Capel Manor College

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Minutes

Finance and Resources Committee
Minutes

Meeting Time and Date	1700 on 9 March 2022
Meeting Location	Zoom Online
Members	Peter Doble (Chair) 💻 Paulina Balogun Heather Barrett-Mold OBE 💻 John Gayer 💻 Malcolm Goodwin (Principal) 💻 Roger McClure 💻 Alison Yates 💻
Observers	Christine Bianchin (Academic) 💻 James Bryan (HR) 💻 Denise Cheng-Carter (Finance Director) 💻 David Scott (Estates) 💻
Minute Taker	Joanne Coffey (Clerk) 💻
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	Action
1. Welcome and Apologies 1.1. Alison Yates and Denise Cheng-Carter (Interim Executive Director of Finance and IT) were welcomed to the Committee. 1.2. Apologies were received for Paulina Balogun.	
2. Declaration of Interests 2.1. None.	
3. Minutes (Decision) **Resolved to** 3.1. **Approve the minutes of the Finance and Resources Committee meeting held on 24 November 2021 as a correct record and authorise the Chair to sign them.**	
4. Matters Arising **<u>Staff budget</u>** 4.1. It was agreed in June 2021 that, to assist in future forecasts, a way of modelling payroll against different scenarios would be explored. 4.2. The College were investing in further iTrent tools to help with forecasting. Although Governors suggested a more simplified approach using spreadsheets, at least in the short term, the reasoning for using the software was to utilise an integrated	

approach that would then provide further opportunities for analysis. 4.3. Finance are planning a more informed budgeting process to begin in 2022-23. This will involve regular reviews of the number of teaching staff required at each interval, to pro-actively provide an economical and sustainable staff budget. **<u>Staff Pay Award</u>** 4.4. At the Full Governing Body meeting, held on 15 December 2021, the budgets were approved that included a 1% staff pay award payable from 1 January 2022. 4.5. Several options for increasing staff pay across the board were presented. These included various percentage increases for all staff, focused pay rises to address more specific differentials and longer-term, phased increases to improve pay. 4.6. To confirm affordability and to give reassurance on financial health, it was agreed that SLT would provide financial forecasts on the options above 1% following the meeting. 4.7. This was delayed due to the current Director of Finance and IT's retirement. The new Interim Director of Finance and IT has since analysed the budgets and found that a pay award above 1% is not affordable for the current year, due to the decline in the projected operating surplus from the budgeted £325k to £6k. 4.8. To boost staff morale and take advantage of any positive revisions to the budget, the College will be considering additional one off payments in year, and a higher pay rise for 2023. **Resolved to** 4.9. **To ensure that staff could be promptly paid in March 2022, the Finance and Resources Committee approved a cost of living pay increase for all staff, or a minimum of £250 (whichever is greater), payable from 1 January 2022 and the Chair of Governors took Chair's Action on 9 March 2022 to approve this on behalf of the Governing Body.** **<u>Independent Adviser to 66 Ridgeway</u>** 4.10. Both College Management and the Estates Committee were working to recognise the assistance given to the College by the independent advisor, and to agree a way to compensate for the time given, using the funds from the negotiated settlement. 4.11. Certain aspects of the written agreement was currently being clarified with the solicitor, in order to progress this to a resolution.	
5. Report of the Finance Director (Information) **<u>Education and Skills Funding Agency (ESFA) audit of the 2020-21 individual leaner records (ILR)</u>** 5.1. The ESFA funding audit has concluded. RSM the funding auditors have stated that: '*The funding error is £19,061.65. Please note that whilst the fieldwork is complete the audit is*	

