

FINANCE COMMITTEE

Minutes of the hybrid meeting held on 29 June 2022 at 4.30pm

Present physically at ASFC:	A Duffety (part) C Higgins, Vice Chair E D'Souza	M Chatt N Savvas, CEO S Clarke, Chair
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In Attendance:

A Wright, Group Director Progression
D Barton, Assistant Principal Adults
E Lees, Executive Dean of Higher Education
G Grainer, Chief Information Officer
J Raffel, CFO
L Parish, Assistant Principal Apprenticeships
P Ewan, Head of Finance
P Stittle, Executive Director Business Development
R Bamford, Group Vice Principal Data and MI
S Gales, Governance Professional

Apologies: None

The agenda was discussed in the following order: 1, 2, 3, 4, 8, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15.

Action

1. **Declaration of Interests and Apologies for absence**
C Higgins, E D'Souza, M Chatt, N Savvas and S Clarke declared their roles as Trustees of Suffolk Academies Trust. No other conflicts of interest in relation to the items of the agenda were declared.

No apologies were received.

2. **Minutes of the meetings held on 18 and 31 May 2022**
The minutes of the meetings held on 18 and 31 May 2022 were **agreed** as an accurate record.

3. **Matters Arising from meeting on 18 and 31 May 2022**
The matters arising from the meeting were summarised in the report and all actions reported had been completed or are on-going to be reported at the next meeting.

4. **Risk Register Extract**
Governors received an extract of the updated Risk Register, with the risks relating to financial matters highlighted. Of these risks, post-mitigation, there were **1 red**, **6 amber** and **7 yellow** risks.

Governors noted that the distribution of risks from the register to the Committees will be considered further in order to ensure all risks relating to financial matters are reported to this Committee.

A Duffety joined the meeting at 4.41pm

5. **Finance Report**
Governors received and noted the detailed financial report provided.

S Clarke requested the Committee consider the deficit avoidance plan instead of the Finance Report and noted that whilst the revised full year forecast shows a £164k surplus, this is at risk of becoming a deficit considering the worsened apprenticeship income position.

The CFO summarised the proposal to capitalise staff costs where staff have been working on capital projects and, to change the estimated useful life of computer equipment from 4 years to 6 years. The CFO noted that the capitalisation of staff costs

achieve would reduce payroll costs in the income & expenditure account and increase the value of the capitalised asset cost in the balance sheet in the region of £50k. The change in estimated useful life of computer equipment would reduce the current year depreciation charge by £170k and increase the net book value of the assets carried forward by the same amount.

Governors asked if we have sought the advice of the external auditors. The CFO confirmed that we have sought their advice and these changes are within regulation. The CEO noted that these changes are represent good accounting practice and/or better apportion depreciation of assets over time.

Governors discussed that the proposal to capitalise staff costs where staff have been working on capital projects and, to remedy the estimated useful life of computer equipment from 4 years to 6 years; are changes with long-term accounting implications. Governors agreed that changes to the College's accounting arrangements should only be implemented if they materially improve accounting practice, and changes should not be proposed simply to achieve financial savings.

Governors noted that the external auditors will consider the impact of the proposed changes to the College's accounting practice within their audit of the annual accounts; and therefore would ensure appropriate transparency and robust consideration to the regularity and compliance of these changes with the College's conditions of funding.

After robust consideration of the proposed changes, the Committee **agreed in principal** to these changes but opted to defer final decision, until the Committee has reviewed the next iteration of the deficit avoidance plan on the w/c 18 July 2022.

CFO

The CFO informed the Committee that the £2m Office for Students grant has been wholly included in the College's 2021/22 financial accounts; and the entire spend will be utilised by 31 July 2022, the project completion date.

6. Key Performance Indicator Report

Governors received and considered the new-style KPI report provided. S Clarke noted that of the KPIs, RAG rating of the data shows: 14 green, 2 amber and 2 red.

Governors noted that the staff costs should be amber, not green.

7. Applications

Governors received and considered the report provided, and A Wright summarised noted that total 16-18 predicted enrolments are circa -70 below the budgetary target.

A Wright noted that for 16-18 ESFA funded students, based on historical data, we anticipate additional enrolments and to achieve the budgetary target.

Governors discussed that as a result of a competitive labour market and the rising cost of living and inflating, there is a growing trend for students to progress into employment after one year of studies, which impact on in-year retention. Governors noted that we need to understand the trend more to be able to implement effective strategies which enable students to continue to achieve their qualifications whilst not deterring students from positive progression.

E Lees noted that total HE predicted enrolment are circa -10-20 below the budgetary target. E Lees noted that we have a higher proportion of applicants declining offers or withdrawing their application; and this is reflecting national HE trends whereby students without financial limitations are applying to high ranking universities and students with financial limitations and/or caring responsibilities are re-considering higher level study due to personal circumstances forming barriers to access.

