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Finance and Resources Committee
Minutes

Meeting Time and Date	1700, 23 June 2021 and 1330, 7 July 2021
Meeting Location	Zoom Online
Members	Peter Doble (Chair)  Heather Barrett-Mold OBE  John Gayer  Malcolm Goodwin (Principal)  Lady Milnes Coates  Roger McClure 
Observers	Ralph Luck Christine Bianchin (Academic)  James Bryan (HR)  Damien Fallon (Finance)  Gladys Gafrey-Umeh (Finance) <u>7 July only</u>  David Scott (Estates) 
Minute Taker	Joanne Coffey (Clerk) 
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	Action
<p>1. Welcome and Apologies</p> <p>1.1. Apologies were received from Ralph Luck.</p> <p>1.2. James Bryan was welcomed to the Committee.</p>	
<p>2. Declaration of Interests</p> <p>2.1. None.</p>	
<p>3. Minutes (Decision)</p> <p>Resolved to</p> <p>3.1. Approve the minutes of the Finance and Resources Committee meeting held on 9 March 2021 as a correct record and authorise the Chair to sign them.</p>	
<p>4. Matters Arising</p> <p>4.1. All matters arising from the minutes had been completed.</p>	
<p>5. Review of Terms of Reference (Decision)</p> <p>5.1. The Terms of Reference were restructured to provide a clearer layout, an overview showing the key areas of activity and the following Finance and Resources Committee purpose:</p>	

<p>‘To do all within our powers to ensure the financial well-being and solvency of the College, so that the College has the necessary resources to deliver our mission.</p> <p>Resolved to</p> <p>5.2. Accept the revised Terms of Reference and recommend them to the Governing Body for their adoption.</p>	<p>A: Governing Body (Appendix I)</p>
<p>6. Report of the Finance Director (Decision)</p> <p><u>Financial regulations</u></p> <p>6.1. The Finance and Resources and Audit Committees both required revisions to the College’s Financial Regulations, to reflect changes in committee names, job titles and College processes.</p> <p>Resolved to</p> <p>6.2. Finance and Resources Committee agree the amended Financial Regulations and recommend them for approval to the Governing Body.</p> <p><u>ESFA review of the College’s 2019-20 Annual accounts and Finance Record 2019 to 2021</u></p> <p>6.3. The Education and Skills Funding Agency (ESFA) reported their assessment of the College’s financial health of Outstanding for 2019-20 and Good for 2020-21 and provided their Financial Dashboard. No significant financial control concerns were identified.</p> <p>Resolved to</p> <p>6.4. Finance and Resources Committee note the ESFA review of the College’s 2019-20 Annual accounts and Finance Record 2019 to 2021 and report it to the Governing Body.</p> <p><u>Department for Education – FE Capital Transformation Fund</u></p> <p>6.5. The College submitted a bid to the above fund to seek the balance of funding required to build the Crystal Palace / Mottingham developments. A decision was due to be reported on 21 May 2021 but is still awaited.</p> <p>6.6. The grant award of £5.4m from the GLA remains available.</p> <p>6.7. If these bids are won, they would completely fund the Crystal Palace / Mottingham development.</p> <p>6.8. If the DfE bid is not successful, then this would leave the College with the need to borrow funds.</p>	<p>B: Governing Body (Appendix II)</p> <p>C: Governing Body (Appendix III)</p>

