

BASINGSTOKE COLLEGE OF TECHNOLOGY CORPORATION

FINANCE & RESOURCES COMMITTEE

MINUTES OF A MEETING HELD ON MONDAY 27 JUNE 2022

Membership (8):	*	Mike Howe	External Member	Chair
	*	Anthony Bravo	Principal	
	*	Kevin Croombs	External Member	Vice Chair
		Greg Devereux-Cooke	Staff Member	
		Arun Mummalaneni	External Member	
	*	Dave Murray	External Member	
		Barry Smith	External Member	
		Vacancy (GB)	External member	
Quorum:		3 required	4 present	Meeting quorate
In Attendance:	*	Simon Burrell	Clerk to the Corporation (Clerk)	
	*	Lorraine Heath	Deputy Principal: Curr, Perf, Innov (DPCPI)	
	*	David Moir	Deputy Principal: Finance & Resources (DPFR)	
Present at Meeting:	*			

PART 1 - NON-CONFIDENTIAL MINUTES

(4.00pm)		ACTION
932.	APOLOGIES FOR ABSENCE Greg Devereux-Cooke, Arun Mummalaneni, Barry Smith.	
933.	DECLARATION OF INTERESTS There were no declarations of interest made.	
934.	NOTIFICATION OF ANY OTHER URGENT BUSINESS There were no items of Any Other Urgent Business notified.	
935.	MINUTES OF THE PREVIOUS MEETING The Minutes of the meeting held on 11 May 2022 were confirmed as a correct record, and were signed by the Chair.	
936.	MATTERS ARISING There were no Matters Arising discussed that were not due to be considered elsewhere on the agenda.	

<p>937. (4.02pm)</p>	<p>MANAGEMENT ACCOUNTS 2021/22: MAY 2022</p> <p>A written report was received, considered and noted. The DPFR advised that the forecast had not been updated since the March 2022 review, and showed an operating deficit (before FRS adjustments) of -£34k, with cash generation of £1,311k (original budget -£167k and £1,246k respectively). He took the Ctte through the Executive Summary of the Management Accounts and updated it on some specific matters that included:</p> <ul style="list-style-type: none"> • Additional income had been achieved from HCC in respect of high needs students, • AEB was at 77% of the funding contract value as student numbers had not returned to pre-Covid levels.. He stressed the adverse impact that this would have on the contract value for AEB in 2023/24. • Agency staff costs had increased considerably owing to the national staff recruitment issues. However, he advised that the overall staffing cost would remain within the forecast figure due to the level of vacancy savings, • Financial KPIs were all 'green' except for surplus as % of income that was 'amber', • Capital spend was on target, • WBTC forecast currently showed an operating deficit of -£224k 													
<p>938. (4.40pm)</p>	<p>BUDGET 2022/23 AND FINANCIAL FORECAST 2023/24</p> <p>A written report was received and considered. The DPFR advised that he had only just received the proposed budget figures for WBTC, and that these would be included in the final proposed group budget to be presented to the Corporation for consideration at its meeting on 6 July 2022.</p> <p>The DPFR advised further that, in overall terms, the College budget generated £1.458m of cash, which was defined as 'excellent' by the College's agreed financial performance indicators. He advised that the report detailed the key assumptions made in preparing the budget, identified areas of risk and opportunity, and highlighted some areas of concern around ongoing curriculum viability. Attention was also drawn to the underlying financial position, the amount of lagged funding and contribution from commercial contracts which were inherently uncertain in the medium term. The pay award agreed by the Corporation at its meeting on 6 April 2022 (effective from 1 August 2022) was included. Capital plans had also been included, with the working assumption regarding F Block that phase 2 and phase 3 would go ahead.</p> <p>The DPFR stressed that BCoT continued to perform strongly, and maintained outstanding financial health. However, he anticipated declining full-time student numbers which, if realised, would cause financial challenges in 2023/24. He also advised that WBTC had had a difficult year (2021/22) and its 'going concern' status would be at risk if apprenticeship and programme of study starts in September 2022 were below expectations. He advised further that the performance of WBTC had adversely impacted the group's financial position.</p> <p>It was noted that the proposed BCoT budget 2022/23 was based on:</p> <table data-bbox="367 1668 981 1926" style="margin-left: 40px;"> <tr> <td>Total Income</td> <td style="text-align: right;">£16,726k</td> </tr> <tr> <td>Total Pay Costs</td> <td style="text-align: right;">£10,750k</td> </tr> <tr> <td>Total Non-pay Costs</td> <td style="text-align: right;">£4,518k</td> </tr> <tr> <td>Cash Generation</td> <td style="text-align: right;">£1,458k</td> </tr> <tr> <td>Surplus after depreciation but before pension adjustments</td> <td style="text-align: right;">£114k</td> </tr> <tr> <td>Deficit after depreciation and pension adjustments</td> <td style="text-align: right;">£(946k)</td> </tr> </table> <p>The DPFR took the Ctte through the assumptions that had been made in developing the budget and highlighted that:</p>	Total Income	£16,726k	Total Pay Costs	£10,750k	Total Non-pay Costs	£4,518k	Cash Generation	£1,458k	Surplus after depreciation but before pension adjustments	£114k	Deficit after depreciation and pension adjustments	£(946k)	
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938.
(cont)

