



THE CORNWALL COLLEGE GROUP

Minutes of the Finance and Resources Committee meeting held on 19 May 22 at 9.30am at St Austell campus and on Microsoft Teams

Committee members present

Geoff Warring	GW	Committee chair
Martin Bailey	MB	
John Evans	JE	Principal and CE and Governor
Nick Harris	NH	
Patrick Newberry	PN	Chair of the Board
Ellen Winser	EW	

In Attendance

Wendy Randle	WR	Director of Governance
Adrian Ford	AF	Group Deputy Principal Group Operations
Graeme Sinclair	GS	Director of Finance

		Action
1	<p>WELCOME, APOLOGIES AND DECLARATIONS OF INTEREST</p> <p>Apologies were received and accepted from Karen Burrows. It was noted that the Director of Finance and Martin Bailey would need to leave at 11am.</p> <p>There were no further declarations of interest to those on the members' register of interests.</p> <p>The Committee were reminded that the focus of this meeting was on the 2022/23 budget.</p> <p>The Chair noted that the debtor agenda item, which was due to include a review of the debtors ledger, would be moved to the June meeting and that agenda item 4.1 will be considered by the Major Capital Projects Committee at their meeting on the 25/05/2022.</p>	
2	<p>MINUTES OF THE MEETING HELD ON 9 MARCH 2022</p>	
2.1	It was noted that the date in the header required amending on the confidential minutes. There were no further amendments and the minutes were agreed to be an accurate reflection of the meeting and were approved by the Committee.	
2.2	<p>MATTERS ARISING</p> <p>A matters arising report had been circulated prior to the meeting and progress against actions noted.</p>	
5	<p>FINANCE MATTERS</p>	
5.1	<p>Financial Update (including March Management Accounts Cashflow, Debtors and Creditors, and Forecast)</p> <p>Circulated prior to the meeting, it was noted that there had been minimal changes to the forecasted operating position since the last report and the update would be considered as part of agenda item 5. It was reported that the cash position was inline with budget expectations. The</p>	

	<p>cash position (timing only) is showing an improved position at the low point due to the Electric Vehicle (EV) project funds and a delay in processing the transport invoices due to being received late.</p> <p>5.2 Financial Approvals The Committee received the financial approvals report circulated prior to the meeting.</p> <p>5.2.1 Approval of orders over £100,000 ex VAT – and recommendation of over £250,000 to Board The Committee approved the order from Fox Construction for £303,206.00 for the EV project workshop reconfiguration. A Committee member reflected positively on their recent visit which included visiting this workshop.</p> <p>5.2.2 Asset disposals No asset disposals to report.</p> <p>5.2.3 Debtor write offs The ledger will be reviewed at the next meeting. It was reported that debtors are improving across The Cornwall College Group, with credit controls improved at CCMS; the debt write offs were contained in the paper and will be an agenda item at the next meeting.</p> <p>In response to a Committee member question it was noted that the majority of debtors are primarily students with some from commercial activity.</p> <p>5.2.4 Overseas expenses None to report.</p> <p>5.2.5 CCMS update It was reported that the CCMS Board are meeting slightly more regularly and that the collaboration between the College and CCMS has improved significantly, with synergies benefitting both. A Governor reflected on the recent presentation from the Group Head of Adult Learning, Employability and Personal Development at the Board Strategy Day which highlighting the improved working relationship and synergies. Further details contained in the confidential minutes.</p>	
<p>6</p>	<p>PROPERTY MATTERS to include A paper was circulated prior to the meeting. An update on the Camborne redevelopment bid was provided, noting that the bid will enable the site to encompass only category A & B buildings. The removal of a number of buildings will reduce space from 30,000m² to 20,000m² a copy of the feasibility study had been shared with the Committee for information. It was reported that a grant letter will be received by the College at the end of May. Further detail contained in the confidential minutes.</p> <p>It was reported that contracts have been exchanged for the sale of the Newquay land.</p>	
<p>7</p>	<p>KEY ASSUMPTIONS, SCENARIOS AND EARLY INDICATIONS FOR THE BUDGET 2022/23 The Group Deputy Principal Group Operations (GDPGO) delivered a presentation to the Committee which would be circulated with the minutes.</p> <p>The GDPGO presented on the current years (2021/22) financial performance and the draft 2022/23 budget, the following highlights were noted;</p> <ul style="list-style-type: none"> ▪ The 2021/22 operating result is in line with budget expectations. ▪ When adjusted for interest, tax, depreciation and amortisation, (EBITDA) is just under £1.4m with an EBITDA% of 2.5%, providing the points required for a good financial health grade for 2021/22. 	