subject to quality assurance processes. It is unlikely any final funding figure would change but it does have to be noted'. 5.2. This has enabled the Financial Statements to be finalised and submitted to the ESFA, meeting the revised deadline of 28 February 2022. 5.3. The final report had been received and will be issued imminently and shared with Audit Committee at its next meeting in summer and the College will put together an action plan to address some deficiencies in its system and processes. 5.4. Based on an extrapolation of funding claw back, it is "highly probable" that the College will be subject to another funding audit in this 2021-22 financial year. **<u>Funding allocation and withdrawals</u>** 5.5. The ratio between data returns based on the enrolled student numbers is used by the funding agency as part of a calculation to allocate funding. The Period (R)04 to R14 ILR return ratio is below 1 for 2020-21, this has led to the funding allocation of 1,024 learners in 2022-23 even though the College at R04 recorded 1,047 learners on its Individualised Learner Record (ILR). 5.6. For the last two years, withdrawals had outnumbered new joiners mainly due to normal recruitment patterns being affected by Covid resulting in a ratio below 1 which does impact on future annual funding allocations. 5.7. Although the current year's outturn forecast / allocation was not affected by the existing process, the timing of withdrawals could affect the presentation of in-year budgets, planning for future years and in year management of student attendance and retention. 5.8. It has been the practice of the College to chase non-starters during the first term based on academic reference to provide every opportunity to support students worried about starting their course. 5.9. The Committee had a full and frank discussion about the balance between being supportive to students and what this means for data returns.	
5.10. Although Governors recognised the ethos in going above and beyond to encourage students to attend, they felt that it was better to withdraw students who have not attended College by day 42 and also those who subsequently cease attending for more than 4 weeks as set out in the ESFA Funding guidance. If students' circumstances later changed, then they could be enrolled back onto the course. Management agreed to this proposal and would report back at the next Committee meeting.	**Finance (22 Jun 2022)**
5.11. This would also improve Capel's attendance rate where withdrawn students are being included in the absence data. 5.12. The Committee were also pleased to note that the 16-19 allocation for 2022-23 had been subject to an inflationary	

increase of c 8% which together with the growth funding generates an additional £800k income for the College in 2022-23 – this would greatly assist the budget planning process next year.	
6. Six Month Management Accounts 31 January 2022 and year end projection (Decision) 6.1. The Governing Body had approved an operating surplus for the full 2021-22 year of £325k in July 2021. 6.2. The mid-year point operating forecast Flex 2 is in line with Flex 1 with an operating surplus now projected at £6k. 6.3. The Committee were pleased to note that there had been no further deterioration in the annual surplus projected in Flex 2. However, the Committee remained concerned at the small margin between the Flex 2 projected surplus and the level of deficit which could place the College into 'Requires Improvement' financial health. The Committee therefore reiterated the importance of the final annual out-turn being no worse than a surplus of £6k. **<u>Change to how management accounts are reported</u>** 6.4. The College is changing the way in which it reports on its management accounts. Traditionally, most of the income streams for the monthly accounts had been declared on a 'cash' earned basis. Income was recognised early with the effect of not matching income with associated expenditure when incurred. The effect being a distortion of the phased income / expenditure through the year. 6.5. The six month accounts have been prepared on the matching principle basis, where related income and associated expenditure are declared at the same time. Through replacing the estimated income forecasts with income already earned and spent, it will result in a more accurate monthly operating position. 6.6. On this new matching principle basis, the College is now £233k behind Flex1 profile, reporting an operating deficit to January (P6) of £147k. This is a result of income falling more than associated costs and is something that will continue to be scrutinised over the coming weeks. 6.7. To achieve £6k surplus forecast for the year, it was noted there are several key risks including staffing costs (particularly agency), and the yet-to-be-earnt AEB and Apprenticeship funding. **<u>Apprenticeships</u>** 6.8. Both the Apprenticeships and Adult Education contracts continue to be the largest areas of underperformance in the year to date, with an actual £1,110k against a forecast £1,511k, which is £401k below budget. 6.9. Apprenticeship numbers are generally lower than expected. The accounts only include income earned to date pro-rata and does not make any provision for 20% completion payments, as these are only earned once they achieve their apprenticeship. This has	

in some instances been impacted by ongoing issues from awaiting for end point assessments to be written. **<u>Adult Education</u>** 6.10. The revised forecast from the GLA adult learner funding includes £376k of pre-planned adult education activity from the curriculum plan, as most of the horticulture courses are taken up in spring (40%), when the warmer weather encourages more outdoor activities. 6.11. The College has yet to earn £961k (National Skills Fund £216k, Main Adult Education Budget £745k) of adult income, assuming a low achievement rate of 75%, which will recover the allocation. It also includes £158k for additional learning support (ALS) based on actual delivery from this academic year 2020-21. 6.12. The College is enrolling adult learners on additional courses that are extra to the original planned activity. 6.13. It is believed there are robust plans for planned and extra delivery that management are confident will be achieved. **Resolved to** 6.14. **Approve the preparation of the management accounts on the matching principle basis, where related income and associated expenditure are declared in the same period.** 6.15. **Note and accept the Group P6 management accounts to 31 January 2022 and recommend them to the Governing Body for approval, together with the revised Flex 2 forecast.**	**A: Governing Body (Appendix I)**
7. Report of the Human Resources Director (Information) 7.1. At 1 February 2022, the total headcount was 374. This included a full-time permanent headcount of 194 and 39% of this total was academic staff (excluding practical instructors and Learning Support Assistants). 7.2. The average staff turnover for the 12 months to 31 January 2022 was 18.1%. **<u>Staff recruitment</u>** 7.3. Since 1 August 2021, Capel has advertised 90 vacancies, generating 344 applicants. This is 70% below previous reports considering that the advertisement rate has remained similar. 7.4. 61 candidates were shortlisted, which is significantly low, resulting in only 45 appointments being made. **<u>Staff sickness absence</u>** 7.5. The sickness absence rate (the average number of days' sickness per employee) during the 12 months prior to 1 February 2022 was 10.75 days, a change of +2.95. 7.6. Approximately 24% of the total still related to Covid. Only individuals who were unable to work remotely during their absence were listed as sick.	

