



**MINUTES OF THE MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD 14 JUNE 2021 @ 17.30**

Present: Mr Richard Stephen - Chair
Mr Spencer Bowen
Mr Chris Whelan
Mr Farouk Durrani

In Attendance: Ms Kim Saw - Director of Finance
Mr Jon Allen - Clerk

APOLOGIES, WELCOME, QUORACY & DECLARATIONS OF INTEREST

1. The Chair welcomed everyone to the meeting. The Clerk confirmed the meeting was quorate.
2. The Chair reported that he is Chair/Secretary of the Reigate Priory Youth Football Club who on a regular basis hire the College's sports hall and Wallfield pitches, but he confirmed he has no direct involvement in the negotiations for the hiring of these facilities or the College's sponsorship of the club. There were no other declared interests against any of the agenda items.

MINUTES

3. The minutes of the meeting held on 02 March 2021 were approved as an accurate record of the meeting.
4. The minutes of the special meeting on the proposed refectory extension held on 19 April 2021 were approved as an accurate record of the meeting.
5. The minutes of the special meeting on the proposed refectory extension held on 13 May 2021 were approved as an accurate record of the meeting.

MATTERS ARISING

6. The only action point from the March meeting related to the Reconciliation Statement and to keep the Committee informed on the outcomes of the appeal relating to a Condition of Funding adjustment of £29k for 2021/22. It was confirmed a business case claim has been submitted and the outcome of the appeal is expected by the end of June. The Management Accounts and the draft budget 2021/22 does not include receipt of the £29k.
7. In terms of an update on the application made to the DfE's Condition Improvement Fund for a grant towards the costs of the proposed refectory extension, it was reported no decision has yet been made by the DfE.
8. It was confirmed a credit check was undertaken on the contractor awarded the contract for the Phase 2 build of the refectory extension. There were no issues arising from the credit check to report to the Committee.

ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE

9. It was confirmed the annual review of Committee's Terms of Reference is a requirement confirmed in the Articles of Memorandum (Clause 101) and in the Trust's Standing Orders (Clause 11.2)

10. It was noted the Clerk undertook an initial review with the outcomes of the review being made available to the Trust Board meeting held in March. The changes proposed by the Clerk were tracked.

11. To complete the annual review the Trust Board agreed for each Committee to conduct a further review of their Terms of Reference before the Trust Board formally approves the terms of reference at the July Trust Board meeting.

12. A discussion took place on the appropriateness of Health & Safety to fall under the responsibilities of the Finance & Resources Committee, as the main focus of the work of the committee is on financial matters. The Clerk confirmed the Trust Board at its October meeting receives the '*Annual Report on Health & Safety*'. The Clerk advised if the monitoring of Health & Safety is to remain the responsibility of this committee then the committee should receive the report in the first instance before it is considered by the Trust Board. Or alternatively, the reference to Health & Safety in the Committee Terms of Reference to be removed from the Committee's Terms of Reference as the Trust Board receives the annual report and is ultimately responsible for ensuring compliance with the Trusts Health & Safety policies.

13. It was **AGREED** to delete reference to Health & Safety in the Committee's Terms of Reference.

MANAGEMENT ACCOUNTS 8 MONTHS TO 30 APRIL 2021

14. The Management Accounts for the 8 months up to 30 April 2021 were subject to review.

15. The following headlines were noted:

	April 21 actual Surplus / (deficit) £000	Year to date actual Surplus / (deficit) £000	Year to date Budget Surplus / (deficit) £000
Before non-cash items	40	423	213
Retained surplus /(deficit)	40	7	(172)
	Balance at 30.04.21 £000	Balance at 31.03.21 £000	Balance at 31.08.20 £000
Bank & cash	3,674	3,767	3,056
Net assets	13,389	13,349	13,382

16. The following movements from budget to forecast were noted:

- ESFA current year income:
Teachers' Pay Grant and Teachers' Pension Employers' Contribution Grant now confirmed for April to August 2021, total £280k.
Funding for High Needs students agreed with Surrey CC, total £60k.
- Other income:
Reduction in income resulting from closure of College Refectory and Shop, and Sports facilities February to March 2021, total £94k
- COVID costs:
Included in the 20/21 budget for Administration & Central Services costs was £100k for Initiatives & other expenses, which comprised a £50k general contingency and a £50k provision for extra costs relating to COVID. An extra £180k has been added to budgeted COVID costs based on the level of costs incurred to 31 January 2021.

