Minutes of Finance & Resources Committee

Date: 16th Nov 2023 **Time:** 2.30 pm

Location: In College, S11

Present: Mr A Scott
Mr R Parke
Mr D Holloway
Mr T Grant
Ms L Court - online via Teams

In attendance: Mrs R Startton
Mrs S Carter
MIss F McIntyre

1 Apologies

1.1 Chair welcomed everyone to the meeting and the new governors to their first meeting.

2 Declarations of interest

2.1 Explained for the benefit of new governors.

2.2 Mr D Holloway - governor at other schools. Add to TG but not needed at every meeting.

ACTION CLERK

3 Minutes of the last meetings – 19th Sept 2023

3.1 Minutes of the previous meeting held on the 19th September were reviewed and agreed as a correct record.

3.2 Matters arising:

3.2.1 *Q: Buses - has the uptake of passes improved?*
A: Now on 480 and the previous year was 370.
Q: Does this help with the issues and subsidy?
A: Last year subsidy was £270,000 and this year due to subsidy £188,000. Since more students and also price has been increased by £150. Lowest subsidy for last three years.
Q: Are we confident that bus companies will not increase prices further?
A: Have met with the company and will meet again next week and keen to work with College and make it sustainable. Exploring the possibility of the bus company taking over admin of the passes. They have put forward a proposal which would be explored next week.
There would still be a subsidy but would be much more stable and would be aware in advance. Would also reduce workload in College. Has benefits and negatives.

There would be SLA then in place.
Q: With this there will be issue with service and control elements?
A: Yes would need to be able to guarantee good service for students.
Q: Bus crash in news earlier this year, has due diligence been done on the company?
A: Yes.
Q: Is this a good idea, is it costing more?
A: Not really got into details yet so need to fully understand. It is not just paying less but also ensuring cost is not increased too far for students. There will be a couple more meetings with the company which will be reported back to governors.

3.2.2 Comment: getting a bus service to do administration seems sensible rather than the College doing this.

3.3.3 Also a busy time of term. Potential to save a lot of time for College but need to ensure right for students.

4 Management accounts report

4.1 <u>Review Capital expenditure</u>

4.1.1 After two months and not a lot gone through. Start getting a better idea of how the year will turn out.

4.1.2 Overall inline for £156,000 group surplus which was predicted. Some losses and gains.

4.1.3 Additional funding to support the 6.5% pay rise was received as the budget was 4%.

4.1.4 Income analysis Page 3
Not much difference have identified growth in learner loans. Budgeted for income in other college grants but will be in college funding.

4.1.5 International based on current identified income.

4.1.6 After two months, 91% of forecasted income has been identified or received.
7% know where coming from and in the final stages of confirming.
2% yet to be identified but time

4.1.7 Page 4
Large savings from licenses subscriptions. Have done purge on this, gone back out to market and some just not needed anymore

4.2 Staffing cost analysis

4.2.1 The pay rises cost £180,000 and £240,000 additional funding received.

4.2.2 £300,000 increases year on year staffing cost on budget.

4.2.3 Mitigated through budget schemes identified already.

4.2.4 *Q: Will the grant received for pay award be carried on?*
A: Yes been incorporated into the funding rate.

4.3 Not included in the budget is the in year growth. Knew likely to get this but did not know what it would look like. May provide an additional £400,000.

4.3.1 Since recruited well with 185 over allocation. The way funding works usually would not see this funding till next year. This equates to £980,000 of funding.

4.3.2 Will get 85 of the students funded. Mechanism and details will be Feb but will get additional £450,000 around March which is not included in the accounts.

4.3.3 Q: Have many dropped out since the start of term?
A: Always lose some and also some are still joining.

4.4 Page 5 - previously covered by EB so details provided to support figures.

4.5 Adult ed - funding secured so far £518,000against budget of £800,000. Work to identify work. SInce report have agreed and finalised further £80,000 and know another £100,000 March through to July.
4.6 Not the same levels of larger projects identified this year.
4.7 Forecast outturn of £251,000 contribution which has an element of risk.
4.8 Were waiting news of sub-contract work with Southampton College group but some projects not in areas that work would specialise in.
4.9 *Q: Do we attribute some of this to the absence of EB or is it external?*
A: Potentially a bit of both. Would be more in a certain position but Southampton Colleges group have come out with a tender we cannot contribute too in marine engineering which we do not deliver.
4.10 Also market risk as if it has shrunk there is not anything else we can do.
4.11 Is also about evolving and being proactive in the market to identify opportunities.
4.12 Role is covered well. Work from RT and City college last year that not got this year.

4.13 International page 6
4.13.1 Flourishing in terms of students - A level 21, Short courses 75. Total income £26,000 over budget.
4.13.2 Could be better but for lack of homestay places. Capped by other issues other than demand.
4.13.3 Taster £162,000 against a budget of £310,000. Not unusual at this time of year. Promoting to agents in Italy and Brazil.
4.13.4 Comment: due to covid the international was wiped out and was reliant on adult ed so positive now have balance with both. The potential loss of adult ed sub contract making up with international.
4.13.5 *Q: Why is Argentina proving popular?*
A: It works with their education system and also an agent that has identified what College can offer and promoting.