7.7. These Covid-related absences were likely to significantly drop, now that the Government had removed the requirement for mandatory isolation along with any track and trace measures. **Resignations** 7.8. There were 62 resignations in the 12 months to 31 January 2022. Resignations had been on a slow decline but had risen in the past 9 months. 7.9. The pandemic has had a significant effect on where and how people want to work. Some have re-evaluated their careers and others preferred a hybrid style of working. 7.10. Online exit interviews were in process and are expected to provide better intelligence as to the reasons behind the high staff turnover. **Agency staff** 7.11. At 1 February 2022, the College employed 40 casual staff. As these are based on zero-hour contracts it was not possible at this time to provide a Full-Time Equivalent (FTE) number. To provide comparative data, it was agreed that future reports will provide an FTE by calculating both casual staff and Agency staff (where possible) by hours charged. 7.12. 45 vacancies were being covered by internal and agency staff. This created College-wide implications where temporary staff, for example, were less likely to be able to build and sustain a stable work and learning culture. **Methods in place** 7.13. An evaluation of which vacancies remain fit for purpose was being factored into a root and branch review of staff recruitment. It was evident that the planning stage needed smarter thinking to attract the right people and that the roles remained right for the College. 7.14. An additional generic manager had been put in place for the Arboriculture School to support the head and allow for specialist work to take precedence. 7.15. A review of the use of agency workers was being carried out to ensure against them being used beyond a contingency basis. 7.16. As recruitment is an FE issue nationwide, the Association of Colleges (AoC) are consulting to potentially raise the base rate of FE pay scales. 7.17. More flexible options at Capel are being seriously considered, such as hybrid working and job-sharing. It has become clear that people now expect to have a better work-life balance and the College felt that it was prudent to embrace these new ways of working to, both, attract and retain staff. **Wellbeing and Occupational Health Activity** 7.18. During 2021, a total of 109 Employee Assistance Programme self-referrals were recorded and 79 web-based enquiries. For the	**HR** **(22 Jun 2022)**

website searches, 63% were for mental health matters, a significant increase on previous year, 12% on work matters, and 7% on family. 7.19. Of some concern should be the data reporting assessed (rather than presenting) problems. During 2021, the 'primary assessed problem' (what it is thought to be) during interventions was for depression or anxiety in 33% of cases, and also 33% for workplace dispute. 40% of the 'secondary assessed problem' (what it actually is) was workplace practices/procedures. 7.20. It was noted that the impact of the pandemic had understandably led to some of these self-referrals, along with general mental health issues, financial wellbeing and work-related stress. 7.21. Governors were pleased to see that the programme was being utilised by staff.	
8. Report of the Principal (Information) **<u>Performance review</u>** 8.1. No additional points were raised about the performance data and no further questions asked. **<u>Commercial activity</u>** 8.2. It was stated that since the key performance indicators had been reported, the master budget has been flexed and therefore, the current year forecast was outdated. The total expected income in the new budget is now £999k, comprising Catering £215k, Farming £375k and Other Income Generating Activities £409k. 8.3. These targets need to be re-incorporated into commercial activity as it recovers from Covid and strategically grows.	
9. Marketing and Fundraising (Information) 9.1. Following the success of the College's new website, the brand is being rolled out for commercial activities including gardens and events and a dedicated website is in development. The project will span two financial years to spread the cost and ensure resourcing. The first phase is expected in June 2022. 9.2. Patron's Day, originally planned as a fund-raising and major donor event in March, has been re-scheduled to 19 May. The re-planned event will be smaller and more intimate for existing donors focused around the opening of a student-designed garden in Enfield. 9.3. Mayor's Day, that normally happens in July at the College Open Day, has not happened for two years due to the pandemic. As Mayor's Day has not been effective as a fundraising event, the College will instead be fully focusing on the summer Open Day to recruit students, and plans a new, dedicated (replacement) fundraising event for the summer time. 9.4. The College is in the process of joining The Fundraising Regulator to ensure our fundraising procedures are aligned with Government regulations.	