17. During the 8 months to 30 April 21, the College generated cash inflow of £618k.

18. It was noted cashflow projections included a cash outflow of £250k per month for 5 months commencing July 2021 in respect of the proposed Refectory building project which has received planning permission. It was noted this was for illustrative purposes only pending the outcome of the funding bid submitted to the DfE in January 2021

19. It was **RESOLVED** to note the April Management Accounts.

TRUST BUDGET 2021-22

(i) Trust Budget 2021-22

20. The proposed '*Trust Budget 2021/22*' was received for review. The ESFA requires all academies to submit a Budget Forecast Return by 27 July 2021, which is approved by the Board. The budget forecast is required to show:

- Actual for 2019/20 (prior year)
- Forecast for 2020/21 (current year)
- Budget for 2021/22 (detailed)
- Budget for 2022/23 (summary) - the equivalent data was not required for last year's submission
- Budget for 2023/24 (summary) - the equivalent data was not required for last year's submission

21. The 2021/22 budget presented has been prepared for the 12 months to 31st August 2022. It has been prepared under the assumption that the College will be operating as normal during the 2021/22 academic year. For 2019/20 and 2020/21, income and expenditure patterns have been distorted by the closure of the College during the Summer Term of 2019/20 and for 8 weeks during the Spring Term of 2020/21.

22. For 2021/22 an overall pay award of 1.5%, and an inflation rate of 2% have been used in the calculation of the budget. These rates have also been used in the estimates for 2022/23 and 2023/24.

23. As an academy, the College is no longer required by the ESFA to calculate a financial health grade. The only measure required is that an academy sets a balanced budget for each financial year (although it can draw on unspent funds brought forward from previous years).

24. The draft income and expenditure account in the proposed budget 2021/22 was noted as follows:

12 months to Aug 20 £'000	6 months to Feb 21 £'000	Mar-21 £'000	Apr-21 £'000	YTD Total £'000	Budget YTD £'000	YTD Variance £'000	Budget 12 months to Aug 21 £'000	Move from budget to forecast £'000	Forecast 12 months to Aug 21 £'000	Proposed budget 12 months to Aug 22 £'000	Note
12,270 ESFA current year income	6,804	1,053	1,074	8,931	8,640	291	13,079	420	13,499	13,787	1
493 Other income	176	27	34	238	289	(52)	378	(64)	314	411	2
12,763 Total Income	6,980	1,080	1,108	9,169	8,929	240	13,457	356	13,813	14,198	
9,236 Pay	4,937	916	901	6,754	6,674	(80)	10,250	0	10,250	11,130	3
680 Teaching & Education Services	315	249	37	602	678	76	803	0	803	772	4
137 Support Services	63	1	14	78	113	35	154	0	154	139	5
525 Administration & Central Services	516	56	41	613	565	(48)	829	160	989	866	6
959 Premises Costs	568	56	74	698	686	(12)	1,169	0	1,169	1,265	7
11,537 Total costs before interest	6,399	1,278	1,068	8,745	8,716	(29)	13,205	160	13,365	14,172	
0 Year end capital expenditure adjustment	0	0	0	0	0	0	(150)	(65)	(215)	(150)	8
1,227 Surplus before non cash items	581	(198)	40	423	213	211	402	261	663	176	
(2,378) Non cash items	416	0	0	416	385	(31)	770	79	849	883	9
(1,151) RETAINED SURPLUS / (DEFICIT)	165	(198)	40	7	(172)	180	(368)	182	(186)	(707)	
2,454 Student Numbers (lagged)							2,521		2,521	2,596	

25. Pay costs are forecast to increase from £10,250,000 to £11,130,000. The following key points were noted on pay cost assumptions:

- The budget is based on current staff using the appropriate pay scale effective from 1 May 2021, known leavers and joiners, and advertised vacancies.
- Some staff (teaching and support) are entitled to automatic progression, effective 1 September 2021 which, is budgeted at £160k (including on-costs).
- The budget assumes that both Teaching and Support staff will receive a pay award of 1.5% effective from 1 September 2021. The value of the award will be negotiated by the SFCA on a national basis, with the result known in early 2022.
- All budgeted new appointments have been included at the top of the pay scale.
- The costs of additional staff in 2021/22 of £317k relate to:
 - 3 staff teaching Criminology; 1 staff teaching Computer Science
 - 2 Trainee teachers on 2-year contracts (Law and Psychology)
 - 1-year temporary maternity cover
- The budget includes the following additional estimated costs:
 - Overtime / supply £200k
 - General contingency £200k (covers maternity / paternity, long term absence, and additional staff)
- All staff are budgeted to be in a pension scheme.

26. Cash holdings is forecast to increase by £1.545k. Reserves are forecast to remain above the £1m threshold set by the Trust.

