



**MINUTES OF A MEETING OF:
THE CORPORATION'S FINANCE AND RESOURCES COMMITTEE
5.30PM TUESDAY 27 APRIL 2021
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:	*Anna Carvisiglia (Finance Director); *Vanessa Gifford (Clerk); *Oliver Symons (Deputy Principal)

* 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 Apologies for absence were NOTED from Alex Jackson.
3.	MINUTES OF THE MEETING HELD ON 9 FEBRUARY 2021 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 9 February 2021 were NOTED : <ul style="list-style-type: none">• An update on the IT Audit actions had been presented to the Audit & Assurance Committee.• The Finance Director advised that the figures within the current Management Accounts were accurate.• The Finance Director advised that all appropriate projects had been completed and were presented within the intangible assets and amortised.• The Finance Director and Clerk had discussed the timetabling of future meetings and a draft calendar would be presented in due course.• An update on the VAT Claim was included in the Treasury Report, and a conclusion was still awaited.• The Policies for review were presented to the Committee at a later point.
5.	MANAGEMENT ACCOUNTS TO 31 MARCH 2021 The Management Accounts to 31 March 2021 were SCRUTINISED , and the following points NOTED :

	<ul style="list-style-type: none"> • The Finance Director explained that the Management Accounts included her first draft forecast for the outturn at the end of the financial year. A deficit of £490K was forecast. The Committee questioned whether this was best case and the Finance Director advised that she had made a forecast against every line in the Budget, with some data known and others were a best estimate given the unknowns of the pandemic etc. The Finance Director had a high level of confidence in the forecast. • The cashflow report had been extended to July 2022. • It was noted that with the current forecast the bank covenants would be breached due to a negative EBITDA. • Provision for the ESFA clawback had been included. The Finance Director advised that it was in the general education fund and included in the outturn which she considered to be prudent. The Principal was hopeful that an agreement would be negotiated with the ESFA and the conversations continued. • The Committee questioned whether the difference with Budget and forecast was in one or two particular areas and the Finance Director advised that it was across the board. • It was noted that Premises was the largest cost line and the Finance Director advised that further work was required on this area and she would be investigating the CAPEX. She added that she would have better knowledge the following month and considered that she had currently over estimated. • It was noted that the new Facilities and Health & Safety Managers were in place and were currently ensuring compliance. The Principal advised that interviews for Head of Estates were being held at the end of that week. • The Committee questioned whether there had been discussions with the Banks regarding the Bank Covenants. The Finance Director advised that Management Accounts were sent to them every month and she had requested a meeting to discuss in the next couple of weeks. It was agreed that Barclays could request security but this would be considered when further information was known. • The Principal advised that the catering facility in the Barn at the Animal Park had been phenomenal since the Park had reopened with free entrance, with an average of £2K a day of income. As a comparison the Principal advised that income for the entire month of April 2019 had been £6K, and income for just the previous week had been £10K. The Committee questioned the margin and the Principal advised that this was being reviewed and would be reported in due course but he expected it to be high at around 75-80%. It was acknowledged that the current numbers of visitors was due to pent up demand from lockdown and would gradually ease. • It was confirmed that the staffing data was stable and the increase was mainly around casual staff for catering. • The Committee noted the positive current ratio. • The College was congratulated on the successful bid for the Salix grant and it was agreed that this would make a huge difference. The Principal advised that 60% of turnover had been achieved in grant funding over the last 12 months which showed the confidence of others externally. It was noted that the Principal would discuss the drawdown with Salix. • The Committee questioned the projected year end Financial Health rating and asked if the 'Inadequate' was borderline, and whether 'Requires Improvement' could be achieved. The Finance Director advised that the performance ratio had to increase to 120 from 80, although the gearing ratio may go down, but she would continue to monitor and update monthly. The Committee questioned the Cash days 	
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	<p>and hand and it was noted that the figure was an error and the Finance Director would amend and the Management Accounts would be re-loaded to GVO.</p>	AC
6.	<p>CASHFLOW</p> <p>The Cashflow Report within the Management Accounts was scrutinised and the following points NOTED:</p> <ul style="list-style-type: none"> • All costs and income from the University Centre project had been included within the cashflow. The Principal shared a presentation detailing his considerations for the match funding for this project, he considered there were affordable options but it required care. He continued to liaise with the LEP on draw down and advised that the Salix grant was guaranteed with no match required. • There were other projects for consideration with a bid having been submitted for the replacement of the Outdoor Activity centre. The Principal advised that the results of this would be known in the next 2-3 weeks, and this would be for a March 2024 completion. • The match funding for the University Centre project was considered although there were thought to be other risks to the project: <ul style="list-style-type: none"> 1. Planning consent – this was still unknown although it was currently being considered. If the application was not successful the College would have to re-assess the project. 2. Timescales – the Principal advised that on the basis of the information that had been provided to him, he considered that the build was achievable in the timeframe. However, it was ambitious and there were other risks around Brexit and the pandemic that could affect the project. • It was agreed that the project would be great for Dorset and would improve the life chances of young people. However, a return on the £1m investment had to be shown to achieve cash surpluses. • The Committee questioned whether courses were deliverable and the Principal advised that the building could be utilised for the growth in 16-18 students as well as HE, and it gave the College increased profile as there is no other University Centre in a college in Dorset. The College currently ran HE but there was no dedicated centre and an increase on the baseline was expected. The Principal would be presenting scoping papers to the Q&S Committee which detailed the thoughts of Southampton University, who were very keen to work with the College, which would add kudos. He considered that franchised provision could be run and rooms had been included for commercial use. It was acknowledged that HE worked slowly and franchised provision would be considered initially with a top slice being negotiated. • It was noted that there were no contractual conditions for provision within the LEP contract, but there were certain obligations, and the Principal had reasonable confidence that these could be achieved. • The Committee considered that firm costs and numbers were necessary to hold accountability, and a clear steer was required. It was questioned whether a hypothetical fee structure could be considered. The Principal advised that work was on-going with the other university partners to firm up programmes. The Principal considered that currently numbers were not firm and could not be predicted. He considered that an additional 70 students was achievable, although ambitious. There could also be other income from additional students if this growth could not be met. • It was agreed that there would be a point in time when a decision would have to be taken, and then all issues could be pulled together to consider from all the committees, including the match funding. The 	

