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

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 22 JUNE 2022

Present:	Danielle Gillett (Chair) Verity Hancock Jonathan Kerry*	Ed Marsh* (item 8.2 only) Caroline Tote
In Attendance:	Louise Hazel Shabir Ismail Della Sewell	Director of Governance and Policy Deputy Principal/CEO Director of HR

*Joined meeting online via Teams

1 DECLARATION OF INTERESTS

1.1 Verity Hancock, Louise Hazel, Shabir Ismail and Della Sewell declared an interest in item 8.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Chan Kataria. Ed Marsh would join the meeting late.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

3.1 **The minutes of the meeting held on 4 May 2022 were received and agreed.**

3.2 **The confidential minutes of the meeting held on 4 May 2022 were received and agreed.**

4 FINANCE REPORT (PERIOD 10) AND SUMMER REFORECAST

4.1 The Deputy Principal presented the finance report (period 10) and summer reforecast. The following points were highlighted.

4.1.1 The year to date result was an operating deficit after restructuring costs of £1,675k compared to the budgeted deficit of £1,308k.

4.1.2 Student numbers were below target and the College was not expecting to meet its 16-18 target by the end of the year.

4.1.3 It would fall short of its AEB allocation and was currently expecting to achieve around 84%. A further reduction of £775k in income was reflected in the summer reforecast. The impact of COVID-19 was still being felt but the cost of living crisis was also biting with more people prioritising work over study. The ESFA was holding to the 97% tolerance but it would now claw back the whole underspend up to 100% of the allocation; previously it would have clawed back underspend up to 97%. This meant there was a potential understatement of £300k for the clawback expected. It was not proposed to make any changes to the plan at this point as this was still well below the materiality threshold. The position would be kept under review and mitigated where possible to avoid breaking bank covenants.

4.1.4 Apprenticeships income was in line with the reduced spring reforecast target of £3.9m, excluding employer incentives. With timely achievement, the budgeted figure should be achieved although end point assessment achievement was outside the College's control.

4.1.5 HE income was below the spring forecast target by £39k. This had been adjusted in the summer reforecast.

4.1.6 Pay remained a challenge; overtime and PTL costs continued to be monitored carefully. Restructuring costs were likely to be lower than planned.

4.1.7 Following the summer reforecast, the overall total comprehensive income after restructuring costs had decreased from a deficit of £957k to a deficit of £1,063k. The EBITDA remained positive.

4.1.8 The College remained in the 'requires improvement' financial health rating at 170 points. It continued to meet its bank covenants but this was very sensitive to any further adverse movements.

4.1.9 A release of £695k had been included within the summer reforecast, representing part of the Lennartz creditor, which would now not be payable. This amount represented out of time assessments, which could not be raised by the HMRC. The College had received written confirmation from HMRC that this was the case.

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

4.2.1 **Whether the 84% AEB achievement was an assumption or a fact?** It was an assumption; achievement still needed to be added in and summer schools were still recruiting.

4.2.2 **When would the outturn be known?** This was likely to be in October.

4.2.3 **Was there more that could be released under the Lennartz line?** There was the potential for more but this was not out of scope and so should not be released yet.

4.2.4 **Releasing this now would help reduce the deficit to £1m?** Correct.

4.3 **Governors <u>noted</u> the period 10 finance report and <u>agreed to recommend</u> the summer reforecast to Corporation for approval.**

5 <u>DRAFT BUDGET 2022/23 AND FINANCIAL PLAN 2023/24</u>

5.1 The Deputy Principal presented draft budget 2022/23 and financial plan 2023/24. The following points were highlighted.

5.1.1 The planned budget for 2022/23 showed an operating deficit of £434k with a breakeven budget in 2023/24 of £58k. The EBITDA was

£1,572k, and 3.5% with financial health at 170 points, Requires Improvement, moving to 180 points and Good financial health in 2023/24, based on the current system.

5.1.2 The key risks facing the College were highlighted and included achievement of the planned funding body income levels within the resources allocated due to the economic climate, the allocation process and a complex funding formula. Any further funding or policy changes might also impact adversely on the College.

5.1.3 The College was planning to earn up to 103% of its AEB allocation.

5.1.4 There would continue to be pressures on pay and non-pay including inflation rates. A pay award of 2.25% had been included in the budget but this would not prevent industrial action.

5.1.5 Achievement of the Apprenticeships budget and the continued engagement of employers following the pandemic remained challenging.

5.1.6 There remained a further risk that COVID-19 might return more aggressively leading to further disruption or more students not wanting to engage. The cost of living crisis would also continue to impact on people's willingness to participate in education.

5.1.7 Capital expenditure of £1.2M was assumed in 2022/23.

5.1.8 The risks would be managed throughout the year. A reforecast would be undertaken in the autumn term once enrolments were known. The College had a revolving credit facility and would draw this down if needed.

5.2 The Principal commented that the budget was very tight and there were some brave assumptions. The proposed budget for 2022/23 relied heavily on the College's ability to achieve its income targets, and increasingly generate income within the resources allocated. Staff knew the importance of recruitment and ESOL and skills for life summer schools were running now. If recruitment did not improve, further efficiencies would need to be identified. Less viable classes would be reviewed and the College would need to restructure. This would be looked at early in the academic year, after the autumn reforecast.

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

5.3.1 **Would there be an indication of how recruitment was going by the time of the October F&GP?** There would be early indications for 16-19 and HE by then and some idea of AEB although this recruited throughout the year.

5.3.2 **What were the main risks associated with the 'brave assumptions'?** The assumption of achievement of 103% of the AEB was the main risk. The assumption that apprenticeships would increase from the current position was also a risk and HE recruitment was unknown.

5.3.3 **The cost of living crisis was a major risk and was unlikely to dissipate quickly.** Agreed, inflation at approaching 10% would impact adversely in a number of ways.

5.3.4 **When would decisions need to be made?** By mid-October, it would be possible to look at structures where areas were down and any proposals would be ready for the December F&GP and Corporation meetings so they could be acted on in the second term.

5.3.5 **Were the risks identified in the risk register and could a more explicit link be made?** The risks were included in the risk register but they would be identified more clearly in the budget paper and reports.

5.4 **Governors agreed to recommend the draft budget for 2022/23 and financial plan for 2023/24 to Corporation for approval, subject to amendment to include a 2.5% staff pay award in 2022/23.**

6 BAD DEBT WRITE-OFF

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

6.1.1 The debts had been chased as far as possible and were now considered to be uncollectable.
6.1.2 During the academic year to date, from 1 August 2021, there had been previous write offs of £51,499.29. With this recommendation, the cumulative total for the year would be £60,222.81.

6.2 **Governors considered the paper and agreed to approve the write-off of uncollectable debts totalling £8,723.52.**

7 COMMITTEE WORKPLAN 2022/23

7.1 The Director of Governance and Policy presented the Committee workplan for 2022/23. The following points were highlighted.

7.1.1 The workplan followed a similar format to the current year.
7.1.2 Additional meetings would be called if it was felt necessary.

7.2 **Governor approved the Committee workplan for 2022/23 and requested that an additional date be found for November should another meeting be needed.**

8 PAY - confidential

9 WAIVERS OF FINANCIAL REGULATIONS

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

9.2 **Governors noted that one of the waivers was for £515k for costs of roof repairs. This was significant but the reason for the waiver was understood.**

10 DATES OF NEXT MEETINGS

- 5 October 2022
- 1 December 2022
- 1 March 2023
- 3 May 2023
- 22 June 2023

11 ANY OTHER BUSINESS

11.1 There was no other business.