

CARDINAL NEWMAN COLLEGE

BOARD OF GOVERNORS – FINANCE AND RESOURCES COMMITTEE

The Committee met at 4.00p.m. on **Wednesday 17 March 2021** on Microsoft Teams.

Members present:

Richard Ainscough, Chair (F)
Nick Burnham, Principal
Len Hampson (F)
Bill Noble (F)
Helen Seechurn (F)
Andrew Wyglada (F)

Officers in attendance:

Bob Deed, Clerk
Katie O'Reilly, Vice Principal Finance & Resources
Claire Riding, College Accountant

MINUTES

1. Opening prayer

The meeting commenced with a prayer.

2. Welcome, introductions and apologies

The Clerk said that there were no apologies to record.

3. Declarations of interest

There were no interests requiring declarations.

4. Minutes of the last meeting

The minutes of the meeting of the Committee held on Wednesday 25 November 2020 were accepted as a correct record.

5. Matters arising from the minutes

The Clerk as Vice Principal Finance & Resources said that the College was not able to book the consultancy BTRP for a Network Security assurance review in January. It was agreed that in its stead, the College would seek Cyber Essentials accreditation (a requirement of the ESFA's funding agreement with the College). This is progressing. The next Audit Committee will receive an update at its next meeting.

The Principal outlined the recent events with the College being subject to a cyberattack on the previous Thursday. The Denial of Service attack caused disruption but there was no damage to systems and no loss of data. The College was investigating the matter.

The Principal said that the College had also seen an attempt at scamming students via a phishing incident which was promptly blocked and investigated.

The Clerk as Vice Principal stressed that the College's defences had successfully resisted the attacks and governors could take some assurance from that.

A governor asked whether there was an unacceptable use policy and whether students were aware of the seriousness of these issues. The Clerk confirmed that there was such a policy, but it would be covered by the lessons learned from the planned review.

6. Health & safety update including verbal update on COVID19

The Principal detailed the progress of the College site re-opening, including mass testing. He said that the College had arranged for students to take a test before they returned to classes between 8 March and 10 March. He informed the Committee that there had only been one positive result in around 2000 tests. He applauded all those involved in planning and conducting the mass testing. He said that the College was now progressing onto home testing for students and staff.

The Principal said that the College returned successfully on 11 March with a blended timetable. He had only received two parental complaints about the students not returning full-time to site.

A governor asked about face masks and compliance. The Principal said that compliance had much improved. Since the return, the College was expecting students to wear masks in class while recognising that some students were exempt.

A governor asked about the quality of the teaching and learning with the blended timetable. He said that the timetable was covering course content and minimising the disruption of student and staff self-isolation but he believed that face-to-face learning was preferable than online lessons.

The Chair noted the comparability of the accident statistics year-on-year.

7. Property strategy update

The Vice Principal updated governors on the successful progress of the Carr Street project which was due to complete in early June.

A governor asked about the current project under-spend. The Vice Principal said that the College would benefit from any under-spend but she expected that it would be utilised on finishes and other late project items.

The Vice Principal said that the College had received confirmation of a Wave 2 T levels capital grant for £388k towards the total project cost of £776k (including VAT). The remodeling project encompassed the first floor and part of the ground floor of the St Mary's Building. The project will create two additional science laboratories, a new science studio, and a clinical simulation ward. Also, two existing laboratories on the ground floor will be extended and refurbished and a new open learning area created.

The Vice Principal said that the St James project had received planning permission. The College was awaiting the outcome of the CIF Expansion application. It was noted that there may be opportunities with the Lancashire Enterprise Partnership and the expected ESFA sixth form expansion fund.

8. Decision paper: Wave 3 T Levels Capital application

The Vice Principal introduced the paper and outlined the plans for three additional classrooms and an open learning area on the top floor of the St Augustine's building.

The Committee resolved to recommend to the Governing Body approval of:

- **the submission of the Wave 3 T-Levels application; and**
- **in principle a £1.3m new build and refurbishment application including a maximum £650k College contribution funded from cash reserves.**

The Chair asked about cashflow implications. The Vice Principal said that the College would maintain cash over £3.5m for the next two years.

Governors asked about the planning and engineering issues. The Vice Principal said that planning was likely to be straightforward and that the potentially required engineering measures were factored into cost plan.

9. Decision paper: estates strategy (taken after item 7)

The Vice Principal explained the purpose of the estates strategy which updated the document from 2019.

The Chair commented that the College's property was generally in good condition and fit-for-purpose. He noted that the main current challenge was room for students and the past issues with social and study space. The Principal noted that the work on improving social space as seen with the Basement refurbishment and the Canopies area.

A governor asked about future opportunities to acquire buildings in the city centre. The Principal outlined past discussions but said that it was recognised that physical proximity was important to maintaining as sense of College community.

The Committee resolved to recommend to the Governing Body the approval of

- **the draft Estates Strategy.**
- **The development of a Carbon Reduction Plan for the college, which will be the subject of further scrutiny as it develops.**

10. Decision paper: additional capital expenditure

The Vice Principal confirmed that that £264k of the additional capital expenditure of £843k was funded by the ESFA. She also noted the context of the College's healthy cash balances and the cash injection from in-year growth funding.

