

WIGAN AND LEIGH COLLEGE: GOVERNING BOARD

MEETING OF RESOURCES COMMITTEE

TIME/DATE 5.00pm Thursday 11th June 2020
VENUE VIRTUAL – Microsoft Teams

Committee Members

Diane Brennan (Chair)
Michael Ferraby
Susan Spibey
Alison Chambers
Jennifer Cockram

Principal

Anna Dawe

Clerk

Finance Director

Vice Principal, Corporate Services

Assistant Principal IT, MIS and Subcontracting

Robert Smith

Steve Scott

Louise Brown

Dave Harrison

Italics denotes absence

MINUTES

No	Item	The meeting opened at 5.05pm and was quorate with at least 3 members present.
1	R/20/06/01	APOLOGIES Apologies for absence were received from Alison Chambers and Susan Spibey.
2	R/20/06/02	DECLARATIONS OF INTEREST There were no declarations of interest.
3	R/20/06/03	MINUTES OF THE MEETING HELD ON 5TH MARCH 2020 The minutes were approved as a correct record for signature by the Chair.
4	R/20/06/04	MATTERS ARISING The Clerk advised that all matters on the committee's Action Sheet were now complete.
5	R/20/06/05	HUMAN RESOURCES <u>Human Resources KPI Dashboard & Report</u> The Vice Principal, Corporate Services reported that the college's key HR focus since the last meeting had been managing the Covid-19 lockdown and maintaining strong employee engagement. Members were pleased to note that the college had received very positive feedback from staff on the extensive and varied engagement activity and the ways in which staff had been kept informed and supported in working from home. The Staff Governor commented that she concurred with these responses and had been very pleased with the ways in which she had been supported, including receiving calls at home simply to check she was safe and coping with the lockdown. The Vice Principal also provided an update on sickness absence data and it was noted that, in line with previous years, absences had increased during the winter months but were now better than expected, especially given additional absences through Covid-19 self-isolation for actual or suspected cases. Members sought further information in relation to recruitment and asked whether this had been difficult during the lockdown. The Vice Principal responded that the lockdown had presented challenges but recruitment had continued surprisingly well during this period. She explained that the number of leavers had reduced compared to previous years,

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		<p>which had reduced the recruitment challenges to some degree. However, it was also noted that the recruitment mechanisms put in place had worked well, with online testing and interviews taking place. The Vice Principal commented that a number of colleges in the region had announced potential redundancies, presumably as a result of financial challenges brought about by the Covid-19 crisis, and that this was likely to improve the candidate pool in the region for further recruitment at the start of the academic year, should this be required.</p> <p>The Chair drew members' attention to the HR KPI Dashboard and was pleased to note that all but two of the KPI targets were RAG-rated as green, with the remaining two rated as amber. The first of these related to the average length of employment, which had a target of 7.5 years with an actual of 4.7 years. The Chair suggested that this target was potentially too ambitious and should be reviewed. The Vice Principal responded that the target would be reviewed, especially given competing views on the impact on long periods of employment. She explained that, whilst long average periods of employment led to good staff stability, it was arguable that regular staff turnover brought fresh ideas and innovation. The second amber KPI related to staff utilisation and members acknowledged that this could not realistically be properly measured in the current Covid-19 circumstances.</p> <p>The Chair thanked the Vice Principal for her report and all college staff for their efforts and creativity in very challenging circumstances.</p>
6	R/20/06/06 6.1	<p>FINANCE</p> <p><u>Management Accounts</u></p> <p>The Finance Director drew members' attention to the April 2020 management accounts and reported that the year-to-date operating surplus (before FRS102 adjustments) stood at £1.908M against the budget re-forecast of £1.543M, which was a positive variance of £365K. Members noted that this was largely the result of the college holding back on expenditure due to the uncertainty of the Covid-19 crisis. They also noted that, as it had now become clearer that the surplus could be maintained, the college would now release more funds for investment in estates, IT and curriculum equipment. However, the Chair asked whether uncertainties going into 2020/21 would mean that additional cash surpluses should be maintained to give greater flexibility if further challenges arose. The Principal responded that 2020/21 was a challenging year in terms of setting budgets and that a limited value could be included in the budget for such investments, which meant that it would be important to invest in the current year to avoid challenges brought about by under-investment in 2020/21. The Finance Director added that the cash forecast for the current year and 2020/21 remained strong and that the college was not expecting the cash position to present challenges during the Covid-19 crisis. However, he added that, whilst the strong cash position and the lower investments in 2020/21 supported increased investments in the current year, it was still important that these investments were of a priority nature.</p> <p>Members suggested that it would be helpful if the management accounts or the commentary included the year-end forecast cash position. The Finance Director agreed to add this into the next management accounts and include for the future.</p> <p style="text-align: right;">Action: Finance Director</p> <p>The Chair asked whether the college had been in contact with the bank during the Covid-19 crisis to discuss its implications. The Finance Director confirmed that he had held discussions with the bank and that the bank had confirmed that it was comfortable with the college's current financial position and would continue to be supportive. The Finance Director also confirmed that the current financial position maintained compliance with banking covenants.</p>