4.14 Nursery
4.14.1 Forecasted outturn as per budget but to be confirmed.
4.14.2 Numbers concerning for Spring term but still firming up numbers coming though.
4.14.3 Monitoring whether at risk provision.

4.15 A report on the current position of the Itchen Company
4.15.1 Catering over achieving against budget
4.15.2 Year on year daily sales values for September increased 30% which was expected with a larger number of students. Catering staff see more demand on a daily basis and also the orders and deliveries they are making.
4.15.3 Offset by higher costs for staffing. Company staff have all had a 6.5% pay rise but not covered by grant.
4.15.4 Ensuring effective monitoring to provide realistic targets for staff.
4.15.5 Costs could be passed on to customers but this is to students so would not want costs to go up.
4.15.6 Need to monitor and track the catering provision while being mindful of the external challenges they are also facing.

4.15.7 Free school meal students receive £4 a day so need to ensure they can get a meal for this.

4.15.8 *Q: Is there a balancing charge that could be made to balance out since more received in pay grant?*
A: Would need to speak to auditors as while it is part of College it is a company and could not just gift College money.

4.15.9 Need to ensure catering is monitored more effectively in future and be considered.

4.15.20 *Q: Would cost be less to outsource?*
A: Initially the cost is very high. The staff take the equivalent of LGPS pension with them. From the experience of SC the tupe costs was £50,000.

4.15.21 Do also lose elements of the control. Also who owns the catering equipment. Since a small area and body of staff it would be expensive.

4.15.22 *Q: Are other outsource possibilities closed off such as cleaners?*
A: Have previously looked at cleaners and 90% of cleaners have opted out of pension. But looked into it and wouldn't have made any savings and reduces flexibility.

4.15.23 Since then been able to recruit into cleaning teams and have a better supervisor with time to lead the team so currently in a good position. Could look at the future if in a similar position.

4.15.24 Comment: overview of reasons for not outsourcing cleaning and catering was very useful for governors.

4.16 Capital works
4.16.1 LRC refurbishment is mostly complete.
4.16.2 LRC £940,000 total cost which was on budget and self funded.
4.16.3 Funds were also used for smart boards.

4.17 Cash flow page 11
4.17.1 Reasonably healthy still.
4.17.2 £200,000 for new build and LRC costs but not in year growth funding.

4.18 Financial performance indicators
4.18.1 Strong on many of them
4.18.2 Operating deficit - not enough to pull into good for proposed new health grade but currently a good.
4.18.3 Bank covenants - based on last year have met.

5 Adopt audited results for last Financial Year

5.1 Reports states how management accounts are used to compile statutory accounts that presented to Audit committee.
5.2 Consolidated statements income £1.5million College £1.4million
5.3 Page 4 has details of how FRS pension deficit adjustments £76,000 for staffing. £46,000 for interest charges. Transfer of VAT and interest reserve £49,000.
5.4 Actuary gain of £1.6million
5.5 Once accounted for this gets to £1.5 and £1.4.
5.6 The intercompany debt increase was down to error £94,000.
5.7 Page 5 cash at bank and at hand £18,000.

5.8 What tends to happen is salaries and good services are paid by College and the money was periodically paid back to College.
5.9 End of year cash in the company bank account of £160,000.
5.10 Debt should have decreased but missed the July deadline to get money across.
5.11 **Approved**.

6 Regularity self assessment questionnaire for approval
6.1 Expense claims on page 12 are only updates.
6.2 Proposed RP, Seconded TG, - vote approved

7 AOB
7.1 The tenders came in for the new build on Friday.
7.2 £2.6 million build costs were submitted to DfE and tender £4.3 and £4 million build costs.
7.3 Brought on project managers to hold to account as on their advice figures were submitted to DfE.
7.4 There were some external building pressures to cost but also issues with the contractors not understanding the square metre costs.
7.5 Askia have since stated they could find £850,000 of savings.
7.6 Tasked Cliftons to speak to both tendering companies.
7.7 Will reconvene but approach:
- SC has looked at finance and looked to increase College contribution by £800,000 to £1 million. The cash flow used takes into consideration the in year funding that is likely to get.
- Going back to DfE as costs were put together over a year ago. Once got planning will go back to DfE fund.

7.8 Q: What is the maximum tender figure College would accept?
A: Maximum for not putting cash flow at risk would be £3.4million as build cost.
7.9 College put in 2.6million with £400,000 of extras. Going to £3.4million is the additional £800,000 and this is just inside the comfort zone.
7.10 From diligence the frame of building one has £300,000 and the other £650,000. Would need assurances from Cliftons that costs are realistic.
7.11 Figures at this stage are a guide only and then when confirmed the costs would be looked at how they would be achieved. Most work would be subcontracted. Depends if they are doing other similar jobs and economies of scale.
7.12 Cliftons have not served College well and asked in July if £3.1million was realistic and assured it was. They are keen to sort this and negotiate.
7.13 Q: Only two companies tendered?
A: Yes other two dropped out. Could consider going back out to tender.
7.14 For information currently and update will be given at full board meeting.
7.15 Need to also consider it is College funding £1 million and grant funding for the rest. The hut classrooms are end of life and will cost upwards of £500,000 to replace like for like.

8 Date of next meeting – 30th January 2024

Meeting concluded at 1550 and was quorate at all times.