4.7 **How did the College compare to other colleges?** Those which were in financial difficulty were finding it very difficult. Overall the sector looked to be seeing a 2% loss. Most colleges with reasonable financial health would manage for this year but next year would be challenging.
 - 4.4.8 **Whether there was any scope for asking the Agency to reprofile payments to help with cash.** This had been asked nationally but the Agency had indicated it would keep it under review.
 - 4.4.9 **Whether it was possible to take advantage of the HMRC Time to Pay scheme.** It would depend on how aggressive the HMRC was in terms of requiring payment but the College would look to stage payment if possible.
 - 4.4.10 **Whether a revolving credit facility should be prepared now.** The bank had indicated that it would not want to hear from the College yet given that there were other institutions which needed more urgent support. This would be followed up in around September once the budget position for next year was known.
 - 4.4.11 **What the plan would be for 2020/21.** At this stage it was difficult to know and more information was needed included on the extent to which the College would need to adhere to social distancing rules and the effect this would have on class sizes and the viability of some courses. The College was starting to shape some options for how it might re-open but some provision, particularly apprenticeships and HE, were potentially at risk. A curriculum plan and financial plan would be developed for the end of July but it would be important to understand that these would need to be fluid.
 - 4.4.12 **What the impact on recruitment for next year might be.** This was not yet known. The College had already held a number of well attended open days; further online events were planned but it was very likely that there would be a large number of late applications. There would be some sectors such as food and travel which might suffer a drop in recruitment because of poor job prospects.
 - 4.4.13 **Whether an additional Corporation would be needed to consider strategic issues.** The planned away day had been replaced with a strategic session in June. There would also be opportunities through F&GP and Corporation in July to consider the impacts in more detail.
- 4.5 The Director of HR presented a report on the furloughing of staff. The following points were highlighted.
- 4.5.1 The College had taken the decision to furlough staff and to top up salaries to 100%.
 - 4.5.2 The College's approach had been to identify and furlough staff whose roles were linked solely to non-grant funded income, and others who provided College-wide services. Whilst the salary costs of those in the latter category were supported by both grant and non-grant income, this was considered a reasonable approach to mitigating the impact of

- the loss of income and was being followed by a number of colleges.
- 4.5.3 An early claim had been submitted and further guidance had followed which meant that the approach taken to some staff might need to be reviewed.
- 4.5.4 The April claim had been paid and a claim for May was expected to be around £165k. 185 staff had been furloughed; a large number were part-time staff.

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

- 4.6.1 **What the risks associated with furloughing staff were and could there be challenge by the HMRC and/or penalties.** It was not yet known what the audit regime was likely to be and given that HMRC would be concerned about fraud, it might be a possibility. However, the College's claim was felt to be in line with those of other colleges and in line with the guidance and was reasonably cautious. The claim equated to around 7% of the pay bill.
- 4.6.2 **The opportunity make the claim was within a limited window and it would have been remiss not to have made the claim.** Agreed. The ESFA's expectation was that all colleges would take advantage of the scheme.

4.7 The Director of HR presented a report on other HR implications. The following points were highlighted.

- 4.7.1 Staff who continued to work for the College from home during closure of campuses were being paid normally.
- 4.7.2 Sickness absence related to Covid-19 was being recorded separately from other reasons for absence. All such absence was being paid at full-pay and did not count towards sick pay entitlement.
- 4.7.3 The College was trying to continue to look after students' and staff's mental health and a virtual wellbeing week was being held based around the theme of kindness.

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

- 4.8.1 **What approach was being taken to annual leave.** The College considered it practical for everyone to take annual leave by the end of the year and would not allow more than five days to be carried over.
- 4.8.2 **How many staff had been affected by Covid-19 and how many staff were vulnerable?** At this point it was difficult to tell. The College was looking at how to support staff who were vulnerable including seeking their views on returning to College.

4.9 The Deputy Principal presented a report on how the College's assets were being secured during lockdown. The following points were highlighted.

- 4.9.1 Regular checks of buildings were being undertaken to make sure they were secure.
- 4.9.2 Financial controls and procedures were being followed carefully.

