



**MINUTES OF A MEETING OF:
THE CORPORATION'S FINANCE AND RESOURCES COMMITTEE
5.30PM TUESDAY 4 FEBRUARY 2020, WHATMOOR ROOM**

Members:	Andy Foot; *Robert Lassetter (Chair); *Annetta Minard; *Luke Rake (Principal); *Andrew Robinson; *Elaine Taylor; *Jim Tirrell *Richard Bourne (Co-opted member)
In attendance:	*Vanessa Gifford (Clerk); *Graham Ledden (Observer – Chair of the Audit & Assurance Committee); *Catriona Wood (Deputy Principal (Finance & Commercial Services) (DPFCS))

** Indicates actual presence at this meeting [Quorum = 3 Committee Members]*

ITEM NO.	DETAIL
1.	DECLARATIONS OF INTEREST The following declarations of interest were NOTED : <ul style="list-style-type: none"> • Luke Rake, Principal, regarding Item 7
2.	APOLOGIES FOR ABSENCE Apologies for absence were NOTED from Andy Foot.
3.	MINUTES OF THE MEETING HELD ON 12 NOVEMBER 2019 The Committee AGREED the minutes as a true and accurate record and APPROVED the non-confidential minutes for website publication.
4.	MATTERS ARISING The following matters arising from the meeting of 12 November 2019 were NOTED : <ul style="list-style-type: none"> • Item 6: the current situation of the VAT Claim had been presented to the Corporation. • The Members information in the Final Accounts had been amended before submission. • Meeting dates for 2020/21 would be considered in due course. • The DPFCS confirmed that tracking of Cashflow was within the presented Treasury Report. • The Clerk advised that T Levels had been pursued at the Quality & Standards Committee and the Deputy Principal (Learning & Performance) had confirmed that there were currently no standards for land-based industries, and they would not be available until 2023. • The Post Project Review for the Play Barn would be carried forward to the

	<p>next meeting. The Clerk agreed to investigate why it had been agreed for Reviews to be completed by the Audit & Assurance Committee rather than the F&R Committee.</p> <ul style="list-style-type: none"> • The DPFCS would be re-visiting the Financial Regulations once the consultant had finished making the appropriate changes to the Agresso system. • The DPFCS agreed to present a revised Risk Register to the March Corporation meeting. • Bank loans would be reviewed in due course and the DPFCS was in constant conversations with the Banks. 	<p>CW</p> <p>VG</p> <p>CW</p> <p>CW</p>
<p>5.</p>	<p>MANAGEMENT ACCOUNTS TO 31 DECEMBER 2019</p> <p>The following reports were SCRUTINISED, and the following points NOTED:</p> <ul style="list-style-type: none"> • The out-turn forecast presented for the full year to 31 July 2020 highlighted that the College would struggle to hit budget even after the sale of the house. • In the five month period to 31 December 2019 the Management accounts showed an operating deficit of £324K against a budgeted surplus of £69K, an adverse variance of £393K compared to Budget and an adverse variance of £292K compared to prior year. • The one-off profit of £311K on the sale of 3 Maurward Close delivered a bottom line deficit of £13K. • The issue was around a shortfall in income. The DPFCS acknowledged that she may have been cautious with Adult and Apprenticeship income as this was dependant on the ILR return, • Farming income was showing as a deficit but the DPFCS considered that this was a timing issue and she had no concerns. The Committee questioned whether there could be a cash issue and the DPFCS advised that cash could be drawn down early for future crop sales, but at a cost. • Staff costs were at budget and all other non-pay expenditure continued to be controlled. • The Committee questioned whether the Contribution from the Equine Department was improving and it was noted that it correlated to the number of students, and took a year for the funding to flow through due to the lagged funding methodology. It was acknowledged that this was a challenging area due to the competition and was expensive to run. • It was noted that the cash within the Balance Sheet included the sale of the house. • The Committee requested that the previous year's balance sheet was included in the report going forward to give a meaningful comparison. • It was noted that with the current forecast both of the Bank Covenants would breach, and the College would drop below the Financial Health threshold for 'Good'. The DPFCS advised that she was discussing overdrafts with the Bank and was currently managing the situation but it would be very challenging in March 2020. • The Committee asked if the commercial income would improve and the DPFCS advised that the Budget was ambitious. The number of Weddings was currently lower than the previous year and the Animal Park income was acceptable. The Principal reminded the Committee that this time last year the Animal Park would have been closed, however with the new indoor Play Barn income was improving. • The Principal advised that there were no ambitions to increase the staffing and there was long term work to be undertaken to make efficiencies as upgrades to the IT systems were improved. There was currently a recruitment 'freeze', with staffing being maximised, however some roles had to be filled especially within the teaching areas. It was noted that the 	<p>CW</p>

