

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

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 1 DECEMBER 2022 VIA TEAMS



Present:	Danielle Gillett (Chair) Verity Hancock	Chan Kataria Lee Soden
In Attendance:	Louise Hazel Shabir Ismail Harshad Taylor	Director of Governance and Policy Deputy Principal/CEO Director of IT (item 4)

1 DECLARATIONS OF INTEREST

- 1.1 There were no declarations of interest.

2 APOLOGIES FOR ABSENCE

- 2.1 Apologies for absence were received from Nicola Gonsalves, Jonathan Kerry and Caroline Tote. It was noted that Ed Marsh had now resigned as a governor.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

- 3.1 **The minutes of the meeting held on 5 October 2022 were received and agreed.**
- 3.2 **The confidential minutes of the meeting held 5 October 2022 were received and agreed.**

4 DIGITAL STRATEGY

- 4.1 The Director of IT presented the Digital Strategy 2022-2025. The following points were highlighted.
- 4.1.1 This was the first Digital Strategy produced by the College. It had been developed in conjunction with students and staff.
 - 4.1.2 The current position and investment in IT over recent years was highlighted. In 2022/23 the College had invested over £400,000 in improving ICT resources around its sites. Investment included from external grant sources as well as the College's own funding.
 - 4.1.3 The College held the Cyber Essentials Plus (CE+) accreditation and had done for three years.
 - 4.1.4 The strategy included 10 objectives for the next three years covering teaching and learning environments; data enrichment and enrolment

processes; cyber security; disaster recovery and business continuity; device replacement; interactive screens in classrooms; agile working environments; helpdesk and end user services; safeguarding; and server and network infrastructure.

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

- 4.2.1 **How did the College compare with other leading colleges in terms of its digital capability?** It was in a good position. Some other colleges were struggling to achieve Cyber Essentials, let alone CE+. There was still work to do to become outstanding but more work was planned to increase staff confidence and digital skills, including creating new dedicated staff training spaces. Staff were keen to get involved. The Digital Strategy Group also had a focus on teaching and learning with a subgroup specifically looking at this.
- 4.2.2 **What was the biggest weakness?** A lot of work had been done around improving data and there was always demand for more reporting. Staffing was an issue and it was important to balance staff wellbeing with the increasing demands on the team. There were recruitment and retention issues although work was ongoing to try to address these.
- 4.2.3 **Data and infrastructure were RAG rated red in the action plan; what was needed to get them to green and how was data being cleansed to get one version of the truth?** The Matrix was the single source of information and a lot of work had been done to train staff to get the right data into the right system. A good start had been made but there was more to do. Staff were being encouraged to help correct any data that was not right; people were using the Matrix and this was resulting in them asking for more options within reports.
- 4.2.4 **The target to halve the number of cyber security events suggested there were a lot; what was the extent of the problem?** The number of phishing emails was small, in single figures. There were multiple layers of defence. An audit recommendation had been that there was more regular staff training on cyber security and so new short and regular training for staff was being introduced. More information could be provided to the committee on the College's security measures.
- 4.2.5 **It was good to see CE+ used as the measure; this was a well understood benchmark.** The criteria for CE+ would change next year and so it might be harder to achieve the accreditation in future years particularly if legacy equipment needed to be upgraded.
- 4.2.6 **How would horizon scanning and being an early adopter of new technology be put in practice and how would staff and students being involved?** The Director of IT attended national events including as a speaker and was alert to what was being done in other colleges and universities. He chaired the regional IT directors network. Training rooms were being created for staff and students to use and be hands on with the technology; the aim was to get feedback from them on which tools were the most useful.

4.3 **Governors approved the Digital Strategy.**

5 REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2022

5.1 The Deputy Principal presented report and financial statements for year ended 31 July 2022. The following points were highlighted.

- 5.1.1 The Audit Highlights and Management Report had previously been discussed by the Audit Committee and Corporation; there were no changes.
- 5.1.2 There were no concerns, audit mis-statements, control deficiencies or issues identified in the regularity audit.
- 5.1.3 The College's delivery to adults had continued to be affected by COVID-19 during 2021/22. The economic environment also compounded the challenge in the College's ability to recruit adults to achieve its target and this had impacted on income.
- 5.1.4 The College's EBITDA was a surplus of £710,000 excluding the impact of FRS102 pension adjustments. This was achieved against a surplus budget of £27,000 (excluding FRS102 pension adjustments). The College outturned a deficit of £896,000, before restructuring and pension adjustments.
- 5.1.5 The College met its bank covenants and had a financial health status of 'Requires Improvement'.

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

- 5.2.1 **Should the reference to senior pay be amended to make clear that senior postholder pay was below the median?** This would be amended.
- 5.2.2 **Had a view been reached yet on going concern?** Not yet, the auditors had the reforecast; it was not anticipated this would present any issues for sign off of the accounts.
- 5.2.3 **The clean management letter was noted and staff involved were thanked.** Noted.

