Newbury College

Newbury College Corporation
Finance & Resources Committee

Minutes of a meeting held on Monday 15th March 2021 at 4pm via Microsoft Teams

Present		Role
Membership:	Mike Farwell (MF)	External Member – Chair
	Sally Osmond (SO)	External Member
	Derek Peaple (DP)	External Member
	Sue Richardson (SR)	Staff Member
	Iain Wolloff (IW)	Principal
In Attendance:	Jo Houghton (JH)	Director of Business and Partnerships
	Lee Hunt (LH)	Vice Principal
	Gill Parkinson (GP)	Clerk to the Corporation
	Jayne Steele (JS)	Director of Finance and Estates
	Cathy Wright (CW)	Director of Human Resources and Support Services
Quorum:	Three members required	Meeting quorate, 5 members present

Item No.		*Action*
1.	**APOLOGIES FOR ABSENCE** There were no apologies.	
2.	**DECLARATIONS OF INTERESTS** Members confirmed that they had no declarations of interest to make.	
3.	**MINUTES OF THE PREVIOUS MEETING** **The Committee approved the minutes of the meeting held on 7th December 2020.**	
4.	**MATTERS ARISING FROM THE MINUTES** IW shared the action tracker with those present and updated on actions taken. All signed minutes had been received by GP. All other items were covered in the agenda.	
5.	**FINANCIAL STATEMENTS YE 31 JULY 2020 AND ESFA FUNDING AUDIT UPDATE** The ESFA Funding Assurance report was issued by RSM on 29th January 2021, two days before the deadline for submission of the Financial Statements to the ESFA. The deadline for submission was revised by the ESFA to 28th February, pending their confirmation of any clawback of funding due. Following the audit an unqualified opinion was received from RSM with 20 recommendations, (mostly concerning Apprenticeships) and a clawback of £5.5k related to 2019/20 which would not be extrapolated. The 2020 financial statements contained a £20k provision for the risk of clawback.	

A further funding error of £1.0k relating to 2018/19 would not be clawed back. The full report was made available to and fully discussed by the Audit Committee with the RSM Audit Manager, Emma Gipson, in attendance. She highlighted the complexity of Apprenticeship rules, the changes to the rules that have occurred during the 4-year duration of engineering apprenticeships and that recommendations were not unusual when compared to other FE Colleges which had a similar error rate of 3%. There was an underclaim on Apprentices of £15k because of data being incorrect for negotiated prices and as the ESFA do not pay back underclaims, this was of particular concern and was being addressed.

JS noted that overall the ESFA audit was favourable, and she was pleased with the outcome. The team worked very hard, and she thanked JH and SR and their team.

The signed 2020 financial statements had been distributed to the Committee for information.

6. **STUDENT NUMBERS**

IW presented the report thanking SR for her input. Current student numbers continued to confirm strong growth for 16-19s, modest growth in adults funded through learner loans, similar levels of recruitment for apprentices and reductions in adult enrolments (AEB & ACL), due to the pandemic. The sector was waiting to see if AEB funding threshold would be kept as it was the previous year.

Overall applications for September 2021 had increased by 90 at the meeting date. The breakdown of these applicants was:

	2019	2020	2021	Variance
16-18 FT*	185	182	233	+51
19+FT	52	55	69	+14
Part Time**	61	63	88	+25
Total	298	300	390	+90

*Does not include returning or progressing students (Level 3 year 2)
**Excludes apprentices

IW explained that the reasons for the increases were likely to be the increasing popularity of the College, the perceived weakness of the job market in the near future and the growing demographic of young people. This figure represented new entrants and not current students continuing. Applications were moving upwards over the past few weeks - figures were produced weekly and appeared to demonstrate underlying growth.

DP asked how the football academy was progressing? The applicant numbers did not include football academy numbers. A rise was predicted of c. 30 students for Oxford and c. 40 for the new Academy at the Newbury site, which was moving from Park House.

MF asked for an indication of the conversion rate from applicant to student. IW replied that this was challenging to track, due to those young people who joined the College in September without having made a previous application. For applicants at this stage, the conversion rate was usually around 80%.

