Minutes from the Extra-Ordinary Meeting of the Finance, Resources and Capital Projects Committee

held at 4.00pm on Wednesday 14 September 2022
virtually via Teams.

Present:	Mr A Luke (AL)	Chair
	Ms T Aust (TA)	Principal
	Mr S Wilcox (SW)	
	Mr S McGeoch (SM)	
	Ms C Callinan (CC)	
In Attendance:	Ms K Frost (KF)	Head of Governance
	Mr M Cooper (MC)	Executive Director Finance, HR and Development
	Mr M Michaelides (MM)	Executive Director Resources and Student Experience

17/22 Welcome and Apologies

The Chair welcomed everyone to the meeting. There were no apologies for absence.

18/22 Declarations of Interest

There were no declarations of interest relating to the items on the agenda.

19/22 Review of the Latest Financial Position and Forecasts

A 'Review of the Latest Financial Position' (Paper 1.0) was received in advance of the meeting.

The Chair explained the purpose of the meeting was to review the impact of the increased energy costs on the College. He asked whether any further information was known about any Government support that might be offered. MC explained it had been confirmed that support would be given to colleges but the level of support wasn't known.

For the purpose of the meeting it was agreed to work on the basis of the information that had been presented in the paper which included no support from the Government.

MC explained the College had entered into a fixed contract for gas and electric supplies from 1 October 2022 which was £1.8 million over the budgeted amount. This additional cost would have taken the College into a Requires Improvement Financial Health Grade and would breach the bank loan covenant. As a result, further changes had been made to the forecast which meant the College would retain a Good Financial Health Grade and remain compliant with the bank loan covenants but there was a lower degree of comfort or 'headroom' than previously. Projections showed that a deterioration of £245k in the forecast operating result and closing cash balance would cause the College to breach the operational leverage bank covenant.

Governors asked what the implications were of moving to a Requires Improvement Financial Health Grade. MC explained the implications would be primarily reputational. It was hoped there would be some form of moderation to the Financial Health Grades given the situation with energy costs.

Governors asked about the implications of breaching the bank covenants. MC said it would give Barclays the opportunity to call in the remainder of the loan which was just over £7 million. This would leave the College insolvent. Although it was agreed that it would be unlikely that Barclays would call in the loan, _governors asked_ the Executive Team to do everything they could not to breach the bank covenants.

Governors asked what could cause a further deterioration of £245k. MC said higher energy consumption would impact on the energy costs, although the College was trying to drive down consumption. Inflation would also have an impact. The forecast included 9% inflation but at the moment it was considerably higher. Although, in terms of expenditure directly impacted by inflation, it would be a base of under £4 million.

Governors asked if there would be any changes to the financial position relating to enrolment. MC explained that the 16-19 funding allocation was a given for this year. Enrolment numbers for this year would have an impact on funding for next year. For the rest of the funded activities, there would be an impact in year. _Governors asked_ if there was a risk associated with the cost of living crisis and students choosing not to study as a result. MC said there was a risk but the value was likely to be relatively small. Income received from either directly or indirectly from fee-paying students totals around £1,000,000 so it would be a small proportion of this figure only that could be affected by students not wanting to enrol because of hardship.

Governors asked if the planned 15% reduction in energy use was still in the forecast and noted it was.

Governors asked about changes to the income lines. In particular, the increase to the adult education budget. MC said the increase was the result of a funding rate increase from the Greater London Authority for adult provision Level 2 and below. Assumptions had been made in the budget that the College would fulfil the adult education funding allocations. There was a risk involved as the College would need to target learners living outside of London to generate sufficient income to fulfil the ESFA (non-devolved) funding allocation but it was felt the assumptions were prudent and cautious.

Governors asked about the change to ‘other income’. MC explained this was due to the higher estimated recharges to tenants due to the increased energy costs.

Governors asked about the reduction in pay costs against budget. MC explained the College had been given additional funding to cover the cost of increasing full-time learner programmes by 40 hours a year. In the original budget the College had set aside a prudent amount to cover the cost of delivering the extra hours but the amount had now been fine-tuned as a result of the further curriculum planning that had taken place. There had also been a change to the planned pay award which would now be paid from 1 September 2022 rather than 1 August 2022.

Governors noted that the £160k contingency had been removed. MC said that in line with the sustainability strategy, the College would be looking to reduce expenditure on energy costs, paper costs and copier charges.

Governors asked if there was any exposure in terms of sub-contracts passing on inflationary costs to the College. MC said there were no risks with the cleaning contract which was on a fixed price. For the catering contract, there might be a minor increase in costs but it wouldn't be material.

Governors thanked MC for the paper which had included a good analysis. There was still a significant deficit but the College was still compliant with loan covenants and would still maintain a Good Financial Health Grade.

Governors asked for future papers to include additional information: a traffic lighting system for each line which showed the risk associated with each element and a second column which identified where management attention was required to keep in budget. This would be useful with the relatively low margin.

Action: MC.

Governors asked what management action had been taken to focus on the key risk areas. MC and MM explained staff were aware of the increased energy costs, the impact on the College and their role in reducing costs. The College was trying to instil positive behaviour and proactive energy reduction. From an operational point of view, the number of portable heaters were being reduced and evening provision had been moved to one building to reduce energy costs. There was a rigorous system in terms of monitoring and control that included a programme of budget review meetings and an ET+ group for resources.

SW left the meeting at 4.50pm.

The Committee were in agreement that the College could cope with the increased costs this year but there would be a sustainability challenge in the future if the increased expenditure continued with no increase in income.

20/22 Barclays Loan Update

MC gave an update on the Barclays Loan. The Certificate of Title was still outstanding due to a complication with the College name. The HM Land Registry had the name of the College as 'West Thames Further Education Corporation' but all Barclays loan agreements with the College and associated documentation were in the name 'West Thames College'. This would be resolved by the College sending a 'Statement of Truth Letter to HM Land Registry which was in progress.

21/22 Date of the Next Meeting

The date of the next meeting was Wednesday 23 November 2022 at 6.00pm.

Summary of Actions

No.	Action	Lead	Target Date
19/22	Add additional information to future finance papers to include a traffic lighting system for each line showing the risk associated with each element and a second column which identifies where management attention is required to keep them in budget.	MC	Nov 22