



**MINUTES OF THE MEETING OF THE FINANCE & RESOURCES COMMITTEE  
HELD 20 JUNE 2023 @ 17.30**

- Present: Mr Richard Stephen - Chair  
Mr Farouk Durrani  
Mr Chris Whelan
- In Attendance: Ms Kim Saw - Director of Finance  
Mr Jon Allen - Clerk  
Ms Pat Frankland – Trust Chair

**APOLOGIES, WELCOME, QUORACY & DECLARATIONS OF INTEREST**

- The Chair welcomed everyone to the meeting. Apologies were received from Mr Spencer Bowen The Clerk confirmed the meeting was quorate. The Chair of the Trust, Pat Frankland, was in attendance to observe the discussions on the proposed Trust Budget 2023/24.
- 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**

- The minutes of the meeting held on 28 February 2023 were approved as an accurate record of the meeting (Paper 1).
- The confidential minutes of the meeting held on 28 February 2023 were approved as an accurate record of the meeting (Paper 2).

**SUMMARY ACTION LIST & MATTERS ARISING**

- The ‘*Summary Action List*’ (Paper 3) provided the following updates on action points from the previous meeting:

<b>MIN REF</b>	<b>ACTION POINT FROM THE MINUTES OF THE LAST MEETING</b>	<b>UPDATE PROVIDED AT THE MEETING</b>
24	It was noted the contract for waste management is due for review. As there are recycling sustainability issues with the current contract not providing for the recycling of plastics and glass, it was <b>AGREED</b> for the Executive to explore the possibility of a new supplier for waste management.	It was confirmed a trial is being followed to see if students will use the correct recycling bins, one for paper/cardboard/plastics and the other for general waste (glass recycling is not offered by the majority of waste removal companies). If the trial is successful, the College will enter into a contract with a new supplier

		who requires correct use of recycling bins. Failure to use them correctly would result in the withdrawal of the contract by the supplier.
12	To receive an update on the offer made to Stanton Construction against their claim for the ILC build.	It was confirmed the offer was accepted.

6. There were no matters arising.

## ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE

7. 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).

8. The current Terms of Reference was received for review (Paper 4). Changes made were to replace 'Clerk' with the new title 'Governance Professional' were noted following the adoption by the Trust of the Articles published by the DoE in June 2022. The other suggestion was to move clause 16 into the category 'General'.

9. Following review the Committee proposed no other amendments. It was **RESOLVED** to seek Trust Board approval for the amended Terms of Reference.

## MANAGEMENT ACCOUNTS 8 MONTHS TO 30 APRIL 2023

10. The Management Accounts for the 8 months up to 30 April 2023 were subject to review (Paper 5a & 5b). The following headlines were noted:

	<b>April 23 actual Surplus / (deficit) £000</b>	<b>Year to date actual Surplus / (deficit) £000</b>	<b>Year to date Budget Surplus / (deficit) £000</b>
Before non-cash items	155	742	65
Retained surplus /(deficit)	155	230	(495)
	<b>Balance at 30.04.23 £000</b>	<b>Balance at 31.03.23 £000</b>	<b>Balance at 31.08.22 £000</b>
Bank & cash	3,027	3,439	4,041
Net assets	20,355	20,199	20,125

11. 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 2023/24

(i) **Trust Budget 2023/24**

12. The proposed 'Trust Budget 2023/24' was received for review. The ESFA requires all academies to submit a Budget Forecast Return by 31 July 2023, which is approved by the Board. The budget forecast is required to show:

- Actual for 2021/22 (prior year)
- Forecast for 2022/23 (current year)
- Budget for 2023/24 (detailed)
- Budget for 2024/25 (summary)
- Budget for 2025/26 (summary)

13. The 2023/24 budget presented has been prepared for the 12 months to 31 August 2024.

14. For 2023/24 an overall pay award of 5%, and an inflation rate of 3% have been used in the calculation of the budget.

15. 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).