	MF asked how much growth in numbers was needed to make a significant impact on the College's financial position? IW replied that the c.100 increase in 16-19s had improved the deficit by £200K this year and had increased the 21/22 allocation by £600K (£800K total impact). JS added that lagged funding for 16-19s meant that further 16-19 growth in 21/22 would not necessarily lead to increased funding until 22/23. This could mean that any additional costs of delivery had to be absorbed without commensurate in-year income. A two-year forecast would be submitted to the ESFA on 30th April.	
7.	**MONTHLY MANAGEMENT ACCOUNTS** JS talked through the key points of the management accounts to 31st January (half year figures): • There was a deficit for the first half of the year of **£788K** vs a budgeted deficit of **£477.5K** (a £311K adverse variance) • Income of £4.1m was £400k below budget predominately due to not meeting targets for fees paid by employers and apprentices, because of the current economic climate. The income from Local Authorities had shown some decline with an adverse variance for high needs learners, an area where our forecasting needed to improve. Adult community learning income had declined in the lockdown. Some furlough income had been received. • Significant savings in staff costs had been made and some recruitment had been delayed. Sessional costs reduced due to the decline in adult community learning. • The cash balance was **£2.55M** at the end of January. • MF thought there was no significant bad debt exposure. JS added there were a few minor student debts. • The forecast deficit for the full year was **£1.264M**, an improvement on the 'worse case' forecast of **£1.6M** reported to Governors in December.	
8.	**FINANCIAL FORECAST 2020-21 & CASHFLOW** JS explained that the worst-case scenario was submitted to the ESFA in December. Since then, there had been positive news of £206K of growth funding awarded for an increase in students of c. 100. Other points were: • Apprenticeship income was forecast at £645K, an improvement of £105k. • £100K had been moved from lifecycle PFI charges on the I&E into capital, because of the ESFA accepting £100k of the £220k capital grant as an enhancement to the building (being an LED upgrade and CCTV). • Staff costs were forecast at £80K over budget vs £114K over budget (to deliver the football academy). This improvement was due to staff vacancies and the removal of £60K sessional costs. • There were savings for staff vacancies and operating costs arising from the lockdown included. • The cashflow could potentially be £430k (£450K less fees) better if the College was successful in selling a small parcel of campus land within the next 6-12 months and this would not affect the EBITDA position. • AEB, 16-18 Growth funding and the catch-up funding is all subject to compliance with the ESFA terms and conditions and carries a risk of clawback, but the management team thought this was unlikely. The 16-18 growth funding could be affected if students decreased in the year which was also unlikely.	

JS explained operating cost variances (forecast to budget) of > £100K. External provision was (£106K) was due to a reduction in payments to various Universities, and Goods and Services (£101K) were mostly related to lockdown and lower numbers of students.

Whilst the cashflow was showing a better position during 2021/22 than previously forecast, the cash forecast was still significantly lower than targeted cash reserves of £1.5M. JS had been pessimistic in terms of lagged 16-19 funding for 2021/22 as this was just under £200K better than forecast in the previous cashflow submission. Fee income and apprenticeships could improve the situation significantly if effects on the economy of the pandemic improved.

9. FE COMMISSIONER FINANCIAL HEALTH BENCHMARKS

JS explained that in February the FE Commissioner published a letter revising the benchmarks used for diagnostic assessment, intervention and stocktake visits, acknowledging that current benchmarks did not give the full picture and were challenging for some Colleges. This was not the same as the ESFA financial health rating although covered some of the same areas. The changes were:

Current Benchmarks	Measure	Revised Benchmarks	Measure
Adjusted Operating surplus as % of income	3-5%	Adjusted Operating surplus as % of income	>1%
Borrowing as % of turnover	<40%	Debt service cover ratio	>2
Cash days in hand	>25 (at 31 July)	Cash days in hand	>25 (all months)
Adjusted current ratio	>1	Adjusted current ratio	>1.4
Pay cost as % of income	<65% (GFE) <70% (SFC)	Pay cost as % of income	<65% (GFE) <70% (SFC)
Financial health grade	Good or Outstanding	Financial health grade	Good or Outstanding

JS noted:

- Some benchmarks had been changed in recognition of reality e.g. operating surplus as % of income. The College was projected to have a negative EBITDA, but as student numbers increase, 1% was a more achievable goal than 3-5%. PFI costs rising by £122K - £136K for the next 3 years presented a challenge.
- The Borrowing as % of turnover measure would be rated worse than before for the College in the event of an intervention with a forecast of 1.4 for 2020/21, considerably lower than the new benchmark of 2.0.
- The projected adjusted current ratio of 1.9 for 2020/21 is above the new 1.4 benchmark, however, this is likely to fall and stay below the threshold, until land sale receipts are received.
- The College was currently over the 25 days required for cash days in hand.
- Pay cost % was unchanged - the College was currently over the prescribed 65% for this year but would be aiming to meet this. MF noted that each % represented c. £100K.

