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

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 1 MARCH 2023

Present:	Danielle Gillett (Chair)	Chan Kataria
	Nicola Gonsalves	Jonathan Kerry
	Verity Hancock	Lee Soden*
In Attendance:	Louise Hazel	Director of Governance and Policy
	Shabir Ismail	Deputy Principal/CEO
	Della Sewell	Director of HR (items 1-7)
	Shaun Curtis	Director of Estates and Campus Services (items 4-5)

* Joined via Teams

1 DECLARATIONS OF INTEREST

1.1 There were no declarations of interest.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Caroline Tote.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

3.1 **The minutes of the meeting held on 1 December 2022 were received and agreed.**

3.2 As a matter arising, the Deputy Principal gave a presentation on contribution rates. The following points were highlighted.

3.2.1 The way in which contributions rates were calculated was explained.
3.2.2 Rising costs pressures combined with lack of increases in funding rates meant that contributions were declining year on year.

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

3.3.1 **Whether marketing options were considered as part of the discussion about course viability.** They were; where extra marketing activity was thought necessary, this would be commissioned.
3.3.2 **What could be done in terms of fixed overheads?** Costs were apportioned to curriculum areas as far as possible including lease

costs for outreach centres but there were some fixed costs such as main site costs which were not split.

3.3.3 **At what point was something judged not to be viable?** This would vary. Data would be considered at course level including costs and income, achievement and whether the course met priority needs or provided progression routes to other courses.

3.4 **Governors <u>noted</u> the presentation.**

4 <u>MID-YEAR HEALTH AND SAFETY UPDATE</u>

4.1 The Director of Estates and Campus Services presented a mid-year health and safety update. The following points were highlighted.

4.1.1 There had been 71 accidents so far compared to a full-year figure in 2021/22 of 152. Numbers appeared to be trending lower.
4.1.2 There were more accidents on the Freemen's Park site due to the practical nature of the offer on that site.
4.1.3 There had been no RIDDOR events.
4.1.4 Staff mandatory health and safety training was now required every two years. A range of other training had been delivered.
4.1.5 There had been 162 incidents so far compared to a full-year figure in 2021/22 of 575. There had been a significant reduction in bike thefts; the police had successfully stopped a gang of bike thieves in the City.
4.1.6 Smoking and vaping and vandalism had been issues recently although firm and consistent action had been taken and there was now a reduction in these incidents.
4.1.7 CCTV coverage had been increased across the estate.

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

4.2.1 **What external reviews might normally be undertaken.** These tended to be ad hoc and could include fire, asbestos or legionella checks.
4.2.2 **What did the 102 staff trained in mandatory health and safety represent in terms of proportion of staff?** There were 1,100 staff but not everyone needed to complete the training; this figure only covered new starters.
4.2.3 **Was any further CCTV coverage needed and included in the budget?** The insurance bursary was being used to cover the upgrades; with the additions, the College now had good coverage.

4.3 **Governors <u>noted</u> the mid-year health and safety update.**

5 <u>CAPITAL UPDATE</u>

5.1 The Deputy Principal and Director of Estates and Campus Services presented an update on the capital programme. The following points were highlighted.

5.1.1 The Corporation agreed the capital programme spending as part of the budget for 2022/23. Since the budget was set, the College had been successful in securing additional funding for capital investment.

5.1.2 It was proposed that the budget be increased from £4,545k to £4,952k for 2022/23. The College's contribution from cash reserves would only be £2,007k with the remainder of the costs being funded by grants.

5.1.3 Where possible and allowable, grant funding was being moved to existing budgets enabling the College to reduce its contribution and preserve cash balances.

5.1.4 Over the three years to 2024/25, the College would commit £12.6m of capital investment, with only £2.8m, representing 22.4%, being funded from the College's cash reserves.

5.1.5 The planned and current projects included estates works to improve the provision of IT classrooms, roof and pipework refurbishments, new teaching kitchens part-funded by the Savoy Trust, gas workshop development and a major Office for Students (OfS) funded project to develop an aeronautical and space building on vacant land at APC.

5.1.6 The Wave 4 T level project to redevelop engineering classrooms at APC B block, was a 25 week build programme. The tenders for this had been received and looked to be £250k over planned budget; the ESFA would be approached for additional funding.

5.1.7 A further application had also been made for T level funding for construction; retrospective governor approval for the submission of this bid was required.

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

5.2.1 **Some expenditure was designed to increase recruitment; would a return on capital employed be completed?** It would depend on the nature of the project; this was harder to do for refurbishments but for new build, a proper capital investment appraisal would be completed and reviewed by the ESFA.

5.2.2 **Where the College was making a contribution to projects, was this coming from reserves or would borrowing be needed?** This would come from reserves and had been incorporated in the cashflow.

5.2.3 **What contingency plans were in place to control costs on the engineering project?** There was a strong design team and the cost plan would be updated regularly. Market intelligence about costs was sought and there was a list of items which could be cut back on if needed.

5.2.4 **Was the OfS project out to tender?** Not yet; this would be in November/December 2023.

5.2.5 **Why was the OfS project set to be BREEAM Very Good as opposed to Excellent?** It might be that the project did achieve Excellent; the requirements of the planning department might require changes to achieve this although these might be at the detriment of other aspects of the project.

5.3 **Governors <u>noted</u> the report and <u>agreed to recommend</u> the capital programme to Corporation. Governors also <u>agreed to recommend</u> to Corporation the submission of the application for T level capital for**

construction.

The following items were taken out of order on the agenda

6 HOLIDAY PAY - CONFIDENTIAL

7 NATIONAL LIVING WAGE

7.1 The Director of HR presented a paper outlining the increase in the National Living Wage (NLW) from 1 April 2023 and proposed changes to the support staff salary scales. The following points were highlighted:

7.1.1 The NLW was currently £9.74; on 1 April 2023 it would rise to £10.42 per hour for those aged 23 and over. This would be an increase of 68 pence per hour which take pay to above the values for scales A and B and erode the differentials between scales B and C.

