



**MINUTES OF THE MEETING OF THE FINANCE & RESOURCES COMMITTEE
HELD 14 JUNE 2022 @ 17.30**

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

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. Apologies were received from Mr Farouk Durrani. 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 01 March 2022 were approved as an accurate record of the meeting.

MATTERS ARISING

4. There were no matters arising.

ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE

5. It was confirmed the annual review of the 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)
6. In the annual review undertaken this time last year, it was agreed to delete reference to Health & Safety in the Committee's terms of reference as the responsibility of the Committee is on financial matters. Reference to Health & Safety was deleted from the Committee's terms of reference but reference to Health & Safety was still mentioned in the schedule of business attached to the Committee's terms of reference. It was agreed to delete reference to Health & Safety in the schedule of business.

MANAGEMENT ACCOUNTS 8 MONTHS TO 30 APRIL 2022

7. The Management Accounts for the 8 months up to 30 April 2022 were subject to review. The following headlines were noted:

	April 2022 actual Surplus / (deficit) £000	Year to date actual Surplus / (deficit) £000	Year to date Budget Surplus / (deficit) £000
Before non-cash items	115	694	1
Retained surplus / (deficit)	115	224	(440)
	Balance at 30.04.22 £000	Balance at 31.03.22 £000	Balance at 31.08.21 £000
Bank & cash	3,982	3,955	4,253
Net assets	13,015	12,900	12,791

8. As the Management Accounts are incorporated within the budget paper, it was agreed to note the Management Accounts and to focus discussions on the proposed College budget.

TRUST BUDGET 2022/23

(i) Trust Budget 2022/23

9. The proposed 'Trust Budget 2022/23' was received for review. The ESFA requires all academies to submit a Budget Forecast Return by 31 July 2022, which is approved by the Board. The budget forecast is required to show:

- Actual for 2020/21 (prior year)
- Forecast for 2021/22 (current year)
- Budget for 2023/24 (detailed)
- Budget for 2023/24 (summary)
- Budget for 2024/25 (summary)

10. The 2022/23 budget presented has been prepared for the 12 months to 31 August 2023.

11. For 2022/23 an overall pay award of 5%, and an inflation rate of 7% have been used in the calculation of the budget.

12. 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).

13. The draft income and expenditure account in the proposed budget 2022/23 was noted as follows:

12 months to Aug 21	6 months to Feb 22			YTD Total	Budget YTD	YTD Variance	Budget 12 months to Aug 22	Move from budget to forecast	Forecast 12 months to Aug 22	Note	Proposed budget 12 months to Aug 23
£'000	£'000	Mar-22 £'000	Apr-22 £'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
13,566	7,034	1,435	1,143	9,611	9,087	524	13,787	686	14,473	1	16,050
315	276	44	10	330	324	5	411	0	411	2	390
13,881	7,309	1,479	1,153	9,941	9,411	530	14,198	686	14,884		16,440
10,099	5,381	900	894	7,176	7,275	100	11,130	0	11,130	3	12,667
681	467	114	42	623	688	65	772	0	772	4	813
104	61	17	(1)	78	96	18	139	(1)	138	5	101
649	527	22	11	560	612	51	866	48	914	6	923
972	636	83	92	811	740	(71)	1,265	67	1,332	7	1,597
12,505	7,073	1,136	1,038	9,247	9,410	163	14,172	114	14,286		16,101
0	0	0	0	0	0	0	(150)	0	(150)	8	(150)
1,377	236	343	115	694	1	692	176	572	748		489
(850)	469	0	0	469	442	(28)	883	50	933	9	1,121
526	(233)	343	115	224	(440)	664	(707)	522	(185)		(632)
2,521							2,596		2,596		2,828

14. The following budget assumptions were noted:

(i) Income:

- Lagged number of students 2,828 confirmed by the ESFA
- Total programme funding is £16,050k
- Other income forecasts have been reduced. This is mainly due to forecast less income from the refectory in light of rising costs.

