



AGENDA
REFERENCE

A

CORPORATION/COMMITTEE PAPER

Finance and General Purposes Committee
23 June 2021

<i>TITLE</i>	Minutes of the previous meeting held on 5 May 2021
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<i>PURPOSE</i>	To receive, agree and approve the minutes of the previous meeting held on 5 May 2021
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<i>RECOMMENDATION</i>	Governors are requested to note the minutes and agree their accuracy
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<i>No. of pages in main paper</i>	6
<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 5 MAY 2021



Present:	Danielle Gillett (Chair) Verity Hancock Chan Kataria	Jonathan Kerry Ed Marsh
In Attendance:	Louise Hazel Shabir Ismail Della Sewell	Director of Governance and Policy Deputy Principal/CEO Director of HR (items 3 and 9)

1 DECLARATION OF INTERESTS

- 1.1 There were no declarations of interest.

2 APOLOGIES FOR ABSENCE

- 2.1 Apologies for absence were sent by Caroline Tote. Tim Gray was absent.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

- 3.1 **The minutes of the meeting held on 3 March 2021 were received and agreed.**
- 3.2 As a Matter Arising, the Director of HR reported that there were 12 EU citizens employed by the College. Governors had asked about the impact of the increase in the national living/minimum wage on individuals and the cost to the College. 101 staff would see their pay increase to £8.91 per hour. The cost would £12k per full year; these additional costs were not included in the original budget as the likely increase had not been known.

4 FINANCE REPORT (PERIOD 8) AND SPRING TERM 2 REFORECAST

- 4.1 The Deputy Principal presented the finance report (period 8) and spring term 2 reforecast. The following points were highlighted.
- 4.1.1 The report had been presented to the Corporation meeting on 15 April when it had been discussed in detail.
- 4.1.2 The AEB tolerance level of 90% would result in a £3.2m cash clawback.

- 4.1.3 Overall, the expected total comprehensive income after restructuring costs had decreased by £703k, from a deficit of £748k to a deficit of £1,451k. The main movement was from lower AEB income.
- 4.1.4 The College now expected to achieve around 60% of the AEB allocation; this was an increase on the spring 1 reforecast.
- 4.1.5 The College would breach its debt service cover bank covenant, although the bank had confirmed in writing that it would treat COVID-19 related issues as exceptional items for this year. The College remained in the 'requires improvement' financial health rating following this reforecast with a score of 140.
- 4.1.6 The College had adequate cash balances for operating purposes for the remainder of this academic year but would suffer cashflow pressures from the repayment of grants in 2021/22. A decision had been taken to reduce capital expenditure in order to preserve the cash position.

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

- 4.2.1 **Whether there had been any further contact from the ESFA.** There had been requests from the ESFA for informal conversations although no indication that the AEB decision could be revisited. The College would want to formalise the conversations. No response had yet been received to the Chair's second letter.
- 4.2.2 **What impact would the bank's position on treating COVID-19 as an exceptional item have from an Agency point of view?** If the College breached its covenants and the loan became due, it would fall into inadequate financial health and the Agency and the FE Commissioner would intervene. The bank's position on COVID-19 was therefore helpful; the Agency was unlikely to ignore the bank's position.
- 4.2.3 **It was good to have the confirmation in writing but account managers reported to credit committees and so there might be a change of view; what might be the position next year?** Agreed although the College's account manager was very experienced and would know what was likely to be accepted. He had already highlighted the importance of achieving a surplus next year to the College's chances of getting a loan agreed.
- 4.2.4 **The sensitivity of the financial health score was high and the College could slip to 130 points.** Agreed. The aim was to avoid this at all costs and there was confidence in the reforecast. The AEB continued to be the hardest funding line to predict but other income lines were likely to be more positive than planned and would compensate for a shortfall. Pay costs were managed well; the PTL and overtime budgets were being managed tightly.
- 4.2.5 **When would there be confidence on the AEB numbers?** By the first week in June. VPs were in constant dialogue with Directors to monitor recruitment. Summer schools were also planned.
- 4.2.6 **Would there be a summer reforecast?** There would; this would be done in June based on the May management accounts. If the College was able to achieve 60% AEB, it would improve on the £1.4 million deficit position.
- 4.2.7 **While the management team had done a good job in providing a**

reforecast which provided solutions to a difficult position, it should not be forgotten that the decision was having a direct impact on student experience. Agreed. The Agency still appeared to take the view this was a one-year issue but it would have long term consequences.