- Lower than expected 16-18 enrolments in 2021/22 would reduce funding in 2022/23 by £540k,
- Applications for 2022/23 from new students were slightly higher than in 2021/22, but progression of existing students was expected to be reduced as there were too many external options available such as employment or offers from other providers,
- There had been an increase in the funding rate that would generate c£950k of additional income,
- Funding had been received for T-level delivery. The DPFR highlighted the complicated funding methodology used for T-levels, and stressed the volatility around it,
- Utility prices had doubled and were planned to be increased again later in 2022,
- The ESFA required all full time students to receive one hour of additional teaching in 2022/23,
- A full-time electrical course was being added in 2022/23 as an additional progression option from the multi-skills course,
- Concern at low participation in Early Years courses could lead to the provision being unviable,
- A 5% growth in apprenticeship provision was assumed.

The DPFR highlighted the core financial priorities and objectives for 2022/23. He stressed that the College needed to ensure that core activity was financially self-sufficient, that pay costs remained in proportion to income, and that the finances are not reliant on high-value commercial contracts. The College's Financial Performance Indicators had been updated to reflect those priorities. There was also a greater emphasis on cash generation and less on the bottom line position after depreciation and FRS102 pension adjustments. He advised that the College's financial objectives for 2022/23 would be:

- To maintain ESFA Financial Health of Outstanding (under the existing methodology)
- Cash generated from operations to be at least £1m, and ideally £1.4m
- Core college cash generation to be greater than £700k, and ideally £1.1m
- Pay costs as a percentage of core college income to be below 70% and ideally below 65%
- Cash days to be at least 60, and never less than 30
- Adjusted current ratio to be at least 2.0, and never less than 1.0
- Proportion of cash generated required to meet the £700k ongoing capital requirement

With regards to capital expenditure, the DPFR proposed that:

- £700k operational capital spend, which included the College's £90k contribution to T-Level capital
- £90k of T-level capital funded by ESFA
- £200k to complete the refurbishment of F Block ground floor (this is in additional to £400k forecast to be spend by 31.7.2022 and held as Assets In the Course of Construction at yearend)
- £400k for commencement of the refurbishment of F block top floor in June 2023 (completion by 31 August 2023)
- Total spend: £1.39m

Operational capital spend would be phased over the year with priority given initially to essential (unavoidable) expenditure and expenditure necessary to achieve planned student numbers. Subsequent phases would be released following an assessment of affordability by the College post-enrolment in September. The capital plan was set-out in the Financial Plan and Budget report.

<p>938. (cont)</p>	<p>The DPFR outlined the key risks and opportunities (all fully detailed in the Financial Plan and Budget Report) to the achievement of the budget. He highlighted the risks as:</p> <ul style="list-style-type: none"> • Full-time numbers were lower than planned • Plentiful employment opportunities in the area, coupled with cost of living concerns, resulting in more young people choosing employment opportunities • Commercial contracts did not operate as planned • Adult and HE participation did not increase • Progression from T-level transition courses onto full T-levels was lower than the previous level 2 to level 3 progression • Low staff turnover resulted in vacancy savings not being achieved • Difficulty in recruiting to hard-to-fill roles caused interim and temporary staff costs to increase above budgeted levels • Wage pressures required the College to increase pay during the year • Further unbudgeted cost increases caused the expenditure budget to overspend • Budget holders could not contain inflationary cost increases causing non-pay budgets to be overspent <p>Opportunities highlighted in the Financial Plan and Budget Report were:</p> <ul style="list-style-type: none"> • Increased adult participation utilising the full value of the AEB contract • The College aimed to build on its successful commercial training contracts • The University Centre grows work-based part-time HE provision • T-level success increases demand • A new marketing and PR campaign is launched to address decline in full-time numbers • The fall in student numbers on 2021 was a 'blip' • Increased delivery to adults through on-line courses • Increasing income and learner numbers through targeted funding pots • Reducing estates costs • Reducing power consumption <p>The Ctte considered the proposed Financial Plan and Budget report for 2022/23, and noted that an updated version incorporating WBTC would be presented to the Corporation for consideration..</p> <p>It was RESOLVED to RECOMMEND to the CORPORATION that the Financial Plan and Budget, as set-out in the report and as updated to include WBTC, be approved.</p>	
<p>939. (5.43pm)</p>	<p>STAFF SEASON TICKET AND CAR LOAN POLICY</p> <p>A written report was received and considered. The Principal advised that he had received a request from a member of staff to extend the policy to include provision of loans towards the purchase of a car. He felt that there was a moral obligation to consider such an extension to the policy.</p> <p>An amended policy was received for the Ctte's review. The Principal outlined the reasons why the existing scheme should be extended to include loans towards the purchase of a car as:</p> <ul style="list-style-type: none"> • It could help to recruit and retain staff • The member of staff may require the car to get to and from work, and so is similar in nature to a season ticket loan • Supporting staff, particularly at this time of rising costs, would benefit the College in the long-run and is the right thing to do 	