	<p>Principal considered it was down to the appetite for risk of the Corporation as there were no guarantees. A level of confidence was being aimed for to provide assurance for the Corporation to make a decision, as the Corporation would hold the responsibility for the project, with project reviews being carried out by the Audit & Assurance Committee.</p> <ul style="list-style-type: none"> • It was agreed that pragmatically the Corporation required a clear break down of loan costs if this was to be considered, whether it be for a £1M or £2M loan. It was agreed that the Finance Director would investigate and report back. It was also noted that the CBIL's loan had to be repaid as well. • Members questioned whether there had been any interest in the Business Hub accommodation within the project and the Principal advised that he had received enquiries exceeding what would be available. The project also included a lecture theatre and any other uses were not restrictive. The Principal added that the Thomas Hardy Society had agreed a lease for accommodation within the Main House, and he noted that there was increasing interest for external bodies to come onto the site. • It was agreed that a sensitivity analysis summary would be provided. • The Deputy Principal suggested that it was essential to get the educational offer right. A lot of students went to other colleges, so options for Level 3's should be considered to encourage students to enrol at KMC. • It was noted that the RVC had an increasing presence at the College with the use of two hostels, and further discussions on-going. It was noted that the University Centre could be a hub and if the project was agreed there could be an increased demand for accommodation. The Principal considered that the project was not predicated on accommodation on site, it was meant for local provision. It was suggested that a relationship with Southampton University would have benefits on an ad hoc basis. The Principal advised that programmes would be aimed at local stay at home students, and the aim of Southampton University was to widen the participation agenda. It was noted that a majority of students in Dorset did not attend University. The Committee requested the data and the Principal agreed to present a paper in the summer. Southampton University would also have the ability to provide courses that KMC did not offer, and partnering with its brand would be advantageous. • It was agreed that the Banks would require a full and detailed business case if a loan was required for the match funding. • The Committee agreed that there was a great deal of work involved and the Corporation had to be wise and prudent. The Principal suggested that if a loan was acquired for more than the required £1M it could be utilised across the estate or a single project. It was agreed that the banks would be approached to gauge their interest. It was agreed that the College would have to prove it could generate cash surpluses on the project for the bank to consider. • It was questioned whether the provision of T levels should be considered to allow growth and the Deputy Principal advised that there were due to be introduced in 2023 for land based provision. He added that no content had been released on the seven pathways. He understood that some aspects were currently undeliverable causing confusion for the sector. It was agreed that the College should continue with its specialism and allow T Levels to be introduced and then KMC deliver when the issues were resolved. • It was agreed that all information had to be presented for a decision to be made. The project would be transformational but the Corporation had to be confident that it could be achieved. 	<p>AC</p> <p>LR/AC</p> <p>LR</p> <p>LR/AC</p>
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	<ul style="list-style-type: none"> The Principal agreed that timescales were challenging and a decision would be linked to the analysis of tenders for the build. The Corporation had to agree feasibility of borrowing and the affordability by its next meeting. The Principal considered that the outline of timings was achievable, however not comfortable but this was due to timescales out of the College control. It was requested that if any further information was required it should be requested through the Clerk to ensure that it was available for the Corporation meeting. The Principal would provide the initial bid information and summarise. An in principle decision from the Bank would not be possible in time for the meeting, however the Principal would endeavour to feed back any discussion and thoughts from the Bank with timescales required. The Chair of Corporation was concerned that a decision had to be taken at the Corporation meeting on 18 May, or very soon after, to ensure that the project was deliverable. Full assurance was difficult and the timescales for the build alone were challenging. The Principal advised that he considered there to be three weeks leeway within the GANT chart, and it may come to a point that the risk is too great. He added that the timescales were completely out of the control of the College and had been set by central government and this was an unusual funding round, however he considered that the LEP would be flexible. It was noted that once the contract was signed there would be a fixed cost and finish date in place. It was agreed that the Corporation was in an unprecedented position, however had to exercise good governance and ensure the viability of the College, but was caught in a difficult decision process. The Principal agreed to look for further guidance as he had a meeting with the FEC the following day, and any update from the VAT consultant. It was suggested that if the ESFA required repayment of the clawback immediately this would have a financial impact on the decision. 	
7.	<p>VAT CLAIM</p> <p>There was no further points to add from those set out in the Treasury Report.</p>	
8.	<p>COMMERCIAL UPDATE</p> <p>The following points were NOTED from the Principal's update:</p> <ul style="list-style-type: none"> Work was being undertaken on income and margins and would be shared in due course. The Animal Park and Gardens had re-opened and visitors had been phenomenal. The income had been good with around £3K taken on a weekend day, however it did bring challenges eg parking. The Principal advised that free admission would continue indefinitely whilst so many visitors were on site. It was noted that the number of visitors, and spend per capita were unknown and cameras at the entrance were being considered to monitor. The Principal was currently comfortable with the number of visitors versus the safeguarding and experience of the students. Enhanced signage was being installed, and assemblies held for students to be made aware of the need for good behaviour. The refurbishment of the Cellar Bar was now being accelerated and pop up events were being considered. Weddings would re-commence as soon as government regulations allowed and there continued to be a lot of interest. The introduction of Tea Rooms had been considered but this could bring tension with weddings and was currently on hold whilst work continued 	

