

Minutes of the virtual meeting held on 23 June 2021 at 4.30pm

Present: C Higgins N Savvas, CEO
E D'Souza S Clarke, Chair

In Attendance: A Wright, Head of Admissions and Student Futures
C Meredith, Executive Dean of Higher Education
J Raffel, Group Director Finance
L Moody, Vice Principal Employer Engagement
P Ewan, Head of Finance
S Jones, Vice Principal Finance and Resources
S Gales, Board Secretary

Apologies: T Elkin, Clerk

CHiggins, ED'Souza, NSavvas and SClarke declared their role as Trustees of Suffolk Academies Trust.

No other attendees declared an interest in relation to items on the agenda.

Note: the meeting commenced slightly later than scheduled at 4.45pm

1 Apologies for absence

Apologies for absence were received from TElkin.

2 Minutes of the meeting held on 12 May 2021

The minutes of the meeting held on 12 May 2021 were **agreed** as a correct record, subject to the amendment on para 5 of page 2 to read: "PEwan noted that this includes £1m to maintain and refurbish the estate, circa £250k for generic capital budgets, leaving circa £950k for capital requests included in Operational Planning".

3 Matters Arising from meeting on 12 May 2021

The matters arising from the meeting were summarised in the report and all actions reported had either been completed or, where appropriate an update had been provided on progress.

MA3 LMoody has shared a proposed template report for Apprenticeship data which SClarke is reviewing.

MA6 SJones noted that we are still awaiting confirmation of our T Level and Transformation fund applications.

4 Applications

i. Sixth Form

As of 14 June 2021, 2,168 new students have applied (vs. 2,109 last year) and 1,630 are progressing (vs. 1,513 last year). Of these, 2,010 of the new students have been offered a place (vs. 1,600 last year) and 1,563 progressing students have been offered a place (vs. 1,488 last year).

The Committee commended AWright on the report and the helpfulness of having the applications by feeder school and queried the reason why applications from students in a small number of schools are lower than in previous years. NSavvas and AWright discussed that this is due to the schools restricting our access to their students to run IAG events in order to further promote their Sixth Form. NSavvas noted that we are working to establish relationships with the school leaders to ensure students have IAG about all providers and, to expand our transport provision to ensure students across the region can travel to the College.

Clerk

ii. HE

253 students have applied to University Studies for 2021/22 (compared to 243 last year; an increase of 4%); of which 196 have been offered a place (compared to 158 at this point last year; an increase of 24%). Of those offered places, 112 have accepted and 73 have declined (compared to 96 and 91 respectively last year). Analysis of the applications received continues to show an increase in Engineering and Construction course application.

CMeredith updated that, since the report was created, the application and accepted numbers have improved further; and where cohort sizes indicated an unviable course the US team have made decisions to close down these courses.

The Committee queried whether the increase in HE applications is a localised trend to US or a more national trend. CMeredith responded that the HE sector seems to be seeing an uptake in applications which is a promising legacy of Covid-19.

NSavvas noted that US have been proactively working with WSC sixth form, ASFC and OSFC to support progression from Level 3 students to HE courses, and this is proving successful as applications from these providers represents 59% of the applications.

5 Finance Report

Governors received and considered the detailed financial report provided, and SClarke summarised the key data:

- The year to date position is a contribution to reserves of £611k (compared to £502k year to date budget).
- The year-end forecast position is a surplus of £654k.
- Potential best-case contribution to reserves is £1,612k surplus with a worst-case contribution of £178k surplus.

SJones updated that, since the report was created, the financial position has improved further, and the improved year-end forecast position has given us the confidence to invest in planned works at US and to increase reserves at the year end to enable further investment in other areas of the college in future years.

The Committee asked if LMoody was confident they will achieve the EE budget targets. LMoody confirmed that she is confident that we will achieve 90% of our AEB allocation (the minimum threshold needed to avoid a potential AEB clawback) and that we will achieve our Apprenticeships target, subject to the limited capacity of End Point Assessments.