27. On Capital Expenditure, the budget assumes that £100k of budgeted IT equipment expenditure and £50k of other equipment will be capitalised. The outcome of the DfE CIF fund application will be announced in mid-June 21. The budget 2021/22 has been prepared with the assumption that the bid is not successful and that a partial project comprising the original Phase 2 will be started in July 2021 with the cost of £1,745k being met from cash reserves.

28. In summary, the budget presented showed an increase in income of circa £400k set against an increase in expenditure of circa £800k, with increased pay costs being a significant factor behind the increase in expenditure. The Committee will continue to monitor pay costs throughout the year. The budget 2021/22 forecasts a surplus before non-cash items of £176k, below the budget 2020/21 of £402k and the forecast year-end surplus for 2020/21 of £663k.

29. Following review, it was **RESOLVED** to recommend the Trust Board approves the proposed Trust Budget for 2021/22.

(ii) **Summary budget for 2022/23 and 2023/24**

30. In addition to the requirement to submit a budget forecast for 2021/22 to the ESFA, there is also the requirement to include a summary budget for 2022/23 and 2023/24. The Finance Committee is required to agree and approve the scenario and associated assumptions to be used in the summary budget, and for these to be presented to the Board for approval, prior to submission to the ESFA.

31. Six scenarios, and the resulting summary budget for each scenario for 2022/23 and 2023/24 were presented to the Committee for review and these were noted as follows:

Scenario 1

- Average funding rate per student unchanged at £4,971
- Student numbers constant at 2,596
- Teachers' Pay and Pension Grants remain at the same level
- £70k of additional Covid expenses are removed
- Pay award of 1.5% in each year, based on existing staff and their progression entitlements
- General inflation of 2.0%
- £50k funding from 16-19 Tuition Fund available in 2022/23 only
- 2021/22 £29k Condition of Funding adjustment removed in 2022/23 and 2023/24

Scenario 2

- As for Scenario 1
- Approximately 80 students who are currently in Band 4 for funding calculations are given extra timetabled hours which move them to Band 5 (maximum) for funding calculations. Approximate value £50k

Scenario 3

- As for Scenario 2
- Base funding rate per student is increased by 1.5% from £4,971 in 2021/22 to £5,045 in future years

Scenario 4

- As for Scenario 3
- 30 extra students are funded in 2022/23 and 60 extra students are funded in 2023/24 (low estimate based on historic average increase over the past 20 years, and with Surrey population of 16-19 year olds increasing in future years)

Scenario 5

- As for Scenario 3
- 60 extra students are funded in 2022/23 and 120 extra students are funded in 2023/24 (medium estimate based on historic average increase over the past 20 years, and with Surrey population of 16-19 year olds increasing in future years)

Scenario 6

- As for Scenario 3
- 90 extra students are funded in 2022/23 and 180 extra students are funded in 2023/24 (high estimate based on historic average increase over the past 20 years, and with Surrey population of 16-19 year olds increasing in future years)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5		Scenario 6	
	Estimated budget 12 months to Aug 23	Estimated budget 12 months to Aug 24	Estimated budget 12 months to Aug 23	Estimated budget 12 months to Aug 24	Estimated budget 12 months to Aug 23	Estimated budget 12 months to Aug 24	Estimated budget 12 months to Aug 23	Estimated budget 12 months to Aug 24	Estimated budget 12 months to Aug 23	Estimated budget 12 months to Aug 24	Estimated budget 12 months to Aug 23	Estimated budget 12 months to Aug 24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ESFA current year income	13,816	13,766	13,816	13,766	13,816	13,766	13,816	13,766	13,816	13,766	13,816	13,766
Other income	411	411	411	411	411	411	411	411	411	411	411	411
Total Income	14,227	14,177	14,227	14,177	14,227	14,177	14,227	14,177	14,227	14,177	14,227	14,177
Pay	11,289	11,513	11,289	11,513	11,289	11,513	11,289	11,513	11,289	11,513	11,289	11,513
Non-pay	3,033	3,024	3,033	3,024	3,033	3,024	3,033	3,024	3,033	3,024	3,033	3,024
Total costs	14,322	14,537	14,322	14,537	14,322	14,537	14,322	14,537	14,322	14,537	14,322	14,537
Year end capital expenditure adjustment	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Surplus / (deficit) before non cash items	55	(210)	55	(210)	55	(210)	55	(210)	55	(210)	55	(210)
80 students increase hours for max funding			50	50	50	50	50	50	50	50	50	50
Increase base funding rate by 1.5%					194	194	196	198	198	203	200	207
Increase student numbers by 30 each year							149	298				
Increase student numbers by 60 each year									298	597		
Increase student numbers by 90 each year											447	895
Adjusted surplus / (deficit) before non cash items	55	(210)	105	(160)	298	34	450	336	601	639	752	942
Non cash items	970	970	970	970	970	970	970	970	970	970	970	970
RETAINED SURPLUS / (DEFICIT)	(915)	(1,180)	(915)	(1,180)	(915)	(1,180)	(915)	(1,180)	(915)	(1,180)	(915)	(1,180)
Student Numbers (lagged)	2,596	2,596	2,596	2,596	2,596	2,596	2,626	2,656	2,656	2,716	2,686	2,776
EBITDA	52	(213)	102	(163)	295	31	447	333	598	636	749	939
EBITDA % of total income	0.36%	N/A	0.72%	N/A	2.08%	0.22%	3.14%	2.35%	4.20%	4.49%	5.27%	6.62%