	6.2	<p>RESOLVED: That the Management Accounts for April 2019 be approved.</p> <p><u>Finance KPI Dashboard</u></p> <p>The Finance Director outlined the financial dashboard data, including financial health rating and financial objectives. It was noted that most measures were rated 'green' under the RAG rating system, although the Finance Director highlighted the exceptions rated as 'red'. He explained that the current ratio measures were expected to meet target by year-end. However, he also explained that the 16-19 Apprenticeship income target, the FE Loans target and FE Direct Funded target would not be met. It was noted that these income lines would also prove a further challenge in 2020/21.</p> <p>The Finance Director explained that the ESFA Financial Dashboard had not been included on the agenda for this meeting as the document had not yet been produced and circulated by the Agency.</p>
	6.3	<p><u>Budget 2020/21 & Financial Plan to 2021/22</u></p> <p>The Finance Director outlined the proposed budget for 2020-21 and the financial plan up to 2022. He advised that total income was forecast to increase by £650k from £30.63M to £31.28M. He also advised that expenditure (before release of revaluation reserve and FRS102 charges) was forecast to increase from £29.5M to £30.1M reflecting additional investment in new activities. It was noted that this would lead to an expected surplus of £1.1M before any FRS102 adjustments, with a bottom line total reporting surplus of £105k. The Finance Director explained that the FRS 102 charge of £1.093M was an estimate based on actuarial prediction, although he added that a clearer picture of this would not be available until the end of August 2020. It was also noted that the budget included capital investment of £1M for estate improvements.</p> <p>The Finance Director provided further detail on specific income and expenditure lines. It was noted that total income for the year was £31.28M, a year-on-year increase of around £600K. The Finance Director highlighted notable changes, including a £2M increase in ESFA core programme funding and a projected reduction in overall Apprenticeship income of around £600K. Similarly, the Finance Director highlighted notable year-on-year changes in projected expenditure, including a £1.2M increase in salary costs. The Finance Director also confirmed that one of the college's two bank loans would be paid off in 2020/21 and that the equivalent value of the repayments would continue to be set aside to help cover the costs of a balloon payment associated with the second loan.</p> <p>Members sought further information in relation to the robustness of the assumptions used to establish the budget forecasts, including the use of scenario planning to consider any risks to the income assumptions. In particular, members were concerned that forecasts for student numbers were realistic. The Principal responded that grant income was guaranteed for 2020/21, as well as most of the GMCA devolved Adult Education Budget (AEB) income and High Needs income. However, it was noted that this was not the case for the national AEB income, although there were not significant concerns in relation to delivering against this budget.</p> <p>The Principal explained that the key income risks related to Apprenticeships and Higher Education. However, it was noted that a cautious approach had been adopted to forecasting both of these income streams, allowing for significant reductions in these areas. In relation to Apprenticeships, the Principal advised that there was an expectation that both new apprentices and carry-over apprentices would reduce due to reduced employer recruitment of apprentices affecting the former and a significant number of apprentices laid off during the Covid-19 crisis affecting the latter. In relation to Higher Education, the Principal advised that the main concern was that a number of students may choose to defer by a year due to the Covid-19 crisis. Members acknowledged that the college had used progression models to estimate student numbers for 2020/21 but it was</p>

inevitable that, in the current circumstances, budget forecasts in some areas would still involve some guesswork.

The Chair asked whether there was a risk of staff not being in place at the start of the year because assumptions had been too cautious. She commented that the college may find itself unable to improve its student recruitment position if the opportunity arose if staffing levels were too low. The Principal acknowledged that this was a risk, but that the college would remain flexible and responsive to take advantage of additional recruitment opportunities wherever possible. The Principal also highlighted an additional risk in that the budget was not set on the basis of socially distanced classes. It was noted that this requirement could lead to significant increases in staffing costs as it would mean that groups would need to be split. She advised that the estimated increased staffing requirement under social distancing was around 25 staff. Members recognised that this would represent a very significant increase in staffing costs if the risk materialised. They also recognised that there would be a risk that the required staffing would not be available in the recruitment market, even if the costs could be covered.