SJones confirmed that the cost of not achieving the 90% AEB threshold was factored into the potential worst case calculations.

6 Key Performance Indicators

Governors received and considered the KPI Report provided. SClarke confirmed that he is working with SJones and JRaffel to agree how the benchmarks are established and to ensure the calculations used for our ESFA KPIs align to those used by the ESFA.

SClarke noted that of the KPIs, RAG rating of the data shows: **15 green**, **2 amber** and **1 red** KPIs. KPI 8 is rated as red as this remains significantly behind the target.

ESFA KPIs

- 1** Financial Health Grade: Graded as 'good' based on low EBITDA ratio 0.9% (compared to a benchmark of 'good')
- 1.1** Adjusted Current Ratio: 3.08 (compared to a benchmark of 3.06)
- 1.2** Adjusted Cash Days in Hand (Income basis): 95.07 (compared to benchmark of 84.29)
- 1.3** Cash Reserves: £8.72m (compared to a benchmark of £1m)
- 1.4** Performance Ratio (EBITDA - standard): 1.9% (compared to a benchmark of 0.51%)

SClarke
SJones
JRaffel

- 1.5 Forecast Staff Costs as % of Forecast Income (excluding franchised income): 69.1% (compared to a benchmark of 69.4%)
- 1.6 Borrowing as % of Forecast Total Income: 14.2% (compared to a benchmark of 14.7%)
- 1.7 Forecast Debt Charge as % of Loans: 2.1% (compared to a benchmark of 2.3%)

WSC KPIs

- 2 Forecast Total Income: £33.92m (compared to a benchmark of £32.88m)
- 3 Forecast Total Expenditure: £33.26m (compared to a benchmark of £32.68m)
- 4 Forecast Total Surplus / (Deficit): £0.654m (compared to a benchmark of £0.20m)
- 5.1 Total External Debt as % of Total Funds: 13.5% (compared to a benchmark of < 65%)
- 5.2 Forecast Borrowing Cost as % of Forecast Total Income (adjusted): 1.5% (compared to a benchmark of 7%)
- 5.3 Revenue Reserves: £35.32m (compared to a benchmark of >£8m)
- 5.4 Incurring Deficit > 2 years in 3 year period: Actual 2 years history and forecast 2020/21 is surplus
- 6 16-18 Funded Actual Enrolment Numbers: 3,165 (compared to a benchmark of 3,132)
- 7 HE Enrolment Actual FTE Numbers for 2020/21: 449.0 (compared to a benchmark of 462.0)
- 8 HE FTE Application Numbers for 1st year 2021/22: 223.0 (compared to a benchmark of 550)

7 **College Budget 2021/22 and 3-Year Financial Forecast**

Governors received and considered the draft Budget and 3-Year Financial Forecast. The Committee noted that there were only minor changes to the 2021/22 Budget considered at the last meeting.

The Committee noted the assumptions on student numbers, and other income and expenditure lines in the forecasts for 2022/23 and 2023/24 and agreed that these were prudent and noted that they resulted in surplus projections of £365k and £579k respectively for these years.

The Committee discussed the proposed financial objectives for 2021/22:

- The College generates a minimum break-even position in the three-year period;
- The budgets plan for positive cash generation which will enable the College to ensure that the maintenance and development of its estate remains of a high quality.
- The College will maintain the current asset ratio in excess of 1 excluding the effect of any impact of FRS102 changes; and
- Cash will be maintained to ensure sufficient cash balances to meet the expenditure needs of the business.
- All loan covenant requirements will be satisfied.
- Staff costs as a percentage of income to remain within budget with a longer-term objective to bring the percentage down to 65% or lower.
- ESFA assessment of financial health to be a minimum of "Good"
- Seek to achieve an adjusted surplus as a % of adjusted income of 3% (as per the 'Adjusted Operating Ratio' referenced cell R-5e on the Ratio sheet of the CFFR 2021/22).