16. The draft income and expenditure account in the proposed budget 2023/24 was noted as follows:

12 months to Aug 22 £'000		6 months to Feb 23 £'000	Mar-23 £'000	Apr-23 £'000	YTD Total £'000	Budget YTD £'000	YTD Variance £'000	Budget 12 months to Aug 23 £'000	Move from budget to forecast £'000	Forecast 12 months to Aug 23 £'000	Note	Proposed Budget 12 months to Aug 24 £'000
14,472	ESFA current year income	8,326	1,281	1,310	10,917	10,546	371	16,050	159	16,209	1	16,324
421	Other income	261	134	26	421	300	121	390	64	454	2	443
14,892	<b>Total Income</b>	8,588	1,414	1,336	11,338	10,846	492	16,440	223	16,663		16,767
10,743	Pay	6,059	996	951	8,006	8,312	305	12,667	0	12,667	3	13,527
705	Teaching & Education Services	455	237	93	785	715	(70)	813	(5)	808	4	916
122	Support Services	53	37	3	93	70	(22)	101	19	120	5	126
576	Administration & Central Services	523	45	38	607	694	88	1,023	5	1,028	6	918
1,458	Premises Costs	776	234	95	1,105	990	(115)	1,597	117	1,714	7	1,654
13,604	<b>Total costs before interest</b>	7,866	1,549	1,180	10,595	10,781	185	16,201	136	16,337		17,141
0	Year end capital expenditure adjustment	0	0	0	0	0	0	(150)	(373)	(523)	8	(150)
1,288	<b>Surplus before non cash items</b>	722	(135)	155	742	65	677	389	460	849		(223)
(980)	Non cash items	513	0	0	513	561	48	1,121	0	1,121	9	1,200
308	<b>RETAINED SURPLUS / (DEFICIT)</b>	209	(135)	155	230	(495)	725	(732)	460	(272)		(1,423)
2,596	Student Numbers (lagged)							2,828		2,828		2,871

17. The following budget assumptions were noted:

(i) Income:

- Lagged number of students 2,871 confirmed by the ESFA.
- Total programme funding is £15,231k.

(ii) Expenditure

- The budget is based on current staff using the appropriate pay scale effective from 1 September 2022, 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.
- Some staff (teaching and support) are entitled to automatic progression, effective 1 September 2023 which is budgeted at £115k (including on-costs).
- The budget assumes that both Teaching and Support staff will receive a pay award of 5% effective from 1 September 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 £265k
  - General contingency £214k (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 2022) triennial valuation of LGPS , April 2023: 18%
- LGPS lump sum deficit contribution of £Nil
- Apprenticeship levy of 0.5% of payroll costs (excluding on costs) in excess of £3m; estimated £34k.
- A general contingency of £50k
- Capital expenditure - £100k of budgeted IT equipment expenditure and £50k of other equipment to be capitalised.

**(ii) Summary budget for 2024/25 and 2025/26**

18. In addition to the requirement to submit a budget for 2023/24 to the ESFA, there is also the requirement to include a summary budget for 2024/25 and 2025/26. The Finance & Resources Committee is required to agree and approve the assumptions used in the summary budget, and for these to be presented to the Board for approval, prior to submission to the ESFA.

19. The following assumptions were noted:

- ESFA program funding increases by 1.89% in 2024/25 (as announced in last 3 year Spending Review) and is unchanged for 2025/26.
- Student numbers constant at 2,871.
- Teachers' Pension Grant remains at the same level.
- Pay award of 4% for 2024/25 and 3% for 2025/26, based on existing staff and their progression entitlement.
- All staff whose fixed term contract ends in the period have not been replaced unless a permanent position has been identified.
- General inflation of 3.0%.
- 16-19 Tuition Fund not available in 2024/25 and 2025/26.

20. The summary budgets covering 2024/25 and 2025/26 was noted as follows:

	Estimated budget 12 months to Aug 25 £'000	Estimated budget 12 months to Aug 26 £'000	Proposed budget 23-24 £'000
ESFA current year income	16,617	16,617	16,324
Other income	403	403	443
<b>Total Income</b>	17,020	17,020	16,767
Pay (+4% / +3%)	13,739	14,176	13,527
Non-pay (+3% / +3%)	3,722	3,834	3,614
<b>Total costs</b>	17,461	18,010	17,141
Year end capital expenditure adjustment	(150)	(150)	(150)
<b>Surplus / (deficit) before non cash items</b>	<b>(291)</b>	<b>(840)</b>	<b>(223)</b>
Non cash items	1,200	1,200	1,121
<b>RETAINED SURPLUS / (DEFICIT)</b>	<b>(1,491)</b>	<b>(2,040)</b>	<b>(1,344)</b>
<b>Student Numbers (lagged)</b>	<b>2,873</b>	<b>2,873</b>	<b>2,828</b>
<b>EBITDA</b>	(366)	(915)	(227)
<b>EBITDA % of total income</b>	N/A	N/A	N/A

21. Following the review of the paper there took place a detailed discussion, during which the following key points were noted:

- (i) It was noted this was the first time a deficit budget was being proposed for the Trust Board to approve. The deficit before non-cash items for 2023/24 is forecast at £223k, raising to £291k in 2024/25 and £840k for 2025/26. Trustees sought assurances that it was permissible under ESFA regulations for the Trust Board to set a deficit budget. It was confirmed a deficit budget can be set providing the Trust can draw upon unspent funds brought forward from previous years. The Trust has sufficient reserves it can call upon but ultimately the aim must be to return at a minimum a balance budget.
- (ii) Trustees questioned and sought assurances on the assumption in the 2023/24 budget on the inflation forecast of the 3%. In response it was confirmed the figures were based on published data issued by the Office for Budget Responsibilities (OBR). To be prudent it was **AGREED** to revise the budget forecasts for inflation to be 5% for 2023/24, 4% and 3% respectively for the two subsequent years. The impact of this will increase the forecast deficit to circa £300K for 2023/24, with corresponding increases in the deficits for the subsequent two years. It was confirmed the budgets will be revised and circulated to Committee members before being proposed to the Trust Board for approval.

- (iii) Trustees questioned the increase of £1,568m in pay costs from £10,688m 2021/22 to £12,236 for 2022/23. The increase was explained due to the need to recruit more teachers to deliver the new requirement from the DoE for an additional 40 hours of teaching for students. For 2023/24 pay costs are forecast at £13,014, an increase of £778k. However, for 2024/25 and 2025/26 increases in pay-costs are forecast to increase by £219k and £430k respectively, much lower increases than for 2022/23 and 2023/24. In response it was explained the assumption for both 2024/25 and 2025/26 is for pay costs to remain fairly static other than allowing for pay awards. The Director of Finance **AGREED** to revisit the assumptions behind the forecast for pay costs for both 2024/25 and 2025/26.
- (iv) The Trust Board has set the reserve policy to maintain minimum cash reserves of equivalent to the average cost of 2 months payroll in the previous financial year. It was **AGREED** to add a line to the cashflow forecast to show the residue of reserves over and above the minimum requirement to hold two months of payroll costs.

22. Following review, the Committee **RESOLVED**, subject to adjusting inflation forecasts to 5%, 4% and 3% for each year of the budgets, to recommend for the Trust Board, at its meeting on 11 July 2023. to:

- (i) Approve the Budget 2023/24
- (ii) Approve the summary budget covering 2024/25 and 2025/26.

#### **DISCRETIONARY BURSARY POLICY**

23. It was confirmed the College distributes these funds as an agent for the ESFA in accordance with their 16-19 Bursary Fund annual guidance. It was noted there have no changes have been made to the current policy other than changing the date of the policy from 2022/23 to 2023/24.

#### **REVIEW OF CONTRACTS**

24. 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 2023 and November 2023 with a value in excess of £1,000.

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

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

26. Under the Board Assurance Framework (BAF), each Committee is asked to conduct, at the end of their meeting, an assessment on the 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

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

Agenda item number	Paper number	Subject	RAG rating	Recommendations
6	4	Review of Committee Terms of Reference	<b>GREEN</b>	No issues of concern/No recommendations other than changing the title 'Clerk' to 'Governance Professional'
7	5	Management Accounts	<b>GREEN</b>	No issues of concern/ No Recommendations
8	6 & 7	RLA Budget 2023/24 & 2024/25 and 2025/26	<b>AMBER</b>	First deficit budget to be put to the Board to approve. Recommendation made to increase allowance for inflation to 5% for 2023/34, 4% for 2024/25, and 3% for 2025/26.
10	8	Review of Contracts	<b>GREEN</b>	No issues of concern/ No Recommendations

### ANY OTHER BUSINESS

28. It was noted this would be the last meeting attended by Mr Richard Stephen. On behalf of the Committee, Mr Farouk Durrani proposed a vote of thanks for the excellent guidance, Richard has provided to the Committee during his tenure as Committee Chair.

29. There was no other business.

### DATE OF NEXT MEETING

30. 14 November 2023 @ 17.30

The meeting closed at 18.25.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(Chair)

### SUMMARY ACTION LIST

MIN REF	ACTION POINT	NEXT REVIEW
21(ii)	To revise the budget forecasts for inflation to be at 5% for 2023/24, and 4% and 3% respectively for the two subsequent years	14/11/2023
21(iii)	To revisit the assumptions behind the forecast for pay costs for both 2024/25 and 2025/26.	14/11/2023
21(iv)	To add a line to the cashflow forecast to show the residue of reserves over and above the minimum requirement to hold two months of payroll costs.	14/11/20-23