<p><u>Planning consent</u></p> <p>6.9. Planning consent was due to be submitted within the next month with two applications to cover the Crystal Palace and Mottingham sites, in order to secure a secure presence in South London.</p> <p>6.10. As the College was seeking planning consent to build on the Metropolitan open land, the landscape designs at Mottingham were significant to gaining consent for the wider project. As some of the concrete will be replaced with green space, there would also be a green gain.</p> <p><u>College financial statements for 2020-21</u></p> <p>6.11. The ESFA financial framework for colleges includes: the 2020-21 college accounts direction, the 2020-21 audit code of practice, a regularity audit self-assessment questionnaire and a supplement which covers Covid-19 issues.</p> <p>6.12. The AoC is planning to issue its Accounts direction handbook and Casterbridge College model accounts by the end of June 2021.</p> <p><u>ESFA College financial planning handbook 2021</u></p> <p>6.13. The ESFA has replaced the Integrated Financial Model for Colleges (IFMC) with the College Financial Forecasting Return (CFFR), which is intended to serve the same purpose.</p> <p>6.14. The CFFR is intended to better place the ESFA and colleges to take a “real-time” and predictive approach to financial health. It is thus intended to be a live report that moves forward in time, rather than being an annual snap shot. College management will incorporate this into the quarterly reporting framework moving forward.</p> <p>6.15. The College currently scores well on its solvency and borrowing but this could be negatively impacted if updated financial health methodology changes how the surplus is expressed.</p> <p>6.16. The Committee recognised the importance of keeping track of this to ensure that Capel’s financial health score is not skewed, to avoid unnecessary intervention and borrowing repercussions.</p> <p>6.17. The CFFR will comprise a commentary, alongside the financials, which needed to be submitted to the ESFA by 31 July 2021. This would be reviewed by the Committee at a separate meeting on 7 July 2021 (see below), prior to its recommendation to the Governing Body on 14 July 2021.</p> <p>Resolved to</p> <p>6.18. Agree to review the draft CFFR at a separate meeting/circulation, prior to it being submitted to the Governing Body for approval, and signature by the Principal to enable submission to the ESFA by 31 July 2021.</p>	<p style="text-align: center;">Clerk (Completed)</p>
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7 July 2021 addendum to the meeting

6.19. The Committee met again on 7 July 2021 to review the CFFR return.

Agreed revisions:

6.20. Current Year Impacts (Page 3):

- a) To add that the College has planned how it is going to finance the Mottingham/Crystal Palace scheme but will not do anything that will risk the overall finances of the College.
- b) To replace '*The financial projections assume a 90% reconciliation rate for future years to be used by both the ESFA and GLA.*' with '*The financial projections assume the College will meet its contractual obligations to the funding bodies in each year.*'

6.21. Financial Objectives (Page 6):

- a) To amend the Generate cash values as these need to be updated to £891k, £607k and £993k respectively.
- b) To state the College will not achieve its ambition of a 6% EBITDA in this period.

6.22. Assumption of Solvency (Page 8):

- a) To update bad debt provision (and Page 15).
- b) Remove £20k from bad debt provision to bring over 4% EBTIDA (see Page 19).

6.23. Key Budget Assumptions (Page 9): FY23 16-18 Programme Funding is based on 90% of the curriculum plan. Revise the FY23 projected headcount from 1,260 to 1,188.

6.24. Expenditure (Page 15-16):

- a) For financial planning purposes the College has assumed non-pay inflation of 2%. To amend wording to reflect that the College is aware that there is a risk that inflationary pressures will exceed this provision.
- b) Clarify that 'The key accounting ratio of salary cost to income *will be* maintained at 70% in these financial plans.'