The Committee discussed the wording of objective 2 and whether the wording 'plan for positive cash generation' is clear; and tasked SJones to consider this wording again ahead of submitting it to the Corporation.

The Committee also considered the risks associated with the assumptions behind both the Budget and three year plan and agreed that these risks were acceptable and were extremely unlikely to affect the going concern status of the College.

The Committee queried the capital expenditure outlined in the 3-year Forecast to seek confirmation that the capital expenditure aligns to the works discussed and agreed by the Property Committee and to query if we can seek external funding opportunities to undertake capital works. SJones noted that the capital expenditure does align to the

SJones

works agreed by the Property Committee and, whilst we will continue to pursue external funding opportunities, we cannot rely on this for our forecasting purposes, hence it is not included in the forecast/budget unless we have confirmed funding.

PEwan advised the Committee that in addition to the £2.2m capital budget for 2021/22 the forecast capital plans for 22/23 and 23/23 were £4,597k and £2,535k respectively. The Committee discussed these figures and voiced concerns that it should not be agreeing to levels of forecasted capital expenditure if it could not be demonstrated that the College had sufficient cash reserves to pay for this expenditure. SJones presented a summary showing the capital expenditure over the 3-year with associated forecast cash reserves which showed that at the end of the three year period after the forecast capital expenditure the College would still have cash reserves in excess of £5m. The Committee confirmed that this provided assurance that the College could afford the level of capital investment proposed and asked SJones to create a similar report to give the Corporation similar assurance.

SJones

Governors **approved and agreed to recommend the Budget and 3-Year summary forecast (including the Capital Budget and forecast) and the financial objectives for 21/22 to the Corporation.**

SJones

The Committee confirmed that it expected all future Committee and Corporation reports on financial performance to be monitored against the approved budget.

SJones

8 **Draft Financial Regulations inc. Agile Decision Making**

Governors received and considered the updated draft Financial Regulations provided, and SClarke summarised the progress to the report since the Committee's last review:

- Changes to section 3.1.5 to reference section 3.2.3
- Insertions in sections 3.1.5 and 3.1.7 to recommend use of the new agile project approval format included in new appendix G
- A new section on Bids for Grant Funding in sections 3.2.3.1, 2 & 3 and adjusting subsequent paragraph numbers.
- Updates to section 3.2.3.5.2 in relation to unbudgeted capital expenditure, both fully funded and unfunded or partially funded.
- Updates to section 3.6.4 to increase the debt write off limits from £2,500 and £5,000 to £5,000 and £10,000 respectively; and inserting an additional comment in relation to fee waivers being outside the scope of debt write-off limits.
- Amended section 3.9.5 to clarify the distinction between discretionary & non-discretionary contracts.
- Updates to section 3.9.5 about the Authority to Vary Financial Regulations & approvers required.
- Amended section 3.11.1 about transactions involving land & buildings to include agile approval ability.
- New template Agile Project Approval form in Appendix G and re-index subsequent appendices.

Governors **approved and agreed to recommend** the Financial Regulations to the Corporation, subject further revision to Section 2 to reflect the outcome of the Corporation's decision on the governance structure of the College for 2021/22.

SJones
SGales

The Committee asked for SClarke to explain to Corporation why we are recommending an Agile Project Approval process, so that Governors have a clear understanding of the context for this recommendation.

SClarke

9 **Essex and Suffolk School of Purchasing Update**

Governors received and considered the update report provided.

The Committee **agreed to delegate** final consideration and potential approval to the Chair of the Finance Committee (up to the maximum value of £180k).

SClarke

10 Subcontractor Provision for 2021/22 and Supply Chain Policy

Governors received and reviewed the paper confirming the sub-contractors which the College works with, the details of the amount they will be funded for 2021/22; and the updated Supply Chain Policy for 2021/22.

Governors **approved** the list of Subcontractors we will work with for 2021/22 and the Supply Chain Policy for 2021/22.

The Committee asked LMoody, for future years, to track changes to the Supply Chain Policy to help Governors monitor the proposed amendments.