E Lees summarised the work being done by the team to promote University Studies to attract additional applications through clearing and to convert existing applications to enrolments.

8. Apprenticeship Pipeline

Governors received and considered the report provided, and L Parrish summarised the key data and the issues which impact the forecast apprenticeship pipeline which is subject to changes in response to the needs of employers and/or students.

L Parrish noted that the budget position at R10 has significantly worsened compared to R09 and relative to the budgeted income; and explained the reasons which contributed to this including lower actual starts due to employers delaying sign-up due to their own shortages of staff, limited availability of End Point Assessment impacting achievement, as well as withdrawals; changes with provider partnerships which has delayed starts or withdrawn enrolment.

Governors queried whether the budget position is likely to worsen further and whether this variance is primarily due to factors beyond our control or are indicative of issues with our forecasting. L Parrish noted that Apprenticeships are an employer-led model which means the College has far less control over learner application, continuation and completion than we would like; the inadequate availability of End Point Assessments is a national issue beyond our immediate control; however the Executive team (Finance, Data and MI, and the SGP team) are working together to review internal processes to improve reporting and forecasting; as well as lessen student withdrawals and ensure completion and success rates; to reduce the risk of future shortfalls.

The CEO noted that the best-case position is a £200k deficit position on this income stream and we are working to ascertain the likelihood / risk of a larger deficit provision on this income stream. This information will be available for inclusion in the next deficit avoidance plan.

E Lees left the meeting at 5.52pm

9. Budget for 2022/23 and 3-Year Financial Forecast

Governors received and considered the budget and financial forecast provided.

The budget for 2022/23 shows a surplus of circa £680k; and a planned surplus for 2023/24 of circa £600k and for 2024/25 of circa £590k.

Governors discussed the changes since the draft budget reviewed at the May meeting and queried whether the Apprenticeship and Adult income targets and assumptions, upon which the budget has been forecast, are achievable. P Stittle and L Parrish confirmed that targets are achievable.

Governors noted that the 2022/23 budget does not include carry-in income for continuing Apprenticeship students who did not achieve or complete their End Point Assessments in 2021/22.

Governors queried if the HE student enrolment targets and assumptions, upon which the budget has been forecast, are achievable. The Executive confirmed that significant work has taken place to strengthen data reporting to inform and improve forecasting.

Governors discussed the proposed budget for staffing costs and the rising cost of living and noted national trends towards rising pay expectations and unionised pay negotiations; and queried whether sufficient contingency has been budgeted to remain competitive with market pay expectations. J Raffel confirmed the amount budgeted including the contingency.

Governors considered and **agreed to recommend** the Budget for 2022/23 and 3-Year Financial Forecast to the Corporation for approval, and authorised and **delegated authority to the Chair of the Finance Committee** to review and recommend any further proposed changes to the Budget and 3-Year Financial Forecast as proposed by the CFO.

Chair
CFO

The Budget for 2022/23 includes a capital spend of £1.8m; of which £1m is estates spend, £500k is equipment spend, and 300k for generic requests.

Governors considered the proposed financial objectives and **agreed to recommend** the Financial Objectives below:

- The College generates a minimum break-even position in each financial year.
- The budgets plan for a positive cash generation which will enable the College to contribute to capital investment in its estate.
- 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 staff and non-staff cost 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 6% as per formula defined by ESFA for calculating Financial Health Grade.

10. Subcontracting Provision and Supply Chain Policy for 2022/23

Governors received, considered and **agreed to recommend** the policy, which includes changes to the ‘new subcontractor process’ to align to the ESFA regulation requirements.

Governors queried the process by which the provision could be terminated by either partner. L Parrish to propose additional clauses.

L Parrish

11. Reserves Policy

Governors received, considered and **agreed to recommend** the policy.

12. Financial Regulations

Governors received, considered and **agreed to recommend** the updated Financial Regulations, which includes a new procurement policy.

13. Bid Register Update

Governors received and considered the bid register provided and discussed the bids which have been successful, unsuccessful and are pending outcomes.

Governor commended the report but asked that future reports outline where bids are within the approval flowchart.

CFO
Gov. Prof.

14. Any Other Business

- Bank Deposit Rates

Governors received and considered the proposal to open additional College Bank Accounts and move College reserves to take advantage of better interest rates at low risk; and that this is authorised within the College’s Financial Regulations and delegated to the CFO. Governors agreed with this approach.

- Thanks, and farewell to Rob Bamford and Angela Wright

The Committee thanked R Bamford and A Wright for their contribution to the College and the Committee, and to our students; and wished them every success in the future.

- Welcome to Gary Grainger

The Committee welcomed G Grainger to the meeting.

- Thank you from Governors

The Committee thanked the Executive for their excellent reports throughout the year.

A Wright, G Grainer, L Parish, P Ewan, P Stittle and R Bamford left the meeting at 6.40pm

15. **Recommendation from the Remuneration Committee**

Confidential Item

The meeting closed at 6.47pm