5.3 **Governors noted the report and agreed to recommend the Report and Financial Statements to the Corporation for approval.**

6 REPORT ON STUDENT UNION ACCOUNTS FOR YEAR ENDED 31 JULY 2021

6.1 The Deputy Principal presented the Student Union Accounts for Year Ended 31 July 2022. The following points were highlighted.

- 6.1.1 The Income and Expenditure Account showed an increase in income of £432 from £7,850 to £8,282 and an increase in costs of £2,729 from £3,678 to £6,407. The accounts showed a surplus for the year of £1,875.
- 6.1.2 The increase in income was due to income earned from the pool table and a football competition, which was held during the year.

- 6.1.3 The increased costs this year were due to more activities taking place compared to the previous year, when COVID-19 prevented the usual union activities from taking place.

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

- 6.2.1 **Governor attendance at a recent SU Executive meeting showed that the students were very committed to using the funds efficiently and for the benefit of students; there was a good range of activities planned.** Noted.
- 6.2.2 **Were there any concerns that the cash balances being built up would be used for the purposes intended.** There were no concerns; members of the SET team would guide students and would flag up any concerns to the finance team.

6.3 **Governors noted Student Union Accounts for Year Ended 31 July 2022.**

7 FINANCE REPORT (PERIOD 3) AND AUTUMN TERM REFORECAST

7.1 The Deputy Principal presented finance report (period 3) and Autumn term reforecast. The following points were highlighted.

- 7.1.1 The year to date result was an operating surplus after restructuring costs of £2,061k compared to the budgeted surplus of £2,369k.
- 7.1.2 16-18 student numbers were above allocation by 166 students. Although this would not result in an increased income this year, it would have a positive impact on next year's allocation.
- 7.1.3 Predicting the AEB outturn was difficult at this point in the year but initial indications were that the College would achieve 91%-95% of its AEB target.
- 7.1.4 Apprenticeship income was currently below target with an expected income shortfall of £410k.
- 7.1.5 HE recruitment was below target, expected to result in a £273k decrease in income.
- 7.1.6 An autumn reforecast had been undertaken. Positive movements included additional funding for PMLD students, release of Lennartz assessments which were out of time, bus pass accruals and reduction in the planned maintenance budget.
- 7.1.7 Overall, the expected Total Comprehensive Income after restructuring costs had decreased by £534k, from a deficit of £514k to a deficit of £1,048k.
- 7.1.8 There was still a potential £900k of income at risk at this stage; work was underway to generate as much income as possible to reduce this risk.
- 7.1.9 The College continued to meet its bank covenants and remained in the 'requires improvement' financial health rating following the autumn reforecast.

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

- 7.2.1 **Whether there were likely to be further increases in energy costs.** Increases had already been factored into the budget and so this was unlikely.
- 7.2.2 **The forecast showed the College was in a difficult position; an incremental approach was sensible. There were tough choices to be made particularly around non-pay. Were other colleges in similar position?** Colleges with a similar adult offer were in a similar position and were also taking the approach that dismantling their adult offer entirely was not the right thing to do. Nevertheless, the College needed to think about what it offered. Unlike Leicester College, several colleges had not had to deal with financial pressures like this previously and did not know how to approach it.
- 7.2.3 **Was there an expectation that colleges would need to use their surpluses to manage the pressures?** There was a mindset that colleges were not managing finances well. However, the fact was that there was simply not enough funding for adult education and there was little money to be made from apprenticeships and particularly from the expensive technical apprenticeships which the College offered.
- 7.2.4 **The College was very tight in maintenance areas, would it be helpful for the Committee to have an understanding of those courses which were loss making and those which might be loss leaders?** The contribution rates would show which courses and areas were making least money; further detail would be brought to the next meeting.
- 7.2.5 **Did the College have a campaign around using energy better?** There had been some awareness raising previously but no campaign as such; more work around this was needed.
- 7.2.6 **The College was making a deficit and the reserves were declining; what would the impact be on the cash position?** The cash position was healthy but if it continued to make deficits, the cash position would erode and this could not be allowed to continue. The College would need to think carefully about investment in any new capital projects above what was already planned.
- 7.3 **Governors noted the period 3 finance report and agreed to recommend the autumn reforecast to Corporation for approval.**

8 AUTUMN REFORECAST: MITIGATION ACTIONS

- 8.1 The Principal presented a report which provided a summary of actions to mitigate the financial deficit assumed in the Autumn Reforecast. The following points were highlighted.
- 8.1.1 A series of mitigation actions were planned or underway to help address the financial position. The College would try to grow income and was working on with the NHS Partnership Trust on a new sector based work academy through the City Skills Centre. If successful, this might grow. The relationship with a community partner in Highfields was also being reinvigorated with training being offered on their premises.