LMoody

11 Insurance Renewal

The Committee was being asked to approve the new insurance contract because over the three year period of the proposed contract term the value of the contract exceeded the level which was delegated to staff.

Governors received and reviewed the report which recommended a 3-year insurance package (with a series of policies with different insurers) procured through the broker. FE Protect. Following consideration of the quotations provided by the insurance companies including Aviva, Allianz, Travelers and Ecclesiastical; Aviva is the recommended option for the main Combined Commercial policy (as the largest element). The report notes that although this is no change to the current provider for this policy, the 2021/22 price is more competitive through FE Protect (due to their a specific insurance framework with Aviva for use in FE Colleges and the economies achieved through a multi-year tie-in) and the year 1 cost for FE Protect is £96,708 compared to the current year cost of £137,346 as brokered by Hugh J Boswell. SJones added that whilst there are some differences in cover, this is to better align with our needs (i.e. better cover in some areas and reduced cover where it was considered excessive), and that our relationship with FE Protect has been very positive and responsive.

Governors **approved the expenditure** on the 3-year insurance contract with FE Protect.

12 LIBOR Termination Proposal

Governors received and reviewed a paper which summarised that, as LIBOR (London Interbank Offered Rate) comes to an end on 31 December 2021 and as the College's loan contracts either rely on/make reference to/have provision for LIBOR in the facility agreements, the contracts must be revised to remove all references to LIBOR.

The College's bankers (Lloyds) have provided two principal options and have discussed these with the Vice Principal Finance & Resources. The bank's proposal is that the College transition from LIBOR to using Bank Rate or SONIA to provide a stable, flexible and consistent basis for the loans and the remainder of their term. The recommendation within the paper presented to the Committee is to replace LIBOR with SONIA.

Governors **approved and agreed to recommend the LIBOR Termination Proposal to the Corporation.**

SJones

13 Any Other Business

• ESFA Letter

The Committee received the letter sent to NSavvas on 13 May 2021 by Adrian Bank, Deputy Director – Assurance, ESFA entitled West Suffolk College Financial Statements 2019 to 2020 and Finance Record 2019 to 2021. The letter confirmed that following their review of the college's audited financial statements and assurance returns for the year ended 31 July 2020 and the finance record for the years ending 31st July 2020 (2019/20) and 31st July 2021 (2020/21), had led to them confirming the College's assessment grades of Outstanding for 2019/20 (the outturn year), and Good for 2020/21 (the current budget year). The letter also confirmed that following their review of the College's audited financial statements, financial statements

management letter and the annual report of the audit committee; they had no significant financial control concerns. The letter also enclosed the Finance dashboard.

The Committee congratulated the Executive for such a strong rating.

- **Baroness Berridge speech to the Sixth Form Colleges Association**

NSavvas noted that Baroness Berridge mentioned, in a speech to the SFCA, both SAT, ASFC and OSFC as examples of best practice within the sector and noted the “benefit from being part of a strong family [...] Importantly, these trusts are taking care of the vital finance, estates and HR functions that frees up time for school leaders to focus on teaching, learning and a curriculum. In other words, teachers can do more of what they do best: teach, which drives improved outcomes for learners”. This is a strong message of support for forward-thinking Group workings like ours.

The Committee agreed to share this with the Corporation and, to further evidence the benefit to both SAT and WSC, asked for SJones to present the Value for Money and benefits of shared services paper (reviewed by the Committee at the previous meeting).

SJones

AWright, CMeredith, JRaffel, LMoody, PEwan and SJones left the meeting at 6.19pm

Any Other Business – confidential item

- **Resignation of the Vice Principal Finances and Resources**

NSavvas informed the Committee that SJones has resigned to pursue a new career opportunity at a local FE College. NSavvas noted that he is working with JRaffel, the Finance team and HR to plan the succession, and will keep the Committee informed of the staffing solution proposal.

NSavvas

Date of next Meeting:
TBC

The meeting closed at 6.21pm