32. The Committee **AGREED** to present 'Scenario 1' to the Trust Board for approval based on the assumption there is little scope for recruiting additional numbers due to current full capacity and it is an unknown if the funding rate per student will be increased. The Committee also felt that it would be appropriate for the two-year projections to be conservative with regard to the projected financial outcome.

33. The Committee requested that a further review be undertaken of the projections in Scenario 1, as it did not appear as if the assumed 1.5% general pay increase had

been allowed for in the last two years of the projection. It was **AGREED** for the Executive to undertake a further review of the allowance for pay increases in the calculation before submitting Scenario 1 to the Trust Board. It was noted any additional pay costs over and above what was included in the current projections would impact the bottom line and could result in a small deficit forecast for 2022/23. The Committee was comfortable with this possible outcome.

DISCRETIONARY BURSARY POLICY

34. It was confirmed the College distributes these funds as an agent for the ESFA in accordance with their 16-19 Bursary Fund annual guidance.

35. The following changes to the policy were noted:

- Change of terminology: Further Education Free Meal abbreviated to 'FE Free Meal' in the application, policy and all future correspondence. 'Hardship lunch' is now referred to as 'Free Lunch'.
- The following added to the Information Sheet: "Train or bus student fare cards will be reimbursed, on presentation of a receipt at reception, for £25-30."
- More detail added to 'Section 7 – Additional Information' of the application form.
- A new Section has been added to the application form: 'Section 6: Young Carers'.

36. Following review, it was **RESOLVED** to recommend the policy for approval at the July Trust Board meeting.

REVIEW OF CONTRACTS

37. As part of the Board Assurance Framework and to provide assurances, it was agreed for the Finance & Resources Committee to review list of contracts each term, concentrating on the renewals coming up in the following 3 months (or time until next meeting). The paper presented reported on those renewal contacts due between 01 June and 31 October with a value in excess of £1,000.

38. There were no issues arising from the review and the Committee noted the report and proposed actions to be taken on renewals.

BOARD ASSURANCE FRAMEWORK - ASSURANCE ASSESSMENT TO BE CONDUCTED BY THE COMMITTEE

39. Under the Board Assurance Framework (BAF), each Committee is asked to conduct at the end of their meeting an assessment on their level of assurance agreed against each report received (including briefings and verbal updates), and for the assessment to be reported to the Audit Committee and Trust Board (The assessments being: Green = high assurance - no additional actions or monitoring are recommended at this point; Amber = medium assurance – a further report is likely to be required at the next meeting; Red = low assurance - additional actions are likely to be required and reported at the next meeting).

40. The following assessments were agreed on reports considered at this meeting:

Agenda item number	Paper number	Subject	RAG rating	Recommendations
6	5	Review of Committee Terms of Reference	GREEN	No Recommendations
7	6	Management Accounts	GREEN	No Recommendations
8	7	RLA Budget 2021/22	GREEN	No Recommendations on 2021/22 budget. Budget Forecasts 2022/23 and 2023/24: The Committee requested that the calculations be checked to ensure that the assumed general increase in pay costs of 1.5% was applied in each year of the projection, in addition to the projected incremental drift.
10	9	Discretionary Bursary Policy 2021/22	GREEN	No Recommendations

ANY OTHER BUSINESS

41. It was reported the Chair met with members of the Executive last week and the Chair agreed minor changes to the '*Charging & Remissions Policy*'. To ensure students return their ID cards when they have left the College (to prevent them for accessing the College when no longer a student), the policy was amended to confirm:

ID cards

Students will not be charged for ID cards, except for replacement cards. If a student fails to return their ID card and lanyard when they leave the College, £5 will be deducted from their college deposit. If it is necessary to make any deduction from the deposit, an administration fee of £5 will also be charged.

43. The Chair also agreed summer works expenditure of £55k for the reconfiguration of the doors in Business/County corridor (the expenditure is within the summer works budget already approved).

DATE OF NEXT MEETING

44. Tuesday 9 November 2021 @ 17.30

The meeting closed at 19.00

Signed: _____ Date: _____
(Chair)