	• JS noted that both the PFI cost and Mitie facilities management costs were still a block on improvements– other Colleges did not have this financial burden so had more flexibility. MF pointed out that staff costs would increase should facilities management be brought back in-house, although IW noted that contracted out services were not included in pay costs. DP applauded the quality of the commentary particularly in explaining and underlining where decisions could impact these benchmarks. These benchmarks would be monitored going forward – GP to add to next meeting agenda.	***GP***
10.	**LONG-TERM CASHFLOW FORECAST** The Committee received an update on the long term cashflow position via three scenarios for the College's projected cash over the next 8 years. JS presented this: - the change in scenarios related to additional cost of £150K added in 2021/22 to meet costs related to growth in students and new curriculum (football), without a corresponding injection of growth funding from the ESFA in year and the £430K disposal of the small parcel of land in 2021-22. MF highlighted that termination of the PFI and would not now be pursued although JS explained that the position with the Mitie contract was being pursued with the goal of reducing lifecycle costs, and a condition survey was currently being planned. IW added that it was important to note the potential £5M net surplus following the land sale which would help secure the College's long-term future. An estimate of the cost of the College running services was included. JS estimated a £150K pa saving of on the services element with a further £150K saving on the lifecycle costs.	
11.	**CAPITAL** JS explained that this report provided an overview of Capital Projects and Grants which were: • FE Capital Allocation - £220K this year, ideas were being worked on to utilise the funding, otherwise some would have to be returned. • UCN refurbishment – LEP funded £43K - final payment to be received. • Renewables Centre – LEP funded – £475K confirmed – this would start in May and be finished before September. • Business Centre Bid – this was unsuccessful although positively received. • T-Level Bid – it was likely that the spending threshold of £200K would not be met for a bid, although equipment funding would be received. • Capital Transformation Grant for >£0.5m projects – the College had not identified any projects that met the criteria at present. In the future the College heating system could meet this - there would be another round. IW explained that this for "poor" Estate and JS added that the PFI contract penalised the College, as other Colleges who have neglected their buildings in favour of spending funding on other areas would be able to make a larger claim. • De-carbonisation Grant criteria were also not met but would be reassessed for a future round.	

	MF asked how grant and funding opportunities were identified and feedback on unsuccessful bids obtained? IW explained that the main routes were via the ESFA and LEP. Feedback on bids was always requested from the relevant body.	
12.	**HUMAN RESOURCES** CW presented her report and noted: • Recruitment spend remains low; • Labour turnover was higher than previous year, skewed by Foundation Learning; • Absence Levels peaked in October and November due to Covid fear and anxiety mainly in Foundation Learning where there is close contact with students; • Male and female split was similar across most areas; • The Staff Engagement survey would be in June and benchmarked; • Training budget was on track with an increase in Wellbeing spend. **MF asked for benchmarks v. College performance to be given more prominence at the top of the report and abbreviations to be written in full.** **MF asked why recruitment spend was low given that staff turnover was relatively high?** CW replied that staff turnover was biased towards Foundation Learning which did not have a high recruitment spend. Academic staff recruitment costs were higher, but resignations were biased towards the end of the academic year.	***CW***
13.	**GENDER PAY GAP REPORT** CW presented the report including: • the average gender pay gap expressed as a mean and median average; • the average bonus gender pay gap expressed as a mean and median average. • the proportion of male and female employees receiving a bonus payment; and • the proportion of male and female employees in each quartile pay band when employees are divided into four groups and are ordered from lowest to highest. She noted the findings had not been positive (on the date there were 50 staff less than last year and the men working in Foundation Learning were not employed on that day). The findings were: • The ratio of female to male employees was unchanged; • The Median and Mean Gender Pay Gap had widened; • The % of men in the top quartile had increased since 2019; • The gender pay gap was high. IW noted that as the College was small (and could be the lowest in England in terms of turnover), minor disparities had a larger effect and a mitigating factor was that the Foundation Learning area accounted for a large proportion of staff costs, staff were lower paid, and it was heavily skewed towards women. This was not about paying women less for the same work but did highlight a number of areas for continuing action. CW added that some Colleges with high numbers of care assistants had chosen not to report this year.	

14.	**MARKETING REPORT** LH presented the report on College marketing. This was an update on the evaluation provided for the last meeting. There were 3 areas of focus which had all improved: • Maintaining, responding, and communicating to all target audiences across multiple social media platforms; • Creating targeted digital and print collateral relevant to events, campaigns and audiences ensuring meaningful and effective methods; and • Engagement activities that communicate the college intent and develop support from the local community and key external stakeholders – although affected by the pandemic this had been very useful and needed to be built on. LH felt that a weakness was not celebrating success enough. JH added that the marketing resource for the UCN was small. Recruitment had been adversely affected by Covid. Student feedback from the first year had been very positive so word of mouth would be critical. Work on improving the website was underway. Questions: **MF asked whether reds and ambers would be converting to greens over time.** LH replied that marketing was discussed at weekly management meetings most weeks and was reviewed constantly but was a fair reflection of the position. The only green was use of social media. SO thought that positive outcomes needed to be highlighted to potential students, parents and the wider community which linked to the weakness in highlighting successes.	
15.	**STRATEGIC DEVELOPMENT COMMITTEE** SO highlighted that the key issues were the lack of speed in the completion of the land sale, although she thought the College were better at considering the campus as a whole and identifying opportunities, costs and benefits. Another key area was the Climate Roadmap. The SDC took a bigger view than this Committee but was linked via finance and the Strategic Plan.	
16.	**COMMITTEE SUMMARY*** There were no additional items to report which were not already on the agenda. Student numbers, cashflow and benchmarks would be highlighted by MF in his report. IW added that the Gender Pay Gap Report would be recommended for approval by the Corporation and the Long Term Cashflow was a separate paper.	
17.	**AOB** There was no other business. The meeting finished at 17.36.	

Confirmed as a correct record:	……………………………………………………………… Signature of Committee Chair …………………………………………………………………… Date