<p>939. (cont)</p>	<p>The Principal confirmed that there were no tax implications as long as the loan value did not exceed £10,000</p> <p>The Principal also advised that there were some reservations that had been expressed with this proposal. These were:</p> <ul style="list-style-type: none"> • It was not the College's role to lend money (although season ticket loans were lending) • Providing 'easy credit' could encourage someone to take on unaffordable levels of debt and they could end up in greater financial difficulty as a result <p>The Principal stressed that there were safeguards contained in the proposed policy to limit the financial exposure of the College and amount of debt an individual can take on. He also requested to be able to apply exceptions to the policy, and in this situation the policy required any exceptions proposed by the Principal to be approved by the Chair of Corporation.</p> <p>The DPFR advised that he had had initial concerns to the proposed change to the policy but these had been managed through the revisions incorporated in it.</p> <p>Members of the Ctte expressed their general support for the proposed changes but felt that checks should be made to ensure that the College was allowed to enter into such arrangements.</p> <p>The Clerk was requested to review the Instrument & Articles of Government and the DPFR requested to check the College's Financial Regulations and the ESFA Funding Agreement to ensure that there were no restrictions placed on colleges to use funds in the proposed manner.</p> <p style="text-align: center;">Subject to satisfactory checks, the Finance & Resources Ctte agreed to support the principle of extending the season ticket loan scheme to include car loans up to a value of one month's net pay.</p> <p><i>[Post Meeting Notes:</i></p> <ol style="list-style-type: none"> 1. <i>The Clerk advised that there was nothing in the Instrument & Articles of Government that precluded the College offering such a facility.</i> 2. <i>The DPFR confirmed that the College's Financial Regulations and the ESFA Funding Agreement contained no restrictions to the College offering such a facility.</i> 3. <i>The DPFR had also sought advice from Alliotts (the College's financial statements Auditor (FSA)). The FSA had confirmed that as the proposal was part of the College's benefits package available to staff the FSA did not believe that there were any regularity matters that needed to be specifically highlighted by this proposal.]</i> 	<p>Clerk DPFR</p>
<p>940. (6.20pm)</p>	<p>PARTNERSHIP PROVISION</p> <p>1. Partnerhip Provision 2021/22</p> <p>A written report was received and considered. The DPCPI advised that there were, currently, 41 learners still to complete in the current academic year and, due to withdrawals/non achievers, the year end forecast funding had reduced to below the target of £100k. She advised further that the remaining learners were being closely monitored and additional support was being provided to all learners identified as 'amber' or 'red' i.e. those at risk of not achieving to support as many to achieve as possible.</p> <p>2. Partnership Provision 2022/23</p> <p>The DPCPI advised that the Principal would like to continue to support WBTC and that it was proposed to issue a sub-contract of £100,000 for the 2022/23 academic</p>	

940. (cont)	<p>year. She advised further that in order to ensure that the impact on the College's headline achievement rates was minimal, the following had been agreed with WBTC:</p> <ul style="list-style-type: none"> • New starts limited to English functional skills only • New starts limited to one cohort of 20 learners in September • Remaining funding to be released once the College was certain of the achievement rates for the first cohort (likely to be January 2023) • BCoT to review the English functionals skills achievement data at the end of the current year and, if the achievement rate was at an acceptable level, the College would review the position for September starts and might release extra funding earlier. <p>The DPCPI warned that if the College proceeded with the limited cohort in September then it might be difficult for WBTC to achieve £100,000, which would impact on their budget for 2022/23.</p> <p>It was RESOLVED that a contract for 2022/23 with WBTC for £100k be agreed.</p> <p>3. Potential Contract with Learning Curve</p> <p>The DPCPI also advised that there was the possibility of an additional contract being considered with Learning Curve. She advised that the proposed contract value would be c£150k, and stressed that Learning Curve had always produced good results and that there had been no issues related to their past provision. An update on progress would be made to the Corporation on 6 July 2022 when final approval would be considered.</p> <p>It was RESOLVED that a contract with Learning Curve for c£150k be agreed in principle, subject to an update at Corporation on 6 July 2022 when a final decision would be considered.</p>	DPCPI/ Corp
941.	<p>ANY OTHER URGENT BUSINESS</p> <p>There were no items of Any Other Urgent Business considered.</p>	
942.	<p>DATES OF FUTURE MEETINGS <i>(Meetings commence at 5.00pm unless stated)</i></p> <p>Thursday 24 November 2022 Wednesday 8 March 2023 Wednesday 10 May 2023 Wednesday 21 June 2023</p>	
(6.34pm)	Meeting closed	

NOTE: Acronyms used in the Ctte's Minutes:

AEB	Adult Education Budget
BDBC	Basingstoke & Deane Borough Council
ESFA	Education & Skills Funding Agency
KPIs	Key Performance Indicators
HCC	Hampshire County Council
WBTC	West Berkshire Training Consortium