10. Report of the Vice Principal (Information) 10.1. The amount of funding generated by 16-18 year-old learners for 2021-22 stands at £8,763,681. This is 6.0% (£496,082) above the 16-18 allocation and £291,857 more funding than at this point last year. 10.2. The combined ESFA and GLA Adult Education Budget totals provide a funding value of £1,762,753 before January enrolments, against a contract value of £2,604,426. 10.3. The College is running additional adult courses (over and above the original annual curriculum plan) from Jan-July 2022 with a total additional projected AEB income of £152,148, to ensure that the 2021-22 AEB allocations are achieved. It was noted that this additional activity may require additional staffing costs, and this will be monitored through the normal staff budget management arrangements. 10.4. Curriculum planning for 2022-23 includes built in growth across all courses. The Committee were satisfied with the assurances given that achievable and realistic targets would be set for enrolments to all student income streams for 2022-23 in order to ensure the College starts 2022/23 with a budget based on sound assumptions. 10.5. A new initiative, to attract younger people to Horticulture and Garden Design, will involve a combined course for 16-18 year-olds where they study each subject for 1 year, back-to-back.	
11. Report of the Estates Director (Information) **<u>Capital works budgets</u>** 11.1. To protect the College's operating surplus for 2021-22, all capital works, unless in progress or planned within the budget, have been halted. This will be reviewed later in the year. 11.2. The planned works include the Crystal Palace perimeter fence, the new fire alarm service at Enfield, and the new classrooms at Enfield and Mottingham. **<u>Leases</u>** 11.3. The Brooks Farm Archway lease, a viaduct archway to be used as a classroom, has been renewed for a three-year term commencing 1 November 2021. The annual rent is £16,442. Additionally, there is an annual service charge of £1,339. This is some £2,000 less than we are currently paying, reflecting the current depressed London commercial lease market. 11.4. The Gunnersbury Park lease term offered is 15 years from October 2019 with no break clause and an upward only rent review every five years. The initial rent is £80,000 per annum plus VAT. 11.5. The stability of the CIC who will be the landlord is in question and a due diligence exercise is being undertaken before lease negotiations are progressed. It was confirmed to the Committee	

that this is a time constraint issue and does not pose a significant risk given that the College have a tenancy at will contract. 11.6. The Royal Parks have offered the College a further two-year licence at Regent's Park, on the condition that the College renews the temporary planning consent of the modular building is Queen Mary's Yard. The current temporary planning consent expires later this year and there is a risk that the building may be deemed out of character with its location. The College has appointed 'Litchfield's' to handle the application on its behalf. 11.7. Without planning, the College would need to remove the modular building in Queen Mary's Yard. To mitigate this possibility, another nearby educational establishment was being approached to consider use of their teaching space. 11.8. The Director of Estates is urgently clarifying the intentions of The Royal Parks with regard to our present and potential locations in The Regent's Park. **<u>Mottingham and Crystal Palace Development</u>** 11.9. At the Estates Committee meeting on 7 March 2022, it was agreed that, as some of the key information, such as the tender outcomes and the grant decision, were due later in March, that an ad-hoc Estates Committee meeting would take place on 28 March 2022. 11.10. It would then be for the Committee, and then the Governing Body to decide if to commit to RIBA design stage four, which carried a significant risk, or to await the planning decision in May 2022, for completion in May 2023. **John Gayer left the meeting.**	
12. Report of the Company Secretary (Decision) 12.1. The Committee received the minutes of the College's subsidiary companies: Capel Manor Limited, Enfield Veg Co and Forty Hall Community Vineyard, for information. 12.2. As this report provided assurance against the Principal Risk of a failure to control finances from other sources, it was recommended to specify the subsidiary companies under the risk areas covered. **Resolved to** 12.3. **Approve that subsidiary companies are added to the risk areas of Principal Risk 5.**	**Principal (Completed)**
13. AOB 13.1. Interest was requested from any members to be nominated as Vice Chair of the Finance and Resources Committee, who should contact the Clerk outside of the meeting. 13.2. It was also explained that the Search, Governance and Remuneration Committee had felt that Vice Chairs could have more pro-active roles to prepare them for a Chair's role, including:	

a) Chairing occasional meetings, even if the Chair is present. b) Becoming more involved with the business of the Committee. c) To be included as a member of the Strategy Committee (apart from the Audit Committee, for independence).	
14. Date of next meeting 14.1. The next Finance and Resources Committee meeting will take place on Wednesday 22 June, 2022 at 1700.	

APPROVED MINUTES			
CHAIR:	Peter Doble	**DATE:**	22 June 2022
APPROVAL:	**Remote confirmation:** Approved. **Or signed:**		