- 4.3 **Governors noted the finance report (Period 8) and the spring term 2 reforecast previously approved by the Corporation.**

5 FINAL FUNDING ALLOCATIONS

- 5.1 The Deputy Principal presented the final funding allocations for 2021/22. The following points were highlighted.

- 5.1.1 The Agency funding allocations for 16-19 funding and AEB had been received. The total AEB allocation was £10,238k compared to £10,794k in the current year. The difference was being queried with the Agency although the College would need to be confident it could achieve the allocation.
- 5.1.2 There was little change to 16-19 funding of £20,160k. There were 83 fewer students although the allocations included T level funding which was higher than for other Study Programmes.
- 5.1.3 The Apprenticeships procured non-levy allocation was reasonable.
- 5.1.4 The National Skills Fund (NSF) impacted on the loans allocation; it was felt that the NSF was not appropriate for many adults.
- 5.1.5 Discussion were ongoing with the local councils around high needs funding. The County was looking to reduce costs. It might be necessary to revisit discussions about the viability of the PMLD provision again.
- 5.1.6 Overall, allocations were 1.8% lower than 2020/21.

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

- 5.2.1 **Whether the College could overachieve AEB.** It could, up to 103% and be funded; anything over this would not be funded.
- 5.2.2 **How the AEB compared to the previous year, noting that the College had predicted to achieve 108% which indicated a need for adult provision in Leicester.** The Agency had indicated it would hold allocations for all colleges at 100% although it was unclear why the College's allocation was £500k lower.

- 5.3 **Governors noted the final funding allocations.**

6 CAPITAL UPDATE

- 6.1 The Deputy Principal presented an update on capital projects. The following points were highlighted.

- 6.1.1 As discussed and agreed by Corporation, following the AEB decision, the College could not proceed with the T Level Wave 2 capital project because it could no longer afford the matched funding required.

- 6.1.2 At very late notice, the planned Wave 3 funding application had not been submitted because it was no longer affordable.
 - 6.1.3 The College would instead pursue a more modest refurbishment of existing premises, which would accommodate all planned T Level numbers set out in the T level delivery plan and provide a good classroom and real work experience for the students. However, it would not provide the same top-quality facilities and environment that had been envisaged.
 - 6.1.4 This would save £1.8m which would help with the cashflow position and could later be used to support a Wave 3/4 application.
 - 6.1.5 Applications had also been made for Specialist Equipment Allocation (SEA) funding.
 - 6.1.6 The College was still considering applying for Wave 4 capital in March 2022. This would give it time to review and improve the cash position and assess the bank's appetite for agreeing a loan.
- 6.2 Governors asked a number of **questions** including:
- 6.2.1 **Looking at the difference between the two tables in the paper, to what extent had the College overbid? How much would space and standards be compromised?** The College had not overbid but had bid for a high specification of accommodation which would have involved a complete gutting of C block. This could not now be afforded but there was still space to accommodate T levels in a more modest refurbishment. Nothing would be missing but students might have to access science labs in another block rather than have them in the same T level branded building.
 - 6.2.2 **Whether demand would be affected.** It was unlikely because the marketing of T levels had not used or assumed the new building. For Construction and Engineering, more space was needed to accommodate the anticipated demand.
 - 6.2.3 **It sounded like the right compromises were being made. Although social space might have to be reduced, that would have an impact on the student experience and over time, it might be that the College found it did not have enough social space.** Acknowledged; there would be some social space in the planned project. The Agency did not recognise the need to fund social space.

