

The total potential revised surplus figure has been revised to a deficit of £437K which is an improvement on the February deficit figure of £878K. This includes the potential impact of the College remaining closed for up to 12 weeks, or in practical terms to the end of the summer term, which is now a more likely position.

However, on the cost side the Vice Principal Finance and Resources advised that there may be some cost savings as a consequence of the College closure and there is some confidence that perhaps a breakeven position could be achieved particularly as we need to safeguard the banking covenants.

The Committee was keen to commit a sum (cap) for summer works as the likely works this year are anticipated to be more than budget and would require approval as non budgeted expenditure albeit it was recognised that given the Covid-19 situation then some contractors may not be possible to undertake their works. A sum will be calculated and shared electronically with the Committee for comment/approval and thereafter any detail of the works is delegated to the Chair.

SJones

The balance sheet shows that the bank balance has reduced from £5,944K in February to £5,696K in March 2020, and is very close to the budget bank balance expected of £5,676K. This is the lowest point in the year for the budget bank balance and it will start to increase from April 2020, mainly due to the increase in the expected cash payment profile from funding bodies.

The current bank balance of £5,696K in March 2020 compares to the balance of £6,992K as at March 2019 which shows a reduction year on year of £1,296K which will be largely due to the investment in the STEM Centre.

5 Key Performance Indicators

Six of the twelve metrics including the banking covenants are RAG rated green and are compliant. Metrics 2, 3, 4, 9, 11 and 12 are showing as being non-compliant for the following reasons:

- Metric 2 – the Forecast Total income is amber as this is less than 2% lower than budget.
- Metric 3 - the forecast total expenditure is rated as amber as this is less than 2% higher than budgeted expenditure and it was noted that this now includes essential summer works.
- Metric 4 - the forecast surplus is rated as red as it shows a deficit for the year of £205K
- Metric 9 - the banking covenant 'Not a deficit in 2 out of 3 years' is still compliant but is showing as rated amber to highlight the forecast deficit for 1 out of the 3 years.
- Metric 11 - the HE enrolment numbers for 2019/20 are rated as red as the variance between actual numbers and target is over 5% below target.
- Metric 12 - the HE enrolment numbers for the 1st year of 2020/21 are rated as red as the variance between actual numbers and target is over 5% below target.

6 Draft Budget 2020/21

The report shows that a surplus budget of £250K has been planned for, in order to ensure that the College can continue to operate effectively and efficiently

Income

The principal elements in the construction of the budget were set out in the report and it was noted that the:

- ESFA 16-19 allocation has increased while High Needs Funding has remained static
- HE budget is based on £3,265K of UoS income and £170K for direct funded income
- ESFA Adult income contains two elements, non-devolved which is the Adult Education Budget (AEB) element and devolved funding by way of allocations from the GLA and CPCA
- Apprenticeship income shows an increase in budget of £257K despite new students starting only being included at just under 70% to reflect the expected slower start in Apprenticeships following the Covid-19 closure.
- Fee Income shows a reduction in income of £200K
- Full Cost Course budgets have decreased by £142K which is a reduction of £200K for the now closed Gas and Oil provision
- Commercial income budget has reduced by £506K due to the contracting out of the catering to Servest
- Other grant income has increased by £11K
- Miscellaneous income has reduced by £27K.

The Committee was concerned about the potential student numbers given that the local press predicts reducing student numbers, particularly those looking for University placements. We could benefit from students not wanting to travel to other locations across the Country as they may opt to study local. As the position is so unknown the Committee accepted the assumption as presented but noted this as a potential risk.

In addition, the Committee raised a similar concern with the Apprenticeship proposed level of increased income given that employers may not be in a position to recruit or recover financially from Covid-19 but there was confidence from the Vice Principal Employer Engagement that the team can be flexible and adapt to employer demands and seek alternative opportunities.

Conversely our 16-18 student numbers are positive with over 3,000 students recruited this year and higher numbers possible next.