(ii) Expenditure

- The budget is based on current staff using the appropriate pay scale effective from 1 September 2021, known leavers and joiners, advertised vacancies, and potential vacancies.
- Trainee teachers and other staff on fixed term contracts are excluded after the end of the contract period.
- The funding requirement to deliver an additional 40 hours per student has necessitated an increase in staffing levels.
- Some staff (teaching and support) are entitled to automatic progression, effective 1 September 2022 which is budgeted at £136k (including on-costs).
- The budget assumes that both Teaching and Support staff will receive a pay award of 5% effective from 1 September 2022. The value of the award will be negotiated by the SFCA on a national basis, with the result known in early 2023.
- All budgeted vacancies have been assumed to be filled at the top of the pay scale.
- The budget also includes the following additional estimated pay 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, with the following Employer Contribution rates:

- TPS – From 01 September 2019: 23.68%
- Following latest (March 2019) triennial valuation of LGPS , from 1 September 2021: 18.2%
- LGPS lump sum deficit contribution of £Nil
- Apprenticeship levy of 0.5% of payroll costs (excluding on costs) in excess of £3m; estimated £31k.
- A general contingency of £100k (£50k for general items and £50k for inflationary pressures).
- Capital expenditure - £100k of budgeted IT equipment expenditure and £50k of other equipment to be capitalised.

15. The Committee noted the increase in income per student to offset against the new requirement to deliver an additional 40 hours per student and increased pension costs. The Committee asked if there was any risk on clawback against the 40 hours if the College was unable to deliver the new requirement? Will there be an audit from the Funding Agency on how the College meets this new requirement? In response it was confirmed the College will be able to meet the new requirement and, therefore, the income from the Funding Agency based on agreed lagged numbers is solid. It is still unclear as to what arrangements will be put in place by the Funding Agency for Colleges to complete a return demonstrating how the new requirement has been met. No clawback mechanisms have been published.

16. A discussion took place on the building project. It was noted Phase 2 is on track for completion against the agreed completion date, with the College gaining access in November for full use from January 2023. The contract includes a fixed price but costs for Phase 1 were in excess of £250k against the contract and the expectation is for the costs for Phase 2 to also be over and above the costs in the contract. It was confirmed no funds have been set aside in the budget for any contribution towards the extra costs over and above the contractual agreement.

17. On utility costs, the current fixed contract ends in September. The expectation is for utility costs to double, and this has been incorporated in the budget.

18. Considering the uncertainty, particularly around the impact of inflation, it was **AGREED** to increase the contingency from £100k to £200k, reducing the forecast surplus by £100k.

19. Following review, it was **RESOLVED** to recommend the Trust Board approves the proposed Trust Budget (including the additional £100k contingency) for 2022/23.

(ii) Summary budget for 2023/24 and 2024/25

20. In addition to the requirement to submit a budget forecast for 2022/23 to the ESFA, there is also the requirement to include a summary budget for 2023/24 and 2024/25. The Finance & Resources 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.

21. Two scenarios, and the resulting summary budget for each scenario for 2023/24 and 2024/25, were presented to the Committee for review and these were noted as follows:

Scenario 1

- Average funding rate per student unchanged at £5,403

- Student numbers constant at 2,828
- Teachers' Pension Grant and Schools Support Grant remain at the same level
- Pay award of 4% for 2023/24 and 3% for 2024/25, based on existing staff and their progression entitlements
- General inflation of 5.0%
- 16-19 Tuition Fund not available in 2023/24 and 2024/25

Scenario 2

- 200 fewer students are enrolled in each of 2023/24 and 2024/25, other assumptions are unchanged

22. The Committee **AGREED** to present 'Scenario 2' 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.

REVENUE BALANCES

23. The National Audit Office and the Public Accounts Committee have recommended more information has to be provided by academy trusts holding revenue balances that are more than 20% of their total revenue income. This recommendation aligns with the department's work to ensure appropriate plans are in place where Trusts are holding significant levels of reserves. In this year's budget forecast return (BFR), Trusts will be asked a series of questions about plans for those trusts that have a revenue balance of 20% or more. However, no guidance has yet been issued as to what the questions will be.

24. As of 31 August 2021, the RLA's Revenue Reserves (restricted + unrestricted) were £3,290k representing 23.3% of total revenue income for the year. The expectation is for the College to be asked a series of questions. In expectation of this, the Committee received for information purposes a summary capital projects strategy for projects to be financed from Trust reserves.

25. In addition to the capital projects summary, it was **AGREED** to add to the list the possible funding of future deficits as forecast in the 2023/24 and 2024/25 summary budgets considered at this meeting, especially as trusts are expected to set balanced budgets and to meet any deficits from their reserves.