	<p>Principal was not envisaging redundancies, but would be looking for efficiencies across the board.</p> <ul style="list-style-type: none"> • It was noted that the new Head of Apprenticeships would commence on 1 March 2020. It was acknowledged that this area was challenging nationally with the current funding methodologies having destroyed 40% of the market. It was agreed that this area would be reviewed strategically at Strategy Day with the possibility of broadening the curriculum. Apprenticeships accounted for half of the total variance to the Budget. • It was considered that Adult income could be rectified with the use of sub-contractors but there would be a cost associated with this. It was noted that quality control had improved considerably with this provision. Members questioned where the cost was shown within the I&E accounts and the DPFCs advised within 'Teaching Departments'. • It was noted that the Outdoor Adventure Department was hosting the National Citizen Service again this year for a longer period. • It was reported that the contingency had substantially been utilised due to emergency works within the Premises Department. • The largest increase in costs was for transport, due to the additional students at the DSS. The income would be received for this activity, with no profit. Members questioned whether branding was now being displayed on the buses and the Principal advised that it should be. <p>It was acknowledged that the College was looking at a break even position even with a push on commercial activity, and this was after absorbing the profit on the house sale. Members were concerned that the profit from three houses had now been utilised when the intention had been to build a reserve. It was also noted that two exceptional events enabled KMC to deliver a respectable result for the 2018/19 year end, being the KMF funds and Insurance. It was agreed that the Government had encouraged colleges to utilise reserves and property, before seeking assistance. It was agreed that with the lack of any increase to base funding for the last ten years and decreasing income from Apprenticeships, the financial position was worsening for the sector.</p> <p>The College had to bear some costs which was a challenge and were in the toughest trading position for many years. There had been the promise of an increase to the base funding however this was not inflationary and Apprenticeships had worsened. It was also considered that Adult funding was the worse it had been for twenty years.</p>	
6pm	<i>Annetta Minard joined the meeting</i>	
	<p>MANAGEMENT ACCOUNTS TO 31 DECEMBER 2019 (CONTINUED)</p> <p>The Corporation required a sensible strategic discussion to consider whether there were any further actions that could be taken to address the financial position in the current year. It was agreed that size was not necessarily a sign of strength with many large colleges failing. It was acknowledged that there was an opportunity to set a deficit budget for 2020/21 and it may be the right thing to do if there were sensible discussions with the ESFA.</p> <p>It was agreed that this would be discussed further at Strategy Day to ensure that all options on how to serve the community better were considered, and to ensure that the business was viable. To continue to sell the 'silverware' was unsustainable and long term options had to be considered.</p> <p>It was noted that the new Integrated Financial Model Report, required by the ESFA</p>	<p>CW</p>

	<p>for submission by the end of February 2020, would be considered at the Strategy Day. The DPFCS advised that the report was forward looking but considered it to be inaccurate, as colleges would only just have commenced their full budget planning process for 2020/21. Furthermore, the timing was too late for any advance warning to the ESFA of difficulties with the low point in the funding profiling being February/March. The DPFCS advised that the Integrated Financial Model (IFM) would be modelled based on the previous year's out-turn figures as a starting point.</p> <p>The DPFCS advised that the Budget cycle had commenced with discussions on curriculum planning. An interim report had been submitted to the ESFA which presented a realistic re-forecast for the current year and mirrored the figures in management accounts presented at the meeting.</p> <p>Members emphasised that the IFM would be required with the standard week's notice to allow time to consider, and should be as accurate as possible.</p> <p>Regarding Apprenticeships, the DPFCS advised that the number of 'starts' were known and their progress. Members questioned whether it was known how many new 'starts' were in the pipeline and the DPFCS advised that there was no clear picture centrally and conversations would have to be had with several different staff members. It was suggested that this was not onerous and would provide an out-turn review. It was agreed that a Curriculum Plan analysis would be presented at the Strategy Day for review.</p>	<p>CW</p> <p>CW/OS</p>
<p>6.</p>	<p>DEFICIT 2019/20</p> <p>The Committee discussed the necessary actions to mitigate the forecast deficit for 2019/20 and the following points were NOTED:</p> <ul style="list-style-type: none"> • The Estate had to be utilised, however the delivery period for the College ambitions required time, but Members emphasised that the easy, quick wins should be actioned. • The decision to invest in the Animal Park was proving to be worthwhile and was generating some good business. The Principal added that this time last year the Animal Park had been shut, but was now able to open with indoor facilities, and this should be maximised. • A lot of work had been undertaken with the wedding activity, however the Principal advised that this was highly competitive and was a 'slow burn'. • Margins had to be clear on commercial activity. • Additional work was being undertaken in the local schools to attract more 16-18 year old students, but again marketing of the brand took time. • The Principal considered that everything was being undertaken to assist the situation. • The plan with the sale of houses in Maurward Close had been to build a cash buffer but this had now been eroded. The Principal suggested that there were many colleges in similar, or a worse, position, and this had to be solved nationally by the government. It was agreed that the financial constraints had to be managed and controlled especially with the Insolvency Regime in place, with a tangible plan in place to ensure cashflow. The Principal added that he was not minded to sell 'The Lodge' at the present time, as he considered the situation could be managed. This property had been valued and it was estimated that around £20K - £25K of work was necessary if the property was to be let out, but would attract around £15K per annum rental. • The Committee felt it to be frustrating that some colleges had been rewarded for failure, with exceptional payments made. It was agreed that the purpose of the College was to serve the community and provide 	