- 8.1.2 Other actions included a freeze on recruitment for three months, a review of part-time lecturing and agency costs, release of Lennartz assessment values and unclaimed bus passes included in the reforecast.
- 8.1.3 There would also be a reduction to the planned maintenance budget. The reactive maintenance budget would be retained as planned for any issues that arose in year. There was a lot of work for the estates team to manage the previously approved capital projects.
- 8.1.4 There might be other options which would be less palatable but these would be kept under review.

8.2 **Governors noted the report.**

9 **ANY OTHER BUSINESS**

9.1 The Principal took the opportunity to report on the recent decision by the Office for National Statistics (ONS) on the reclassification of FE colleges into the public sector. The following points were raised.

- 9.1.1 Ministers had accepted the reclassification for now and were making some changes to the controls applied to colleges which came into effect immediately.
- 9.1.2 There were no planned changes to the law. Colleges continued to be self-governing corporations with charitable status and with responsibility for their educational character, courses, contracts, and relationships with staff and students.
- 9.1.3 The new controls from the Department for Education (DfE) involved 16 areas where colleges would need to get prior approval ahead. These controls applied immediately.
- 9.1.4 There were changes relating to borrowing which had implications for colleges' relationships with banks. There were no changes to existing loans but a clear DfE objective to replace borrowing from banks in the future with grants or borrowing from government. DfE would be distributing £150 million in spring 2023 in formula-based capital grants to colleges and would bring forward £300 million in revenue payments from summer 2023 to March 2023 to 'reduce the need for borrowing'.
- 9.1.5 Most of the controls were similar to those applied to academies but colleges would not need to get prior approval for capital transactions and normal commercial activity. Colleges would retain their reserves, any surpluses they made, control over capital spending and asset sales, and their ability to use leases.
- 9.1.6 There would be a new College Finance Handbook in 2024. Colleges' accounting years might change.

Chan Kataria left the meeting

9.2 Governors **asked** whether any of the information papers were likely to be affected by the decision. They would not; the level of write-offs was lower than the new thresholds requiring approval.

9.3 **Governors noted the information.**

10 **BANK LOAN**

10.1 The Deputy Principal presented a paper which set out options for one of the College's bank loans. The following points were highlighted:

- 10.1.1 In October 2017, the College had transferred its loan of £6.9 million from Barclays Bank to Santander. A 10 year fixed rate was agreed for £5 million, with the remaining £1.9 million being paid at a variable rate. The variable rate loan matured on 13 October 2022 and it was agreed to extend this arrangement for a further three months while alternative options were considered. This would expire on 13 January 2023.
- 10.1.2 Three options were being considered: convert to a fixed rate arrangement; repay the loan or continue with a variable rate arrangement. A five-year arrangement would be preferable as this aligned to the term of the fixed rate element of the loan.
- 10.1.3 However, the ONS decision earlier in the week now meant that the College would need to seek permission from the DfE for any changes to existing arrangement as well as any new arrangements.
- 10.1.4 It was therefore proposed to seek a further extension from the bank while permission was sought from the DfE. If this approval was not forthcoming, it might be necessary to repay the loan, in which case, an additional F&GP meeting would be called.

10.2 **Governors agreed to recommend the option of extending the variable rate to Corporation and agreed to request a further extension of the existing loan arrangement for three months while approval was sought from the DfE.**

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 two debts totalling £7,839.50 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 During the academic year to date, from 1 August 2022, there had been no previous write offs. With this recommendation, the cumulative total for the year will be £20,493.98.

11.2 **Governors considered the paper and agreed to approve the write-off of uncollectable debts totalling £7,839.50.**

12 **CAPITAL UPDATE**

12.1 The Deputy Principal gave an update on the capital programme. The following points were highlighted:

12.1.1 Most of the capital expenditure over the next three years was grant funded. Up to 2023/24, the College was planning to invest around £12 million in capital projects, £4.4 million of which (36%) was funded by the College with the rest from grants.

12.1.2 It was not expected that the College would have access to this level of investment in future years and so it was felt sensible to take up the opportunities and proceed with the projects.

12.2 **Governors commented that this was the right approach and noted the update.**

13 ESFA DASHBOARD

13.1 **Governors received and noted the ESFA Dashboard.**

14 STAFF WELLBEING

14.1 **Governors received and noted the report on staff wellbeing.**

15 MARKETING UPDATE

15.1 **Governors received and noted the Marketing update.**

16 WAIVERS OF FINANCIAL REGULATIONS

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

17 DATES OF NEXT MEETINGS

- 1 March 2023
- 3 May 2023
- 22 June 2023