Non-pay expenditure

It was reported that the non-pay expenditure budgets have increased overall by £370K compared to last year because:

- Premises costs have increased by £168K
- The cost of sales commercial activities budget has reduced by £202K due to the removal of all costs relating to the catering activities
- General non pay costs have increased by £277K.
- Partner costs have reduced by £102K which is the partner costs for the local authority high needs funding income.
- Depreciation costs have increased by £261K and includes a full year of depreciation on the STEM building and refurbishment, plus an increase of depreciation for new capital purchases in year of £247K.

The Committee was interested to know if there was any potential to pare back any spend and the Vice Principal Finance and Resources confirmed that there is scope in some expenditure lines to mitigate against any negative shortfall or potential slip into a deficit position.

Capital

The proposed capital budget has been set at £1,812K, giving an increase in depreciation costs of £247K to be offset by an increase in deferred capital grant of £17K. This is an increase on the capital budget for 2019/20 but includes £612K for essential works as a result of the property condition survey as agreed previously. The Committee asked what the £1.2m remaining has been allocated for and it was confirmed that there is no substantive item comprising this figure but a combination of multiple requests for capital in the operational planning process that as yet is to be determined.

The Committee was content to endorse the budget presented and await to consider the next iteration with the 3-year financial forecast at the meeting to be held in June 2020.

The Chair suggested that the budget headings are rationalised in preparation of the next meeting of the Committee. He has discussed this proposal with the Vice Principal Finance and Resources outside of the meeting and a new format will come back to the Committee.

SJones
SClarke

7 Full Time FE Applications 2020/21

At this stage, overall new applications for full-time courses are 3% above this time last year and with the addition of progressing students (160 up), we are 6% above (approx. 220 up) the same point last year.

Interviews and offers are still taking place remotely during lockdown and based on our conversion rate (80%) we currently need an additional 259 applications between now and August to reach the curriculum target. There is confidence that this is achievable given that only in the last week we have had 50 applications come through. Particular growth areas include Construction, Health and Social Care, Animal Care and STEM subjects. Courses in decline are our Business Courses which is unusual, and we are looking into the reasons why numbers/interest are/is reducing.

8 HE Applications 2020/21

Applications for 2020/21 are 275 at this stage in the year and down by 22% on the same point last year. Covid-19 is having an impact on the application process in that there has been an embargo on unconditional offers which was extended to 4 May 2020. We are now, however, able to process with conditional offers and those put 'on hold' are now being processed. Accepted offers are 84.5, down by 29% compared to the same point last year. UCAS has pushed back the dates for applicants to accept or decline offers to early June which will cause a delay for us in receiving acceptances or declines from the applicants to whom we have made an offer. We still therefore need to get 469 applications and convert 104.5 offers in place in order to achieve our 'on course' target.

Keep warm activities for new enrolments have been moved online during lockdown. Our enrolment count at this stage is 454, just 1 less than the same point last year. The team are also planning to conduct cold call contact to try to

invigorate interest and a review of our offer is also underway to ensure that we are offering what is wanted/needed. January starts is also being considered.

R Kirk and C Meredith left the meeting at 6.35pm

9 Supply Chain Policy and Subcontracting

In accordance with the Financial Regulations the policy is to be reviewed and approved annually prior to the commencement of the new academic year. A number of tracked changes were proposed which the Committee **approved**.

The report also provided the Committee with an update on our partner delivery and the subcontractors (Levy and non-Levy) proposed that the College will continue to work with in the next academic year. It was noted that this is not an area of risk from an income perspective as the team are supporting the subcontractors and providing the advice to get the students through.

10 Any other business

The Clerk was thanked for her contribution and hard work over the years. She leaves the employment of the College at the end of the month.

All managers and the Principal/CEO left the meeting at 6.40pm, leaving Governors only

Confidential item under paragraph 18(2) of the Instrument and Articles of Government

i. Recommendation of the Remuneration Committee

Date of next meeting

Wednesday 24 June 2020 at 4.00pm.

The meeting closed at 7.00pm