The Principal explained that further growth in 16-18 study programme learners was expected and that this growth would be unfunded in 2020/21 under the lagged funding principle. She commented that, should significant financial risks materialise, the college may find itself having to turn away unfunded learners, which would mean that an opportunity to increase income in future years would be lost. It was noted that this expected growth was due to demographic changes and the result of fewer apprenticeship opportunities being available. The Principal reported that the AoC was currently in discussions with the Department for Education and the ESFA to see if lagged funding principles could be relaxed in 2020/21 but that this was by no means certain. The Chair commented that there was nothing the college could do until some of the issues became clearer. The Principal added that it was likely that things would not become clear until very close to the start of the next academic year or even after it had started.

It was agreed that a further online meeting of the committee in early August may be required to consider issues further, especially in circumstances where the college was considering recruitment of large numbers of students when the position on whether they would be funded was still unknown. It was also agreed that an online Chairs' Meeting may be helpful as the issues cut across the functions of all three core committees.

Action: Clerk

It was noted that the key consideration at these meetings should be a review of likely risk levels and the financial implications of potential approaches. It was also noted that the committee may need to seek delegated authority to review the budget forecast and to approve a specific course of action. However, it was agreed that this may be clear by the time of the Governing Board meeting in July when specific delegation could be sought. Members also commented that it would be helpful by the time of the next meeting if potential mitigating actions could be presented in order to deliver additional savings if required. The Principal responded that most potential savings had already been identified in setting the budget, although further opportunities would be considered albeit that they may be very limited in value.

The Chair highlighted a small number of required amendments to the Budget and Financial Plan documents.

RESOLVED:

That, subject to the required amendments, the Governing Board be recommended to approve the Budget for 2020/21 and the Financial Plan to 2021/22.

Financial Regulations

The Finance Director outlined the proposed revisions to the Financial Regulations and it

6.4

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		<p>was noted that these were generally minor in nature, covering matters such as job title changes. Members asked for clarification in relation to equipment offered to staff being removed from the document. The Finance Director confirmed that this did not mean that practices were changing, but simply that the arrangements were too complex for a simple regulation statement and often required individualised approaches.</p> <p>RESOLVED: That the proposed revisions to the Financial Regulations be approved.</p>
7	R/20/06/07	<p>SUBCONTRACTING STRATEGY 2020/21</p> <p>The Assistant Principal reminded members of the Governing Board's aim to reduce subcontracted activity and confirmed that the number of subcontracting partners had again reduced from four to three. He explained the rationale behind the selection of each partner, including local provision, specialisms not offered by the college and high quality provision. It was noted that, due to Covid-19 uncertainties, specific funding levels with each partner may change throughout the year and that the values presented represented an estimate that would enable activity to start at the beginning of the next academic year.</p> <p>RESOLVED: That the Governing Board be recommended to approve the Subcontracting Strategy for 2020/21.</p>
8	R/20/06/08	<p>SUBCONTRACTING FEES / CHARGING POLICY 2020/21</p> <p>The Assistant Principal drew members' attention to a number of minor changes to the Fees / Charging Policy. It was noted that the changes included the addition of a list of costs and charges to clarify those with higher charges due to additional support provided by the college. The Chair highlighted a minor change to be applied prior to presentation to the Board.</p> <p>RESOLVED: That the Governing Board be recommended to approve the Subcontracting Fees / Charging Policy for 2020/21.</p>
9	R/20/06/09	<p>CAPITAL PROJECTS UPDATE</p> <p>The Vice Principal, Corporate Services provided a brief update on the Leigh Digital Academy Project and reminded members that a full report would be provided to the Governing Board at its next meeting. The Vice Principal confirmed that the college had completed the tender process for the main contractor and work was due to commence on site on Monday 15th June. It was noted that this was a week ahead of schedule.</p> <p>The Principal also provided an update on the Rushton Building and it was noted that the college was expected to take over the building at the start of the next academic year and that the first year's expected running costs had been included in the budget. The Principal advised that the current negotiating position included no lease premium and no ongoing rent, although this remained subject to final agreement.</p>
10	R/20/06/10	<p>ANY OTHER BUSINESS</p> <p>There was no further business.</p>

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11		DATE AND TIME OF NEXT MEETING: To be confirmed by the Governing Board on 7 th July 2020.
		The meeting closed at 6.50pm