	<p>amended assessments.</p> <p>The Committee considered that the Corporation had to know the position by the end of the financial year, however it was acknowledged there was no way to force the judge's decision. The issue had now been reported with the Letter of Representation for 2018/19 with the College believing that the sum was recoverable. It was agreed that the Corporation had to be made aware of the risks.</p> <p>Members were pleased to understand the additional layers of complexity within the case. It was agreed that the view of KPMG was necessary and the likelihood of success. It was also agreed that the situation had to be managed with the ESFA to ensure it was understood and was pending legal judgement. The situation had to be managed to ensure that the debtor was real.</p> <p>The Committee questioned how much was owed and the DPFCS advised that some amounts were being paid, but the worst case scenario had not been calculated. It was suggested that the College should revert back to the original formula but the DPFCS advised that this would be complicated and could weaken the argument.</p> <p>The Principal was given the authority to agree the fee for KPMG.</p> <ul style="list-style-type: none"> • An added complication to the VAT claim was that the recent AoC Chief Executive's Briefing now included representations to the government that FE Colleges should be treated the same as schools and be VAT exempt. • The cash position was noted especially the low points of the year, and the DPFCS advised that she had some degree of control with the various BAC's run. • It was noted that the £107K of KMF funds was included within the cashflow forecast, but sat in a separate bank account and there was the ability to transfer if necessary. • It was noted that the second NatWest loan was due to be renegotiated in December 2021 and current trends might make this difficult, therefore the DPFCS was requested to have open conversations with the Bank sooner rather than later. • The Committee requested that the College look at any payments that could be made monthly rather than the full payment. • It was agreed that it may be wise to negotiate an overdraft facility, and whether property could be used as security. The Principal advised that 'The Lodge' had been valued at £240K. 	
10.	<p>RESERVES POLICY</p> <p>It was NOTED that the DPFCS would review the Reserves Policy in due course to ensure that it was realistic.</p>	CW
11.	<p>TUITION FEES POLICY</p> <p>It was AGREED to RECOMMEND the Tuition Fees Policy 2020/21 to the Corporation.</p>	
12.	<p>REFUND AND COMPENSATION POLICY</p> <p>It was AGREED to RECOMMEND the Refund and Compensation Policy to the Corporation.</p>	
13.	<p>PROCUREMENT/TENDERS/VALUE FOR MONEY/CONSULTANCIES</p> <p>The DPFCS reported the following:</p>	

	<ul style="list-style-type: none"> The Audit & Assurance Committee had recently recommended the appointment of ICCA to provide the Internal Audit Service for the College and this had been approved by the Corporation. The A&A Committee would be holding an extraordinary meeting to agree a plan. Tenders for Insurance and Photocopiers were progressing. 	
14.	<p>PROJECTS/CAPITAL BID UPDATE</p> <p>The following points were NOTED:</p> <ul style="list-style-type: none"> Two grants had been received from the LEP this year. One for £110K was being utilised for road repairs; kitchen refurbishment; and the climbing wall which was the last phase of the move for the Outdoor Adventure Department. The second tranche of funding was £125K for ICT infrastructure. The Principal advised that a bid had been successful in partnership with the Bournemouth & Poole Council for an outdoor classroom at Hengistbury Head. There were other projects which were ready for any funding opportunities. 	
15.	<p>RISK MANAGEMENT</p> <p>The DPFCS advised that she had not had the time to update the Corporate Risk Register and the Committee requested that it had to be presented soon. The DPFCS agreed to commit to the next Corporation meeting, when more time would be allocated to look at the current risks.</p>	CW
16.	<p>ANY OTHER BUSINESS</p> <p>The following further business discussed:</p> <ul style="list-style-type: none"> This was the Last Committee meeting of Elaine Taylor after completion of the maximum term of office. The Chair of the Committee thanked her for her help and wisdom, and considered he had gained a lot from her input. 	
17.	<p>2019/20 MEETING DATES</p> <p>The following dates were NOTED:</p> <ul style="list-style-type: none"> 31 March 2020 9 June 2020 	
	<i>Meeting closed at 8.00pm with no further business.</i>	

Chair.....Dated.....