7.1.2 The College needed to maintain differentials between pay points and scales to recognise different levels of responsibility and to ensure it could attract staff to roles at the lowest levels of the pay scale, whilst remaining affordable. There was a need to increase the value of the four lowest salary points. The impact of these changes was outlined.

7.1.3 An equality impact screen showed a positive impact on low paid female employees.

7.1.4 Any increases paid as a result of this would need to be reflected in any future pay awards; people should not be paid an increase twice.

7.2 In response to a **question** it was confirmed that costs had been included in the spring reforecast.

7.3 **Governors agreed the proposed increases to pay points on the Support staff salary scale with effect from 1 April 2023.**

8 BANK LOAN

8.1 The Deputy Principal presented an update on the bank loan position. The following points were highlighted.

8.1.1 Following the decision to reclassify colleges as public sector organisations and the associated changes to borrowing arrangements, a request for consent had been submitted to the DfE. The DfE approved the loan extension for three months to 13 April 2023, while it considered offering a refinancing solution.

8.1.2 The DfE had subsequently confirmed that it would offer to refinance the outstanding £1.425m loan. The DfE loan would be repayable over 15 years with the same quarterly repayment schedule as was being paid to Santander. The would be the variable interest base rate of the Public Works Loan. There would be no margin applied to this rate.

8.1.3 The College now had the option to accept the refinancing arrangements or to repay the loan.

8.1.4 On the basis that the DfE was trying to limit colleges accessing commercial loan arrangements, it was unlikely that it would approve drawdowns of funds from existing revolving credit facilities (RCF). The College should therefore also consider terminating the RCF. It currently paid a non-utilisation fee of 0.625%, costing £18,750 annually for the facility.

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

8.2.1 **Santander had been very supportive of the College; did they understand the rationale for the planned changes?** They understood the implications of the ONS decision and would appreciate the College's position.

8.2.2 **Terminating the RCF would be cheaper since there would no non-utilisation fee.** Correct although the downside was that the College would lose control and would need to seek DfE support in the future.

8.2.3 **Were there any covenants in the DfE loan?** Nothing significant although Santander would treat the DfE loan as borrowing for the purposes of its covenants.

8.3 **Governors <u>agreed to recommend</u> to Corporation that:**

8.3.1 **The Corporation authorise the repayment of the £1.425m loan to Santander by entering into the new facility offered by the DfE.**

8.3.2 **The revolving credit facility arrangement with Santander be cancelled.**

9 FINANCE REPORT (PERIOD 6) AND SPRING TERM REFORECAST

9.1 The Deputy Principal presented finance report (period 6) and Spring term reforecast. The following points were highlighted.

9.1.1 The year to date result was an operating deficit after restructuring costs of £1,194k compared to the budgeted deficit of £817k.

9.1.2 At this stage, 16-18 learner responsive learner numbers were above allocation by 87 students. However, due to the mix of students recruited, the allocation had been reduced in year by £161k.

9.1.3 Predicting the AEB outturn remained difficult at this point in the year but indications from the R06 data return and discussions with curriculum directors suggested that the College would fall short of its original AEB target by £1.5m. This had been reflected in the spring reforecast.

9.1.4 Apprenticeship income was currently in line with the revised autumn reforecast target.

9.1.5 HE recruitment was below target. A decrease in income of £70k was factored into the spring reforecast.

9.1.6 Around £225k savings had been achieved through the recruitment freeze.

9.1.7 A spring reforecast has been undertaken in which the expected Total Comprehensive Income after restructuring costs had decreased by £938k from a deficit of £1,048k to a deficit of £1,986k.

9.1.8 The spring reforecast would result in a breach of two bank covenants although the College's financial health remained in the 'requires improvement' financial health rating.

9.1.9 Discussions were taking place with the bank which remained supportive. There were three possible options open to the College: to move the loan to the DfE but this would mean the College might be considered in intervention with additional associated costs and burdens; an add-back solution which treated some items as exceptional; or the suspension of the covenants for two years. This was the preferred option and the bank would be exploring this further.

9.1.10 There had been an announcement that day of an additional 2.2% uplift in AEB earnings for 2022/23 and 2023/24 with a 20% uplift for some sectors. This was estimated to result in an additional £250k income in the current year. This had not yet been factored into the budget.

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

9.2.1 **Suspension of the covenants would be time limited but would a carve out continue indefinitely**? It was unlikely as at some point it would be questioned when ongoing 'exceptional' items might be considered the norm.

9.2.2 **Were there any costs attached to a suspension**? This had not been discussed although it was possible there might be some costs.

9.3 **Governors commented that the £1.9m deficit was on one hand inevitable given the failure of the Government to increase funding rates but it was not sustainable and action was needed for next year.**

9.4 **Governors noted the period 6 finance report and agreed to recommend the Spring reforecast to Corporation for approval.**

10 2023/24 - CONFIDENTIAL

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 It was proposed that four debts totalling £12,971.99 were written off.

11.1.2 The debts had been chased as far as possible and were now considered to be uncollectable.

11.1.3 With this recommendation, the cumulative total for the year would be £33,465.07.

11.2 **Governors considered the paper and agreed to approve the write-off of uncollectable debts totalling £12,971.99.**

12 WAIVERS OF FINANCIAL REGULATIONS

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

regulations.

13 KEY EMPLOYMENT CHANGES AND IMPLICATIONS

13.1 **Governors received and noted the report on key employment changes and implications.**

14 DATES OF NEXT MEETINGS

- 3 May 2023
- 22 June 2023