



**MINUTES OF A MEETING OF:
THE CORPORATION'S FINANCE AND RESOURCES COMMITTEE
5.30PM TUESDAY 22 JUNE 2021
Held by Zoom due to Covid-19**

Members:	*Richard Barker; *Richard Bourne; 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.	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest NOTED.</p>	
2.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were NOTED from Robert Lasseter.</p> <p>In the absence of the Chair it was AGREED that Graham Ledden would take the Chair for this meeting.</p>	
3.	<p>MINUTES OF THE MEETING HELD ON 27 APRIL 2021</p> <p>The Committee AGREED the minutes as a true and accurate record and APPROVED the non-confidential minutes for website publication.</p>	
4.	<p>MATTERS ARISING</p> <p>The following matters arising from the meeting of 27 April 2021 were NOTED:</p> <ul style="list-style-type: none"> • The Management Accounts had been amended and re-loaded to GVO. • All papers relating to the HE University Centre and Business Hub had been completed and shared through GVO. • The Principal had met with representatives of Southampton University who were enthusiastic to work with the College. A further meeting was scheduled to draft the MOU's. Members questioned whether there was a deadline date that had to be met and the Principal advised that they were working towards December 2021, as there was no formal deadline for university submissions. It was hoped that the College would be able to lever its own HE provision initially and then work towards franchised provision for September 2022. • The Annual Treasury Report had been amended and reloaded to GVO. • The Principal advised that the Salix grant documentation was progressing and he would share with the Corporation as soon as it was available. 	

5.

MANAGEMENT ACCOUNTS TO 31 MAY 2021

The Management Accounts to 31 May 2021 were **SCRUTINISED**, and the following points **NOTED**:

- A new format had been agreed for the Management Accounts going forward.
- On the departure of the Finance Manager the Finance Director had taken the opportunity to interrogate the balance sheet. Some of the balances were now being recognised in the I&E account as each posting was reviewed. It was an on-going process and the Finance Director was investigating. The Finance Manager had now agreed a 7 day handover and this was useful in the exercise. It was noted that this had to be completed for year end. The Finance Director advised that this was the reason the forecast out-turn had changed, and it was a 'best guess' at the current time but was the most prudent action to undertake. It was confirmed that there was no effect on cashflow, it was an accounting issue, not cash. The process ensured full clarity and went back to first principles.
- There had been no update on the clawback from the ESFA, and the Principal advised that the ESFA were risk assessing internally whether to roll back into a further year. A quantum had not been agreed, or any clear idea on payment details. The Principal advised that he had had a number of conversations with the Regional Director but there were no guarantees. The re-payment could be with 28 days notice, however the Principal considered that a payment plan would be agreed once the final figure was known, and he was hoping to negotiate a proportionate clawback for 17 learners. The Principal confirmed that the FEC Team were aware of the situation, and he was hoping for clarity in the next few weeks. The Chair of Corporation added that there was nothing further that could be done, it was in the hands of the ESFA, and the College may not get an answer to consider within the decision process for the HE Centre project, so a balanced view would have to be taken. It was noted that the suggested figure had been included in the cashflow report for prudence, although the Principal considered that if full payment was required this would put stress on the College cashflow at a time when other other colleges were receiving significant bailouts, so would be unlikely. It had also been negligent of the ESFA not to audit for nine years with a new Principal in place. It was agreed that the Principal should fight the College's corner for fairness.
- The Principal advised that the AEB Clawback was in year based on allocation. Due to the pandemic the threshold for last year had been 68% and had now been set at 90% for the current year. It was noted that the exposure was £250K and this would be confirmed in December once the final ILR had been submitted. It was noted that the AoC was taking up the case with the government to argue fairness.
- It was confirmed that both the clawbacks detailed above had been included in the outturn forecast.
- Student Transport Debts did have an impact on cash. It had been agreed that going forward Nordcat would cease to subcontract with the College but liaise direct with students, however this had now been revoked. This would be reviewed with Nordcat and the budget would be updated with the new information. Temporary staff had been appointed to pursue the outstanding debtors, and decisions would be made by the SMT on final demands, and it was noted that some may have to be written off. It was noted that if travel costs were collected on a monthly basis this may be controlled by Consumer Credit licence regulations. It was also suggested that chasing 2019/20 debts was not cost effective