- The impact of a lack of suitable accommodation on HE applications, in addition to other factors, was noted and has been experienced by other Colleges in the sector; the College plan a further drop in HE student numbers as the impact of the developing HE Strategy will not be immediate.
- Apprenticeships has improved this year and will therefore positively impact next year.
- The tuition fund/ catch up fund due to Covid had not originally been included and will bring additional funds into this year.
- Savings have been made on transport costs.
- There is less provision available for the Advanced Learner Loans (ALL); unlikely to change in next year's budget
- College trading i.e. hire of sports facilities has been down this year.

At the time of creating the 2021/22 budget, the College had anticipated a £300k surplus 2022/23 plan this is now likely to be a breakeven budget due to the following increasing costs; National Insurance contributions £300k, increase in power, heating and light costs £300k and the implementation of the minimum living wage £300k.

The GDPGO noted the significant depreciation charge that goes through the accounts, emphasising the focus on the EBITDA measure. The prediction for 2022/23 will be an EBITDA of £1.6m, EBITDA% of 2.87% resulting in a good health grading. It was noted that this was down on previous predictions for 2022/23 due to the increases as mentioned.

At present a general pay award has not been included however the following specific pay awards given were noted; SPM lecturers are now on increments and the national living wage has been implemented, followed by national living wage plus to counter the national living wage on other College roles. The College recognises there is a group of staff who have received no pay increases for a significant amount of time, which a Committee member noted could pose a retention risk. ELT are committed to making a targeted pay award to staff, and would recommend an award if in year performance (whilst maintaining budget) allowed.

A lengthy discussion took place on the staff pay award, it was noted that a 1% increase for all staff would have a cost of £300k, that there was no pressure from the Unions to implement a pay award, with the impact of increasing group sizes on a pay award understood.

A Committee member reflected on having conviction in our plans rather than satisfying externals; it was noted that the ESFA are considering changing the health grading to remove debt as a percentage of Income which would result in a significant drop of points and thus impacting on the reported financial health College. The new financial health methodology is still under development and the GDPGO will update when finalised by the agency.

In response to a Committee member question on how confident the GDPGO was on the income projections, noting the decline in applications and impact on the finances for 2021/22, a discussion covered the following items;

- Previous expectations in 16-19 applications were not met, yet there are a higher percentage of higher weighted learners.
- The 8% increase in the base rate has been received, yet this will require the delivery of the extended 40 hours.
- Income from adult provision, although increasing, the budget still assumes a return on funds received. There is therefore an opportunity to improve the budgeted position.
- In order to mitigate the decline in HE, seven new degrees are being launched at Newquay.
- Apprenticeships will continue to grow.

A lengthy discussion on the proposals followed with the below points noted;

- The TPS grants and increased weighting have resulted in a breakeven budget.
- The core business activities remain insufficient against the increased costs.
- The Committee accepted there is a sector issue as well as a Group issue.

