



**MINUTES OF A MEETING OF:
THE CORPORATION'S FINANCE AND RESOURCES COMMITTEE
5.30PM TUESDAY 24 NOVEMBER 2020
Held by Zoom due to Covid-19**

Members:	*Richard Barker; *Richard Bourne; *Alex Jackson; *Robert Lasseter (Chair); *Graham Ledden; *Luke Rake (Principal); *Jim Tirrell
In attendance:	*Vanessa Gifford (Clerk); *Gavin Teasdale (Interim Finance Director) (FD)); *Oliver Symons (Deputy Principal (Learning & Performance))

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

ITEM NO.	DETAIL	
1.	DECLARATIONS OF INTEREST There were no Declarations of Interest NOTED .	
2.	APOLOGIES FOR ABSENCE No Apologies for absence were NOTED .	
3.	MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2020 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 29 September 2020 were NOTED : <ul style="list-style-type: none"> • It was noted that the FD had met with the Bank regarding the CIBL's loan and a full draw down had been agreed. The Committee Chair and Principal had signed and sealed the agreement that day. • The Principal suggested that the Farm was in a holding position regarding Basic Payments. The Agriculture Bill was currently going through the Lords and when published it would be investigated. It was agreed that this would be an item at the next Strategy Day. • The FD had produced a cashflow report which would be discussed further later on the Agenda. • The Principal reported that there was a small amount of cash held as deposits for weddings booked, which was not currently ring-fenced. It was noted that in theory the deposit was non-refundable but if there were cancellations they would be considered case by case depending on the circumstances. The Principal advised that the amount held was around £60K and was within the general financial risk of the college. To date there had only been one request for a refund. • The increase in Student enrolment had settled around 8% after some withdrawals in line with previous years. Additional funding of around £340K was expected for the additional numbers the following year. 	

	<p>Overall student numbers were 730 16-18 learners and 70 18+.</p> <ul style="list-style-type: none"> • Numbers had grown in the right areas, namely the Horticulture and Equine Departments. • A Project Manager had now been appointed for the University Centre project and it was noted that further funding could be available from the LEP for 'shovel ready' projects. The Principal advised that he had submitted three bids for this funding: <ol style="list-style-type: none"> 1. Farm Shop with disabled facilities 2. TV studio 3. Extension to the Gym. • Members questioned whether there were many students without IT access for online learning and whether any funding was available, if not. The Principal advised that the SMT had discussed this as there was no funding from the government or local authority. Possible bursaries would be considered in the future. The College had a number of laptops available to support those students with digital poverty. It was noted that all of the Animal Management Department was currently undertaking online learning as many staff and students were self-isolating due to a positive Covid test. Those not self-isolating were able to access the IT equipment in the Coneygar building with 4 students taking advantage of this that day, and 9 the next day. The Principal suggested that it was not the College's role to support this, it should be on the national government agenda, linked to local council schemes. It was possible that bursaries available for transport could be re-allocated in the future to assist with this issue, however connectivity of students varied depending on the lesson. • It was unknown at the current time whether sub-contracting would be below the required threshold for auditing for 2020/21. The DPLP advised that 2 providers had been dropped with only the Fire & Rescue provision going forward at the present time, so he would be surprised if the College hit the threshold. • It was noted that no further update had been received from Bournemouth University and it had shown little interest in working with the College, and discussions were ongoing with other partners. • An update on the DSS had been presented to the last Corporation meeting. • It was noted that there would be no clawback on adult funding. • The Principal advised that the SMT was reviewing the structure of the Animal Park whilst it was closed and an update would be provided in due course. • The Heads of Terms had been signed for the Maurward Close development. • The Committee questioned whether the contract for IT provision had been agreed and signed and the Principal advised that it had not but he would follow this up. It was noted that the earlier Audit & Assurance Committee had questioned the outstanding IT recommendations and the Principal agreed to follow up and present a report to that Committee in February 2021. • It was questioned whether there was any catch up funding available to the College and noted that £100K was available to support learners during the pandemic. It was noted that this funding was not within the Budget and was likely to be allocated at the end of the month. 	<p>LR</p> <p>LR</p>
<p>5.</p>	<p>UPDATE ON FINANCIAL POSITION TO JULY 2020</p> <p>The FD gave a verbal update on the position regarding the end of year accounts which related to Items 5, 6, 7 and 8 of the Agenda. The following points were NOTED:</p> <ul style="list-style-type: none"> • There were a number of issues raised by the External Auditor before sign off of the accounts, with reconciliation continuing. • Nat West Bank had waived its covenant, however as reported previously 	

Barclays Bank had amended its covenant to a deficit £200K EBITDA. It was noted that this had been achieved a deficit of £144K and the bank was satisfied and confirmation had been received which would be forwarded to the External Auditor.