- Additional measures had been put in place to ensure that risks associated with fraud were reduced.
- 4.9.3 Additional and ongoing guidance on cyber security and data protection had been provided to staff.
- 4.10 The Principal gave an update on the other implications of Covid-19 and the College closure. The following points were highlighted.
- 4.10.1 The Secretary of State had announced that the summer 2020 exam series would be cancelled and that students due to sit the exams would be awarded a grade based on an assessment of the result they would have been most likely to achieve had exams gone ahead.
 - 4.10.2 The College worked with over 40 awarding bodies. Generating assessment grades and ranking them for GCSEs and Functional Skills was a major task. Further information was awaited on how technical qualifications might be assessed. It was anticipated that there would be a lot of challenge from students following the results.
 - 4.10.3 T levels would go ahead although requirements around implementation plans had been slowed down. The College would continue to receive CDF funding if it could demonstrate it was engaging with students and employers.
 - 4.10.4 No request for use of the College's buildings had been received from the City Council although this had been offered.
 - 4.10.5 There would be changes to how the College worked in 2020/21 with teaching and learning and day to day operations continuing online.
- 4.11 **Governors noted the reports outlining the implications of Covid-19.**

5 FINAL FUNDING ALLOCATIONS FOR 2020/21

- 5.1 The Deputy Principal presented the final funding allocations for 2020/21. The following points were highlighted.
- 5.1.1 The allocation showed an overall Adult Education Budget (AEB) funding increase of 6.4%. As a result of the good performance in 2018/19, the College had been awarded an additional £644k in its 2020/21 allocation. The introduction of the low wage policy originally introduced in 2018/19 continued into 2020/21.
 - 5.1.2 The 16-19 allocation statement showed an increase of £1.5 million compared to 2019/20. There were many factors accounting for this increase notably that the funding rates had increased by 4.3%. There were also 59 more learners to be funded compared to 2019/20. This was based on the College's recent performance.
 - 5.1.3 Overall this resulted in a 7.5% or £2 million increase in the allocation compared to 2019/20.
- 5.2 **Governors asked a number of questions including:**
- 5.2.1 **Whether the funding was guaranteed.** The 16-18 allocation was secure but the AEB allocation would need to be earned. There might

be new opportunities to earn this but there might also be more competition for adult provision.

5.2.2 **What additional costs would normally be expected with a £2 million increase.** A large proportion would be expected to be covered from within resources through larger class sizes but this might be difficult in the current circumstances.

5.2.3 **Whether there was any indication that the ESFA might change its mind on colleges having to earn the AEB in the current climate.**

There was no indication of this at the moment.

5.2.4 **Whether the ESFA had a special taskforce to deal with the impacts of Covid-19.** It was unlikely.

5.3 **Governors noted the final funding allocation for 2020/21.**

6 TUITION FEES 2020/21

6.1 The Deputy Principal presented tuition fees for 2020/21. The following points were highlighted.

6.1.1 Due to a delay in the funding guidance for 2020/21 being issued by the ESFA and the unfolding impacts of Covid-19, there might be considerable changes to the student market for apprenticeships and for College-based HE. It might therefore be necessary to alter the fees policy accordingly. The aim would be to issue the final policy by the end of August.

6.1.2 The tuition fee policy was largely unchanged from previous years. The main changes related to increases in the fees for international students.

6.1.3 The refunds policy would continue to be applied.

6.2 **Governors approved the Tuition Fees Policy for 2020/21 subject to minor amendments that might need to be made.**

7 ESFA FINANCIAL DASHBOARD

7.1 The Deputy Principal provided an update on the ESFA Financial Dashboard. The following points were highlighted.

7.1.1 The ESFA financial dashboard was usually issued around this time but had not been provided as it was felt that financial forecasts would not be meaningful in the current situation.

7.1.2 Colleges had asked for confirmation of the 2018/19 financial health categories.

7.2 **Governors noted the update.**

8 WAIVERS OF FINANCIAL REGULATIONS

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

- 8.2 In response to **questions** it was confirmed that no exceptional waivers had been needed during the lockdown period. Procurement for additional PPE would be taking place but no waivers were needed at the moment.

9 DATE OF NEXT MEETING

- 9.1 1 July 2020

10 ANY OTHER BUSINESS

- 10.1 The Deputy Principal outlined a request for approval of the purchase of 400 laptops at a cost of £200k to enable the College to respond to the increased demand for online learning and remote working.
- 10.2 **Governors approved the purchase of the additional laptops at a cost £200k.**
- 10.3 **Governors recorded their thanks to all staff for the additional hard work during the lockdown period both in teaching and supporting students and with ensuring the College continued to operate.**