	<ul style="list-style-type: none"> ▪ The impact of the College’s commitment to support the local communities and markets was noted, yet a Committee member noted the need to deliver what can be afforded. ▪ Further consideration of the use of campuses in order to generate additional income is needed. ▪ The College need to achieve sustainable group sizes. ▪ Staff utilisation has been progressed well resulting in £1.8m saving. ▪ The financial impact of the St Austell campus for the next 3 years. ▪ There have been no assumptions on pensions in the budget and the next actuary calculations are due in two years. <p>In conclusion the Committee agreed to hold a session to review campus profitability and central operating costs in order to take a longer term view of at least 5/10 years.</p> <p>The Committee considered the opportunities:</p> <ul style="list-style-type: none"> ▪ The Free Courses for Jobs offer has not been well achieved. The challenges in order to deliver these qualifications have been identified, along with the need to identify the right qualifications for Cornwall, presenting scope to improve delivery in the next academic year. ▪ Some clawback for adult provision is expected, yet there is significant scope for progress which is required by January. ▪ Further potential for the College to deliver the currently subcontracted activity. ▪ The Greenhouse Group projects and synergies with Concorde will provide opportunities. ▪ EU funds are dropping and therefore minimal allocation has been included, however there could be an opportunity with share prosperity allocation. ▪ A Committee noted the opportunity to generate further income from the campuses. <p>The EBITDA was shared for specific areas of the Group; core education, projects, trading, Concorde and CCES. The following notes were made:</p> <ul style="list-style-type: none"> ▪ A piece of work is being undertaken on trading to identify potential areas for improved profitability. ▪ The ‘other’ category includes income such as catering and hire of facilities. ▪ A Committee member was surprised by the contribution from Rosewarne; the impact of staffing and Covid was shared. The impact of the Camborne Towns fund has not yet been felt and the College are developing a further bid working with Riveria Produce and Lithium. <p>In response to Committee member questions on the planned capital spend for 2022/23 it was noted that the majority of the funds from the Newquay sale have not been included in the 2022/23 budget due to planning timescales and that the sale of Camborne car park has been included. A Committee member noted the future implications of not spending the net depreciation and the limitations.</p> <p>Conclusions</p> <p>Throughout the presentation there was ongoing challenge from Committee members on the pay award not included in the 2022/23 budget. The College and Committee are keen to ensure that rather than increase the bottom line there would be investment in a pay award. The Committee agreed that if a pay award was to seem unlikely the use of a one off taxable cash payment for staff to demonstrate appreciation would be considered in November/ December; the College will explore this option.</p> <p>The College will present the final budget to the Finance and Resources June Committee meeting for review and recommendation to Board for approval in July.</p>	<p style="text-align: center;">GW</p> <p style="text-align: center;">AF</p>
<p>8</p>	<p>UPDATE AND AGREEMENT ON NAS</p> <p>An additional paper had been circulated prior to the meeting.</p> <p>It was noted that NAS plans to continue delivering to the Ministry of Defence and extend their offer to provide end point assessments to Colleges. There is no expectation that TCCG will use NAS for end point assessments (EPA); the employer makes their decision based on TCCG</p>	

	<p>recommendation. A Committee noted the need to manage this conflict of interest to ensure integrity. The GDPGO noted the robust conflict management in place which will manage the conflict with him being a Director of NAS, and the measures that TCCG will adopt to manage any conflict with appointment of EPA providers.</p> <p>The Committee acknowledged that TCCG would be a shareholder of NAS and receive a 25% share in the NAS' profits, predicted from 2023, that there were no liabilities as these are held by TCP and that the main risk is reputational; hence AF's directorship on the Board.</p> <p>Following discussion the Committee agreed to recommended to Board that TCCG take a 25% share in NAS following a review of the Company structure; information will be shared with Board. The Committee also requested clarity that should other partners join NAS that TCCG's share would not be diluted.</p>	<p>AF</p> <p>AF</p>
<p>9</p>	<p>IMPACT OF FINANCE AND RESOURCES COMMITTEE</p> <p>The Chair summarised the impact of the meeting, noting the expansion of their remit to consider financial strategy for the longer term.</p>	
<p>10</p>	<p>DATES OF NEXT MEETINGS</p> <p>2022/23 dates have been circulated.</p>	