- The Financial Health scoring of the College was 'Required Improvement' and receipt of the CBIL's loan would improve the cash position.
- The External Auditors Report and opinion could not be completed until the audit was complete.
- The delay was down to several issues, the College had been slow in producing papers due to changes in staff and the Auditors were completing the audit remotely with staff working from home which slowed the process. The FD confirmed that all information had now been sent to the External Auditor.
- The outstanding matter of the VAT claim was also an issue with a debtor of £265K showing in the accounts. This had built up due to the claim against HMRC who was refusing to pay as the case was being contested. The FD advised that there were clear signs that it was due as the related case with Colchester Institute had been successful. The External Auditor was concerned that the money was still outstanding and was accumulating. The FD considered that the principle had been accepted the previous year with the sum of £184K, and flagged to be an increasing issue, so he would take this up with the External Auditor, as the VAT consultant was adamant that there was no way the case would not be positive, with the advice being to leave the debtor outstanding with the Colchester decision supporting this action. It was agreed that should there be no outcome within the next few months the College should consider alternative action before year end of 2020/21, and establish a mechanism for reducing the debtor. It was emphasised that any additional 'windfall' was not recognised within the accounts, and if the College was successful with its case both the outstanding debtor and the 'windfall' would be due, with the case having been heard but not published.
- Further information was required on 'Going Concern' and the FD had produced the forecast which had been forwarded to the Auditor and would be considered later on the Agenda.
- The FD advised that the Members Report and Financial Statements would be presented as soon as possible, however they had to be audited first and the queries resolved. It was noted that the operational deficit was £1.9M but depreciation, pension and other adjustments gave an educational EBITDA of £144K deficit. Final Accounts for KME Ltd would be completed in the next few days ready for audit.
- The FD advised that after discussion with the External Auditor it was unlikely that the accounts would be ready for the Corporation meeting on 8th December so it was agreed that an extraordinary meeting could be held the following week, 15th December, if necessary. It was noted that the Audit & Assurance Committee had also agreed to hold an extra meeting on the 14th December to make a recommendation.

6.	<p>EXTERNAL AUDITORS AUDIT COMPLETION REPORT FOR THE YEAR ENDED 31 JULY 2020</p> <p>This item was covered under Item 5.</p>	
7.	<p>KMC MEMBERS REPORT AND FINANCIAL STATEMENTS FOR 2019/20</p> <p>This item was covered under Item 5.</p>	
8.	<p>KME LTD FINANCIAL STATEMENTS FOR 2019/20</p> <p>This item was covered under Item 5.</p>	
9.	<p>MANAGEMENT ACCOUNTS TO 31 OCTOBER 2020</p> <p>The Management Accounts to 31 October 2020 were CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • The FD advised that the majority of the work had been completed by the Finance Manager. • It was agreed that the I&E was positive. • Income streams were down but the majority related to commercial activity and expenditure was still being controlled. • Staff costs were low with the benefit of the recent re-structure still to show. • There were further reductions across the board, with the Farm being the exception and it was noted that this related to fodder that had been purchased in advance and it was expected to fall even in due course. • Members questioned that the 16-18 income for the previous year was £1165K with the current year being considerably higher. It was agreed the Principal and FD would investigate as it was considered to either be £265 additional capital grants or additional students. • The Chair questioned how much commercial income had been budgeted and the FD advised £2M including the Farm. It was agreed that this could be difficult depending on trading after Christmas and the pandemic restrictions at that time. The Principal advised that the majority of costs in those areas had been stripped out and the business would be re-based to ensure profitability in the future. It was noted that there would also be savings by not having students in the College for as many days eg paper, trips and staff travel. • It was noted that the cash balance for the end of November was £16K and the overdraft would have been required in the new year at the normal low points in ESFA profiling, however the CBIL's loan was expected imminently and if not for that there would have been serious cashflow issues early in 2021. • The FD advised that in July 2019 the LGPS pension costs had been £6.6M and were now (July 2020) £11.5M, which gave the reserves deficit of £-4.7M, being an accounting adjustment. It was noted that this year end figure had been confirmed by the actuaries but it had no impact on the cash position, and could improve next year as UK stocks were currently depressed. It was noted that the government was currently funding the variance in the teachers' pension scheme. • The Chair thanked the FD for his report, being short, succinct and clear. • The Principal added that it was pleasing to note that Apprenticeships were on target and the decision to budget prudently was the right course of action, with the new Apprenticeship Manager taking the opportunity to re-base the offer. • It was noted that expenditure on the University Centre project was starting and the Principal confirmed that a monthly draw down had been agreed, with CBIL's also giving fluidity to the project. 	