AUTHORISATION LIMITS

26. The recent internal audit review of Procurement raised a recommendation that purchase authorisation limits should be reviewed. The current purchase authorisation limits were approved by the Trust in July 2019 and were confirmed as follows:

Order value (not item value)	Authorisation	Comments
<£1k	Cost centre authorised budget holder	See Guidelines for Cost Centre heads
>£1k and <£50k	CEO/Principal	More than 1 quotation where appropriate, but the CEO/Principal may accept an explanation to justify 1 quotation
>£50k and <£100k	CEO + Chair of Finance & Resources Committee or Chair of Trust	Minimum of 3 quotations where appropriate or Chair of FC may accept an explanation to justify 1 quotation
>£100k and < £OJEU regulations	Finance & Resources Committee	Minimum of 3 quotations Full tender process for building works > £75k
>£OJEU regulations	Trust	If > £ OJEU guide, then full tender procedure applies.

27. In addition to the above authorisation limits, for some orders the RLA has preferred suppliers – typically building services.

28. A review of any preferred suppliers is carried out every three years with on-going price testing of preferred suppliers, with the outcomes of reviews and on-going price testing reported to the Finance & Resources Committee.

29. In addition, the Finance & Resources Committee will receive a report at each meeting that provides details (item, supplier, amount) of any items of expenditure over £30k since the previous meeting.

30. The auditors were of the view that against their knowledge of the sector, current authorisation limits could be deemed to be too high.

31. Following review and, noting that current authorisation limits work well for the Executive and have been in place now for several years, the Committee **AGREED** to make no changes to the current authorisation limits.

DISCRETIONARY BURSARY POLICY

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

33. The following changes to the policy were noted:

- To qualify for the Discretionary Bursary, the College proposes increasing the maximum threshold for total household income (including benefits) to £27,000 (from £25,000).
- The cost of the main hot meal in the Refectory is increasing to £4.00 from September 2022. The Bursary is raising the Free lunch daily payment from £3.50 to £4.00 to meet this increase.
- The new application form is available as an electronic form, an improvement that was made to ensure the document is accessible as possible to students and parents.

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

REVIEW OF CONTRACTS

35. As part of the Board Assurance Framework and to provide assurances, it was agreed for the Finance & Resources Committee to review a 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.

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

37. It was noted and welcomed that following the recent audit on procurement undertaken by the Internal Auditors, they identified the review of contracts as an example of good practice.

REPROGRAPHICS – COPIER LEASE REPLACEMENT

38. Netbox Digital currently supply all the printers and copiers on site. In accordance with the Financial Regulations of RLA, the Finance Committee is asked to approve entering into a new lease with Netbox Digital for total rentals payable of £104,547.20.

39. The following key points were noted:

- A new 60 month lease agreement with no increase in current quarterly Siemens lease charge of £5,228.71+VAT. Total rental payable will be £104,547.20 +VAT.
- Netbox Digital will provide the funds to fully settle the existing Siemens lease on behalf of Reigate Learning Alliance (approx. £52k).
- Immediate cost reduction in copy charges to only 0.29p mono & 2.9p colour which alone equates to quarterly savings exceeding £500 going forward.
- Installation of 10 x brand new feature enhanced Sharp MX3061SFK colour copier / printer / scanner inc Inner / Finisher / Stapling units & Papercut interrogation.
- Installation during the July summer holiday break to minimise staff and student disruption

40. As there would be no additional costs to the College over and above current costs, it was **RESOLVED** to approve a new lease with Netbox Digital for total rentals payable of £104,547.20.

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

41. 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).

42. 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 issues of concern/ Recommendation to align schedule of business with the Committee Terms of reference on Health & Safety
7	6	Management Accounts	GREEN	No issues of concern/ No Recommendations
8	4 & 5	RLA Budget 2022/23 & 2023/24 and 2024/25	GREEN	No issues of concern/ Recommendation to increase contingency by a further £100k
8	6	Future Capital Expenditures	GREEN	No issue of concern/ Recommendation to add to the table the need to hold reserves to fund any budget deficit
9	7	Authorisation Limits	GREEN	No issues of concern/ No recommendation to change existing authorisation limits
10	8	Discretionary Bursary Policy 2022/23	GREEN	No issues of concern/ No Recommendations
11	9	Review of Contracts	GREEN	No issues of concern/ No Recommendations
N/A		Photocopy Lease	GREEN	No issues of concern/ No Recommendations

ANY OTHER BUSINESS

43. There was no other business.

DATE OF NEXT MEETING

44. Tuesday 08 November 2022 @ 09.30 via Zoom.

The meeting closed at 18.40

Signed: _____ Date: _____
(Chair)