6.25. The adequacy of capital plans to factor in IT and other resources to be reviewed in 6 months' time.

6.26. The Committee requested that assumptions on the budget were included at all Committee meetings.

**Finance
(Nov 2021)**

<p>Resolved to</p> <p>6.27. Having previously approved the financial outturn for financial year 2021, and the proposed budget for financial year 2022, approve the proposed budget for financial year 2023 and the commentary for these three financial years and recommend them to the Governing Body for approval.</p> <p>6.28. Approve management to complete the CFFR return based on these documents and for the Principal to sign and submit the CFFR to the ESFA by 31 July 2021.</p>	<p>D: Governing Body (Appendix IV)</p>
<p>7. Nine Month Group Management Accounts 30 April 2021 and year end projection (Decision)</p> <p>7.1. The College budget had shifted from a master budget surplus of £636k to a projected deficit of £93k; a £729k movement in a negative direction. This was principally driven by the decisions to seek planning applications for developments in Bromley and Enfield that have a combined charge of £608k in a single year.</p> <p>7.2. Additionally, there had been expenditures to improve the student enrolment experience, so as to remove a factor that may have contributed to some of the lower 16-19 learner recruitment in 2020-21 (a further £70-100k).</p> <p>7.3. Much of the use of agency staff had been curtailed. There is an operational caveat that operational efficiency and health and safety would not be impacted a result.</p> <p>7.4. As the Estates Committee had recently agreed to reassess the costing of the Gateway building project, it was agreed to not provide for any further expenditure in the current year's management accounts.</p> <p><u>Capital income and expenditure versus revenue designation</u></p> <p>7.5. Governors suggested that if the FE Capital Transformation Fund is granted that this is treated as capital, rather than revenue, due to its use to invest in the Crystal Palace / Mottingham campuses.</p> <p>7.6. As planning permission was still outstanding, previously it was deemed to be a potential risk to move any associated income and expenditure from revenue to capital in case it needed to be written off.</p> <p>7.7. The Committee had a full discussion around the criteria for capital designation which involved 3 elements that was tied up in planning permission outcomes and the subjective impact of major repairs:</p> <ul style="list-style-type: none"> a) estimated use of economic life of more than one year b) asset for future economic benefit 	

<p>c) project in progress that is likely to proceed.</p> <p>7.8. It was also noted that capital income and expenditure would result in a small rise in depreciation costs.</p> <p>7.9. The Committee agreed to re-designate the FR condition fund grant income and expenditure, and the Crystal Palace / Mottingham planning application costs from revenue to capital.</p> <p><u>Borrowing capability</u></p> <p>7.10. The Committee discussed the importance of remaining in good financial health if there was a need to obtain a bank loan.</p> <p>7.11. As the College's strategy has historically been to reinvest any surplus in year, rather than retain the surplus for future years, this may go against bank loan criteria, particularly as banks were currently wary to lend to the sector generally.</p> <p>7.12. If a loan was obtained, it would incur annual interest and capital repayments that could be covered by the College's annual generated cash of approximately £500k.</p> <p>7.13. Nine-month group management accounts to be revised and recirculated to the Committee following agreed changes.</p> <p>Resolved to</p> <p>7.14. See 9.13.</p>	
<p>8. Planned Capital Expenditure 2021-22 and 2022-23 (Decision)</p> <p>8.1. Planned capital expenditure to be revised and recirculated to the Committee following agreed changes.</p> <p>Resolved to</p> <p>8.2. See 9.13.</p>	
<p>9. Proposed Revenue Budget 2021-22 (Decision)</p> <p>9.1. The revenue budget for 2021-22 created a £228k operating surplus.</p> <p>9.2. Governors suggested caution following the impact of Covid in the previous year. A rigorous, strategic approach was planned to deliver on academic income.</p> <p>9.3. It was confirmed that the budgeted costs remained static due to resources that had already been put in place in 2020-21.</p> <p>9.4. 16-18-year-old fees and loan scheme incomes are based on the ESFA contract. The budgets for adult, Apprenticeship and HE tuition fees included negotiated increases which had already been agreed by Governors.</p>	