	<p>and SMT would take an early view on this.</p> <ul style="list-style-type: none"> • Cash balances were healthy and was reflective of the funding profiles. • If the HE University Centre and Business Hub project was agreed the first drawdown for funding would be July 2021. • It was confirmed that the banks were well aware of the challenges with the bank covenants and it was noted that Barclays was considered security on the loans. It was suggested that there may also be fees associated with this. The Principal and Finance Director were in negotiations with the banks and would update the Corporation in due course. It was noted that £1.2M security was currently required, however the College had no separate parcels of freehold, so valuations may be required as current values were utilised for insurance purposes. It was suggested that NatWest may also look for security. • The cash position was considered which was key for the capital decision the following week. It was agreed that a revolving overdraft facility would be the answer. It was noted that the cashflow pre-supposed various issues, however the Corporation needed to be as comfortable as possible that the capital projects were achievable. It was agreed to pursue NatWest Bank for informal advice prior to the decision making meeting the following week. It was noted that the University project; Salix; and a profile of drawdowns were included, and it identified a deficit for one month, March. The Finance Director advised that the data would be updated continually. It was noted that an assumption had been made on the VAT position which was in line with the latest advice from the VAT consultant. <p>The Committee questioned the disposal of £250K of fixed assets and noted that this was for the land at Maurward Close, which was payable on planning consent.</p> <ul style="list-style-type: none"> • It was agreed that the cashflow forecast was prudent and took account of a number of assumptions. It was also noted that repayments on the CIBL's would commence in November 2021 and this had been reflected in the Budget. • The Financial Health analysis was NOTED, noting that the current forecast would trigger intervention by the ESFA. It was noted that movements could be quick with the focus on EBITDA. It was suggested that some grant funding could go through the I&E and this would improve the EBITDA and the Finance Director agreed to investigate. It was agreed that the banding for scoring of financial health was useful. 	<p>AC</p>
<p>6.</p>	<p>PAY RISE</p> <p>The Committee was mindful of the lag in staff pay that occurred over the years of prudence, however the current cash position still had to be managed. The Principal suggested there was no groundswell of angst amongst the staff and they were aware of the situation.</p> <p>The Principal advised that Casual Staff were usually young and were now paid on the National Living Wage with no massive impact. The Committee agreed that inflation was increasing and the College should increase prices where necessary, however it was noted that wedding were booked well in advance and prices committed to. It was noted that the Finance Director had carried out a lot of work on profitability of events with a cost analysis after each wedding. The Committee questioned if there was now a backlog of wedding due to the pandemic and the Principal advised that there were some new bookings, and if they had been carried forward from the previous year the price had been honoured, but new bookings were at the new pricing structure. It was noted that bookings were only accepted up to four years in advance, with a two year</p>	

	<p>rolling process.</p> <p>It was AGREED that unfortunately a pay rise could not be recommended due to the challenging financial situation. The Committee questioned when it was considered that it would be feasible and noted that £50K had been included in the Budget for 2021/22, and there were no further thoughts.</p> <p>The Committee NOTED that a College Financial Forecasting Return (CFFR) had been submitted to the EFSA with a three year forecast, with the option of up to 10 years. It was also noted that this would be presented to the FEC Team, and monthly checks would probably be expected.</p>	
<p>7.</p>	<p>BUDGET 2021/22</p> <p>The draft Budget for 2021/22 was CONSIDERED and the following points NOTED:</p> <ul style="list-style-type: none"> • It was noted that the presented document was a summary and full documentation would be presented to the Corporation for approval. • Apprenticeship income was presented with the clawback having been taken out. • The budget for conferencing had been prudent with the pandemic restrictions currently continuing. It was noted that weddings going forward would only take place at weekends. • The Estate Shop was due to open soon and income was unknown. • The Finance Director was confident with the budget for the Farm. • A pay rise had been included. • The draft budget had been set with information from the Department Heads. • The Principal advised that this was the worst case scenario as there was currently no value engineering. He questioned whether the Corporation was content to approve a deficit budget, however it had to be realistic. • Members suggested that the commercial assumptions should be known for a reality check, and noted these would be provided for the Corporation meeting. The balance sheet and cashflow would also be included. • The budget would be reviewed to take into account the travel costs. • Inflation costs of 3.5% would be reviewed, and the document would be refined over the next week for presentation to the Corporation for approval. • It was noted that a contingency had not been included. • The Committee questioned whether honest assessments had been made and this was confirmed, noting that they were flexible. • The Principal confirmed that he was content with the budget for the Farm and the Estate, and there were always options not to undertake planned work if necessary. • It was agreed that the pinch point was March 2022 and credit management would be monitored. <p>It was AGREED that further work would be undertaken and a full document presented to the Corporation.</p>	
<p>8.</p>	<p>UNIVERSITY CENTRE AND BUSINESS HUB</p> <p>It was noted that the Principal had shared a Position Paper for the decision making process of the University Centre and Business Hub the following week.</p> <p>The Committee questioned whether there had been any reduction in the scope with the agreement to waive the match funding and the Principal advised that</p>	