	<p>Cashflow</p> <p>The additional paper presented to the Committee on Cashflow was CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • The FD advised that he had taken the closing cash position at the end of November 2020 and layered the Budget to produce the cash position going forward, which included the CIBL. • At the end of January 2022 the forecast was £1.2M in the bank, and it was agreed that the CBIL's loan had provided resource to generate income. • It was noted that if the CBIL had not been forthcoming an overdraft of £700K would have been required in March 2021. • The Committee agreed that with this information the organisation was clearly a 'Going Concern'. It was agreed that this paper should continue to be updated to enable clearer focus on cashflow, but it was agreed that the figures going forward were more positive, however the difference between the opening balance and the closing balance in March 2022 was still a cash deficit of -£74k over the period. • The Chair suggested that there was one document missing, Source and Application, and the College should get back into the habit of producing this report as part of the monthly financial management report. • The FD advised that the Internal Auditor had recommended that a rolling cashflow was reported which was typical in the sector. • It was suggested that the graphs in the Management Accounts should be checked as the budget figure was incorrect. The FD agreed to check. • It was agreed that this report would be shared with the Audit and Assurance Committee for information. • The Chair thanked the FD for picking up the issues and reporting with clarity. 	<p>GT</p> <p>VG</p>
<p>10.</p>	<p>VAT CLAIM</p> <p>This item had been considered earlier in the meeting.</p>	
<p>11.</p>	<p>CARRY FORWARD FROM PREVIOUS MEETING</p> <p>It was agreed that the following items would be carried forward:</p> <ul style="list-style-type: none"> • Reserves Policy • Tuition Fees Policy 	
<p>12.</p>	<p>PROCUREMENT/TENDERS/VALUE FOR MONEY/CONSULTANCIES</p> <p>There were no items reported.</p>	
<p>13.</p>	<p>PROJECTS/CAPITAL BID UPDATE</p> <p>The Principal advised that the Project Manager for the University Centre project had been appointed and the procurement for planning and build was progressing and was being reviewed and scored. The SW Framework had been utilised for this procurement to ensure compliance and further updates would be provided in the New year. The Principal reported that the Project Manager was the same as the Dorchester Museum project so known locally with locality being a weighting within the procurement process.</p>	
<p>14.</p>	<p>RISK MANAGEMENT</p> <p>It was AGREED that the following items should be considered for the Corporate Risk Register:</p> <ul style="list-style-type: none"> • It was noted that the Risk Management Group had met the previous 	

	<p>week to review the Risk Register.</p> <ul style="list-style-type: none"> • The FD advised that he had been involved with a lot of colleges and the KMC Risk Register was one of the best he had seen and was obviously taken seriously. • It was noted that the Audit & Assurance had identified some errors in the calculations and these would be corrected. • It was agreed that there should be further discussion on the strategy of education, plus commercial activity. The SMT led this operationally to build a curriculum and timetable and would expect to see a profit line for every area. It was noted that the Farm received a contribution from the academic areas for its educational support and therefore it was not easy to produce on a spreadsheet and thought would have to be put into how it could be produced. • The SMT was currently considering how the Animal Park would re-start and a presentation would be made to the Corporation in due course. • It was agreed that it should always be remembered that KMC was a College and the student experience should not be diminished for commercial gain. However, the current opportunity to re-set commercial activity was beneficial, and energies would be focused in the right way to ensure commercial activities were profitable and complimented the Colleges prime function. • The Principal was challenged on his target of 1000 students which would make a significant impact to core income if it could be achieved. The Principal responded that there had been 8% growth this year and if the ambitious target was to be achieved a plan was necessary and required more work. He had a good idea of why the current growth had been achieved and the additional planned programmes and projects would attract further students that the college currently did not have. The Strategic Plan would be reviewed in the New Year to agree targets and the Principal suggested that an update from the Marketing Manager may be beneficial at that time, to ensure the target areas were clear. • The DPLP advised that virtual events had been undertaken during the pandemic as well as some physical invites into schools. He had recently attended 2 large schools in Poole, where 2 students had been enrolled the previous year. After this visit, 8 students had requested further information because they wanted a job, and understood that the courses KMC gave them the right skills for employment. The DPLP emphasised the link of the curriculum with career opportunities at all times. It was noted that videos were shown to show actual students working around the campus doing the things they loved doing. Members were encouraged to log onto the Virtual Open Days, and the Clerk agreed to share the links for access. It was noted that the DPLP was progressing this external work and the benefits were showing. 	VG
15.	<p>ANY OTHER BUSINESS</p> <p>The following further business was NOTED:</p> <ul style="list-style-type: none"> • The Principal thanked the FD for his work and rapid immersment into KMC, and advised the Committee that the FD would continue into the new year to provide a handover to the new Finance Director who hoped to commence on 18th January 2021. 	
16.	<p>2019/20 MEETING DATES</p> <p>The following dates were NOTED:</p> <ul style="list-style-type: none"> • 2 February 2021 • 27 April 2021 • 22 June 2021 	
<i>Meeting closed at 7.20pm with no further business.</i>		

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