6.3 **Governors noted the capital update.**

7 REVOLVING CREDIT FACILITY AND BANK LOAN UPDATE

- 7.1 The Deputy Principal gave an update on the revolving credit facility and bank loan. The following points were highlighted.
 - 7.1.1 Draft heads of terms had been received for a £3 million facility over four years with an option to extend by a year. A formal offer was awaited and expected shortly.
 - 7.1.2 Other work was in hand including with the legal advisers and the revaluation of A block.

7.1.3 The aim was still to get approval at the Special Corporation on 11 May.

7.1.4 The bank loan was not needed at this point in time.

7.2 **Governors asked what the debt servicing costs annually would be for this and the existing loan.** It would be £450k covering the £3m and £6m existing loan. There was a 2.15% margin plus SONIA.

7.3 **Governors agreed that this was still the right tactic for the current time and noted the update.**

8 TUITION FEES 2021/22

8.1 The Deputy Principal presented tuition fees for 2021/22. The following points were highlighted.

8.1.1 The policy was largely unchanged from previous years. Wherever possible, fees would be retained at 2020/21 levels in 2021/22 with a small number of exceptions where the market could withstand price increases without adversely affecting recruitment. The main emphasis during 2021/22 will be to encourage students to return to College following the lifting of COVID-19 restrictions.

8.1.2 The main changes related to increases in the fees for international students including an increase in the deposit required and the administration fee for refunds.

8.1.3 The ESFA had not yet released the funding rules for 2021/22. Changes in eligibility were expected as a result of Brexit. Although the ESFA currently funded students who were EU/EEA nationals and resident in England, it was expected that only students with settled or pre-settled status under the EU Settlement Scheme would be eligible for ESFA funding.

8.1.4 The refunds policy would continue to be applied.

8.2 **Governors approved the Tuition Fees Policy for 2021/22.**

9 EMPLOYEE STANDARDS AND CODE OF CONDUCT

9.1 The Director of HR presented a paper setting out the revised Employee Standards and Code of Conduct. The following points were highlighted.

9.1.1 The Employee Standards and Code of Conduct were intended to promote good practice and maintain standards of behaviour and conduct alongside existing College Policies and Procedures; they applied to all staff.

9.1.2 The policy also included guidance on the behaviour of staff in respect of students. It also set out the consequences of breaches of the Standards and Code which could result in disciplinary action up to and including dismissal.

9.1.3 Minor amendments were being proposed including around data protection and safeguarding. It would be shared with all staff and would be followed up with further work around behaviours and the College

Values.

9.2 Governors **commented that it was a very clear and helpful document** and **asked** the following questions:

9.2.1 **There were some areas where the intent was clear but the definitions could be open to interpretation, for example around gifts and hospitality.** The College had a specific gifts and hospitality policy which had been reviewed by the Audit Committee and was referenced in the Code. All gifts were reported to the Director of Governance and Policy. Other policies were also referenced in the document.

9.2.2 **How would staff be able to follow up any queries?** Managers would be asked to follow up on the Code in team meetings; any queries that could not be dealt with there could be referred to the HR team.

9.3 **Governors approved the Employee Standards and Code of Conduct.**

10 BAD DEBT WRITE-OFF

10.1 The Deputy Principal presented a paper requesting authority to write-off debts that were considered uncollectable. The following points were highlighted:

10.1.1 During lockdowns, the College had taken the decision not to pursue debts aggressively. Many students had been supported to enable them to pay their debts through repayment plans.

10.1.2 The remaining debts had been to court with judgments lodged against the individuals which would mean they would not be able to take out loans without clearing the debts.

10.1.3 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.

10.2 **Governors asked whether it was possible to provide an indication of the number of students who had been supported to pay their debts.** This would be looked into.

10.3 **Governors agreed to approve the write-off of uncollectable debts totalling £45,849.90.**

11 DATE OF NEXT MEETING

- 23 June 2021

12 ANY OTHER BUSINESS

12.1 There was no other business.