<p>9.5. Governors sought assurance that HE demand was realistic. Early indications were positive with 103 HE applications being made (from the target of 100). As the UCAS system does not identify if these are first choices by students, it was not possible to project how many would enrol. However, approximately 50% of the applications were from progressing Capel students. On year comparisons would indicate 2 first year groups for Zoology</p> <p>9.6. The College offers two unique Apprenticeships, for a Zoo-keeper and a Landscape Technician. The first cohort of Zoo-keeper apprentices is currently awaiting their end point assessment but are being engaged through 'keep warm' training opportunities to ensure they remain exam ready. A new group of 20 Zoo-keeper Apprentices are ready to start.</p>	
<p><u>Staff costs</u></p>	
<p>9.7. The budget excluded an ESFA tuition fund grant of £160k, which the Department of Education has approved but remains to be included in the ESFA contract; the same level of funding as for 2020-21.</p> <p>9.8. Governors noted the importance of accurate staff budget projections at the beginning of the year to ensure that costs do not creep up.</p> <p>9.9. To assist in future forecasts, the Chair of Governors and Chair of F&R to work with HR to model payroll against different scenarios.</p> <p>9.10. The College is restructuring some line reporting of its staff which will reduce paper based operations and that may reduce costs over time.</p> <p>9.11. It was agreed to increase the salary budget by £300k which would be supported by the £160k of the ESFA funding for pensions.</p> <p>9.12. Revenue budget to be revised and recirculated to the Committee following agreed changes.</p>	<p style="text-align: center;">HR (2022)</p> <p>Finance/Clerk (Completed)</p>
<p>Resolved to</p> <p>9.13. Revise the management accounts (MA), revenue budgets (RB) and capital budgets (CB) as below, and recirculate them to the Committee, prior to recommending them to the Governing Body for approval:</p> <p>a) Not provide for any further Gateway building costings for 2020-21 (see 7.4) (MA).</p> <p>b) Re-designate the FE condition fund grant income and expenditure, and Crystal Palace / Mottingham planning fees from revenue to capital (see 7.9) (MA).</p> <p>c) Increase salary costs by £300k (see 9.11) (RB).</p>	<p>E: Governing Body (Appendix V)</p> <p>F: Governing Body (Appendix VI)</p> <p>G: Governing Body (Appendix VII)</p>

<p>d) Add in £160k of ESFA funding (see 9.11) (RB).</p> <p>e) Remove £120k for rent for premises (RB).</p> <p>f) Add in 2021-22 professional capital fees for the Crystal Palace / Mottingham planning application to the capital expenditure (CB).</p>	
<p>10. Annual Review of Tuition Fees (Decision)</p> <p>10.1. The increase in tuition fees of 5% was agreed for 2022-23.</p> <p>10.2. These fees were in line with other colleges benchmarks.</p> <p>Resolved to</p> <p>10.3. Approve the tuition fees for 2021-24.</p>	
<p>11. Report of the Human Resources Director (Information)</p> <p>11.1. James Bryan, the Executive Director of Human Resources and Central Services was new in post and planned to re-develop how HR data is presented to the Committee in future reports to be more effective.</p> <p><u>Covid impact</u></p> <p>11.2. Sickness absence remained heavily impacted by Covid due to the ripple down effect of quarantine demands for staff who could not work from home.</p> <p>11.3. Numbers had significantly reduced, compared to the previous six months but, as quarantine alerts came from mainly external locations, and was beyond the College's control, this was expected to continue for several more months.</p> <p>11.4. The College was strongly encouraging staff to take up the Covid vaccination but were not looking to make this mandatory.</p> <p>11.5. The Committee had a rigorous discussion regarding the pros and cons of self-declaration of Covid vaccination status. Although it would appear to provide valuable information to assess which staff (when Government guidelines change) would need to self-isolate, there is a risk that it could also lead to discrimination.</p> <p><u>Recruitment</u></p> <p>11.6. In the 12 months to 1 June 2021, Capel advertised 87 vacancies generating 1,154 applicants. 74% were external appointments. External recruitment has both cost and staff engagement implications.</p> <p>11.7. Full-time Equivalent (FTE) headcount had increased by 35% since 2018. Governors requested that future reports demonstrated an overall ratio of staff per student to indicate alignment with recruitment. This would be carried out as part of</p>	