	<p>looking at margins.</p> <ul style="list-style-type: none"> It was questioned whether resources were in place for the HE build during the absence of an Estate Manager. The Principal advised that he was currently overseeing this project and interviews were being held that week to appoint to the role. It was agreed that going forward there may have to be consideration of a Commercial Manager within the structure as the Principal was currently managing the whole. It was noted that the Farm shop at the Animal Park was being refurbished and a Shop Manager was being sought. It was anticipated that SEN students would be utilised to provide work experience. 	
9.	<p>FUNDING ALLOCATION UPDATE</p> <p>The Funding Allocation Update for 2021/22 was CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> The basis of the formula was noted. Student growth was positive which provided additional funding under the lagged funding methodology. The Principal advised that MIS reports were share regularly with the SMT and the negative variances were being monitored. The decline in apprenticeship funding was considered and the Principal advised that the decision had been made to withdraw some provision. It was suggested that this delivery should continue within the specialist land based areas where there were good margins. 	
10.	<p>REVIEW OF STRATEGIC PLAN FINANCIAL TARGETS</p> <p>The Review of the Strategic Plan Financial Targets was CONSIDERED and agreed that the pandemic had not been in mind when they had been set. It was agreed that the targets would be reconsidered going forward with the review of the Strategic Plan.</p>	
11.	<p>UNIVERSITY CENTRE PROJECT</p> <p>This item had been fully considered under Item 6 of the Agenda.</p>	
12.	<p>POLICIES</p> <p>It was agreed to RECOMMEND the following policies to the Corporation for approval:</p> <ul style="list-style-type: none"> Reserves Policy Tuition Fees Policy Annual Treasury Report: it was noted that this document required some updating and the Finance Director agreed to amend and upload to GVO. Financial Procedures 	AC
13.	<p>PROCUREMENT/TENDERS/VALUE FOR MONEY/CONSULTANCIES</p> <p>The following points were NOTED:</p> <ul style="list-style-type: none"> The Principal advised that he continued to develop bids A meeting was due to be held the following week to consider procurement for the Salix grant and an outline of the aspiration for spending would be shared with the Corporation at the May or July meeting. The Insurance Tender was proceeding. 	LR

	<ul style="list-style-type: none"> Three tenders had been received for External Audit provision and would be considered by the Audit & Assurance Committee for recommendation to the Corporation. 	
14.	PROJECTS/CAPITAL BID UPDATE This item had been previously covered.	
15.	RISK MANAGEMENT It was AGREED that the number one fragility was still financial sustainability.	
16.	ANY OTHER BUSINESS The following further business was NOTED : <ul style="list-style-type: none"> The Principal advised that Historic England had no objections to the development of Maurward Close and Heads of Terms and options were being investigated. 	
17.	2020/21 MEETING DATES The following dates were NOTED : <ul style="list-style-type: none"> 22 June 2021 	
	<i>Meeting closed at 7.35pm with no further business.</i>	

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