	tenders had been well under the estimated design cost and dashboard would be presented for the following week.	
9.	<p>COMMERCIAL UPDATE</p> <p>The Principal reported that it was good to see weddings back in operation, with the Animal Park still attracting many visitors. Future plans would see the opening of the Estate Shop and the Cellar Bar. It was noted that the Shop would support SEN internships which would provide revenue.</p>	
10.	<p>VAT CLAIM</p> <p>The report from the VAT Consultant was NOTED, although there was nothing definite on any timings. The VAT Consultant had met with the Principal and the Finance Director and he was confident that some refunds would be made by the HMRC by year end. The Committee questioned whether the VAT Consultant was due any fee payment against the refund payment and the Finance Director agreed to investigate.</p>	AC
11.	<p>COMMITTEE TERMS OF REFERENCE AND WORK PROGRAMME 2021/22</p> <p>The Committee Terms of Reference and Work Programme for 2021/22 were considered and the following points NOTED:</p> <ul style="list-style-type: none"> • It was questioned whether the TOR should include the FEC recommendation of two financially qualified accountants on the Committee. It was agreed that the GRS Committee would keep this in mind when recommending committee membership. • It was noted that a co-opted member of the Audit & Assurance Committee would move from that Committee to this committee in the new academic year as he was financially qualified. <p>The Committee Terms of Reference and Work Programme for 2021/22 were RECOMMENDED to the Corporation for approval.</p>	
12.	<p>PROCUREMENT/TENDERS/VALUE FOR MONEY/CONSULTANCIES</p> <p>The following points were NOTED:</p> <ul style="list-style-type: none"> • No procurement for the Salix grant had been considered as the project was still in the design phase. • It was noted that the insurance provision tender exercise had been completed and was within the financial remit of the Principal. 	
13.	<p>PROJECTS/CAPITAL BID UPDATE</p> <p>The following points were NOTED:</p> <ul style="list-style-type: none"> • A bid of £750K had been submitted under the FE Transformation Capital Fund and the Principal advised that confirmation of progress to the second round should have been known 6 weeks ago, however it had been delayed. It was agreed that this was not a concern as the completion date was 2024. 	
14.	<p>RISK MANAGEMENT</p> <p>It was AGREED that the number one fragility was still financial sustainability.</p>	

<p>15.</p>	<p>ANY OTHER BUSINESS</p> <p>The following further business was NOTED:</p> <ul style="list-style-type: none"> • Member questioned whether there was any update on the Dorset Studio School and the Principal updated with the following points: <ul style="list-style-type: none"> ➤ SLA's were in place and the College was slowly withdrawing support now that the school was viable. ➤ The Principal and Chair had resigned from the Governing Body due to the conflicts of interest, however would remain as Members, who were not involved in day to day decision making. ➤ A split site at Poundbury would be introduced from September 2021, funded by the DfE. ➤ There were on-going conversations with the DfE on long term options and there was frustration that there was nothing new on the table and time was progressing. ➤ The current preferred option for KMC was a new build opposite the current building, however this site had an impact with planning. It was questioned whether the barns that were going to be moved in one of the options were fit for purpose and the Principal advised that they were, although discussions were ongoing in relation to the condition of the Dairy. • Members questioned whether the recent Fraud issue had been reported to the Police. The Principal advised that it had, as well as the ESFA, and the Audit & Assurance Committee were reviewing the incident. • It was noted that the FEC Team would be making a physical visit to the College on 13 July to carry out a further follow up. A pilot scheme supported by the National Leaders of Governance (NLG) and the FEC was being undertaken and representatives were also visiting the College the following week to support curriculum and financial planning. The Principal advised that the FEC Lead was well informed of all the issues around the University Centre project, but the risks of not undertaking the project also had to be balanced. 	
<p>16.</p>	<p>2021/22 MEETING DATES</p> <p>The following dates were NOTED, subject to Corporation approval:</p> <ul style="list-style-type: none"> • 5 October 2021 • 23 November 2021 • 1 March 2022 • 3 May 2022 • 21 June 2022 	
<p><i>Meeting closed at 7.00pm with no further business.</i></p>		

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