<p>the HR reporting improvements and would also include a separate calculation for high needs learners, who need more specialist staff which creates a higher cost.</p> <p>11.8. As a three-year strategy, to ensure that all teaching staff had Level 4 certification, was in process with some courses to be completed and qualifications to be logged, it was suggested that central organisation of the training be implemented.</p> <p>11.9. An internal audit of Payroll was completed in April 2021. Assurance was reported as Outstanding and there were no recommendations.</p>	<p style="text-align: center;">HR (2022)</p>
<p>12. Review of Risk Management (Decision)</p> <p>12.1. The Principal Risks have been updated to include that the Board would respond to strategic threats.</p> <p>12.2. The risk reports were an opportunity for Committees to engage in discussions around risk.</p> <p>12.3. Governors suggested that the Principal Risks be aligned with the Committee reports, in order to provoke a themed discussion. The Principal to consider an integrated approach to how the Principal Risks are presented.</p> <p>Resolved to</p> <p>12.4. Confirm that the principal risks represent the main internal and external risks and remain fit for purpose.</p>	<p style="text-align: center;">Principal (Nov 2021)</p>
<p>13. Report of the Principal (Information)</p> <p>13.1. Although recruitment had been impacted by the challenges around Covid, applications were on track compared to 2019.</p> <p>13.2. It was noted that 16-18 applications were significantly ahead of the previous year, with 992 applicants (including progressing students) actively engaged with the College and taking part in the re-branded summer school 'Get ready for Capel', to present ID badges and motivate students.</p> <p>13.3. Adult recruitment was also ahead, compared to the previous year. The recent increase reflected confidence that onsite teaching would no longer be impacted by Covid, which was particularly important for Horticulture and Garden Design students.</p> <p><u>Finance</u></p> <p>13.4. The Executive Director of Finance and IT, Damien Fallon, will retire on, or before, September 2022 after well over a decade of outstanding service to the College. To support succession and a revised 'excellence in finance' vision that aligns with the College's strategic objectives, Governors were invited to share their views and ideas with SLT over the coming months.</p>	<p style="text-align: center;">Finance / Principal (2022)</p>

<p>13.5. Improvements in systems and processes would be put in place earlier than September 2022, based on any forthcoming guidance on what Governors deem outstanding finance function.</p>	
<p>14. Report of the Vice Principal (Information)</p> <p>14.1. The current 2020-21 ESFA funding for adult students stood at £356,531 which represents 82% of the ESFA Adult Education Budget allocation.</p> <p>14.2. The current 2020-21 Greater London Authority (GLA) funding for adults stood at £1,438,119 which represents 73% of the GLA Adult Education Budget allocation.</p> <p>14.3. The combined ESFA and GLA Adult Education Budget totals provide a funding value of £1,794,650.</p> <p>14.4. The College is confident that it will hit the government's threshold of 90% of its adult funding allocation in order to avoid in-year claw backs this year and associated reduction in funding in 2021-22.</p> <p>14.5. The College is running additional courses in the summer 2021 term to increase adult income for 2020-21 and make up for the non-starting adults affected by COVID-19.</p> <p>14.6. Governors congratulated the Vice Principal for the adult recruitment achievements.</p>	
<p>15. Report of the Estates Director (Information)</p> <p>15.1. The College has been advised that the land adjacent to the College's land at 66 The Ridgeway is being sold to the under-bidder, after earlier negotiations failed, with contracts to be exchanged imminently.</p> <p>15.2. As the College has a legal covenant attached to its title that restricts sale of their land for a purpose other than a residential care home for the less-able bodied people, there has been protracted negotiations about the sale and compensation to the College.</p> <p>15.3. A one-off cash payment has been negotiation this the owners of the adjacent land, based on a percentage of the sales value of the other property, has been re-adjusted to £643,242.</p> <p>15.4. Governors congratulated the Principal, supported by the Estates Team for the work that had led to securing this offer.</p> <p>15.5. In terms of the College's land at 66 The Ridgeway, Enfield Council have declined the offer made for its call to sites, for local housing, due to its greenbelt designation. The College's planning consultancy are researching the rationale for this response, in order to provide future possibilities for the land's use.</p>	

<p>16. AOB</p> <p>16.1. None.</p>	
<p>17. Date of next meeting</p> <p>17.1. The next Finance and Resources Committee meeting will take place on Wednesday 24 November, 2021 at 1700.</p>	

APPROVED MINUTES			
CHAIR:	Peter Doble	DATE:	24 November 2021
APPROVAL:	<p>Remote confirmation: CONFIRMED</p> <p>Or signed:</p>		