The Committee resolved to recommend to the full Governing Body:

- **Approval of the additional capital expenditure of £843k (including £441k funded by the ESFA Specialist Equipment Allocation).**
- **Acceptance of the Wave 2 T-Level Specialist Equipment Allocation grant.**

11. College Finance Report for February 2021

The College Accountant presented the Finance Report for February 2021. She highlighted the change in presentation of financial performance indicators which had been made at the suggestion of the Chair. She welcomed the views of the Committee on the new format.

The College Accountant explained the significant improvement to the forecast surplus which is now £972k. Forecast income had been increased with £661k of in-year growth funding and a further £75k from Teachers Pension Grant. Forecast staffing costs were lower by £196k – in part due to the pay settlements being less than assumed in the forecast.

A governor encouraged SLT to think about how the large forecast surplus should be used. The Chair noted the role of cash generated being utilised in funding the College's significant ongoing property optimization strategy. The Vice Principal said that there was also scope for invest-to-save projects and other priorities.

The College Accountant noted that the external auditors had agreed to a change in the method of calculating the employee leave accrual. From this year a fixed percentage of teachers' pay costs would be accrued for teachers' leave – rather than the accrual fluctuating with the return dates of staff. In 2020/21 this will add £100k to employee leave charges although it will have no effect over the long run. She noted that this accounting entry had no impact on cash.

The balance sheet continues to be healthy. The only note-worthy change was the closure of the Lloyds and Bank of Scotland treasury accounts with £500k being transferred into the current account. The College is looking at the option of having a 95-day notice account with Close Brothers who are quoting a 0.55% interest rate.

The Newman Business Limited surplus has improved by £43k to £181k – primarily due to a change in the staff recharge percentage. However, there has been a new sale with King Edward VI's College in Stourbridge buying a modified "Gold" package of modules. The Company balance sheet is robust. The cash levels will allow a covenanted donation to the College of around 90% of the expected surplus before the year-end - around £163k.

The College Accountant noted that the cashflow forecast was showing a year-end balance of £4.9m after allowing for Wave 2 Specialist Equipment expenditure and the proposed additional capital expenditure.

12. Letter from the FE Commissioner and notes on the College performance against FE Commissioner benchmarks

The Chair outlined the background to the FE Commissioner's letter. The Committee noted that the College scored green on almost all the FE Commissioner's metrics.

The Clerk as Vice Principal noted that in recent years the College's pay:income ratio was above the FE Commissioner's benchmark. He said that the College's ratio was often higher than comparable colleges as we had year after year of student number growth which was not normally funded. He noted that since 2016/17 the ratio would be lower each year with the effect ranging between 1.0% and 5.7% if the College had been fully funded each year for growth.

13. ACVIC – financial benchmarking

The Chair noted that the study showed the College's strong financial health.

The Clerk as Vice Principal drew the Committee's attention to the new slides on students per staff FTE on pages 26 to 30. He said that the slide on teaching staffing demonstrated how the College's model of teaching delivery was viable. He also highlighted the slides on non-teaching staffing which showed how the College benefited from economies of scale, particularly with fewer admin and premises staff than you would normally expect for the number of students.

A governor asked about the slide on staff development per staff member. The Vice Principal said that the College was using in-house staff to support development – the Teaching and Learning Team and a Microsoft Teams trainer. The Vice Principal also mentioned that the College was investing this year in a support staff training programme. The Principal also noted that the College had in the past invested in a SFCA leadership training scheme which did not run in 2019/20.

The Chair asked about the College's performance compared with sixth form colleges in general. The Principal said that the Maple Group benchmarking was particularly useful as the colleges were quite similar to the College in size and performance. However, it was noted that comparisons were complicated by academisation with different reporting and regulatory regimes.

14. Budget and forecast update

The Vice Principal stressed that the indicative budget would change before the annual budget was adopted in the summer. She said that considerable work had been undertaken in preparing the paper but subsequently the likely outturn for 2021/22 had further improved by about £50k. She assured governors that the actual budget was likely to show a surplus albeit a small one.

The Vice Principal highlighted the growth of recent years in Higher Education income and other funding streams.

A governor asked about depreciation as the College has new buildings. The Vice Principal explained that several assets were falling out of the depreciation calculation as they were fully depreciated. She said that the St John Henry Newman building would be depreciated over 60 years.

A governor asked about the level of prudence in the budget. The Vice Principal said that the funding allocation was known so had high certainty. She also noted that contingencies had been removed. The budget in 2021/22 would be more challenging.

The Principal noted the discussions about staffing in the light of the expected growth with increased applications.

The Chair noted the uncertainties and the increased frequency of revisits and upgrading of forecasts.

15. Change in loan agreement

The Clerk as Vice Principal explained that although the College does not borrow at a margin over the LIBOR benchmark rate, LIBOR is a “fallback” rate in the loan agreement. As the calculation and publication of the LIBOR rate ceases on 31 December 2021, Lloyds is proposing that references to LIBOR are replaced with either the Bank Rate or the successor to LIBOR, SONIA.

The Vice Principal highlighted that there would be an adjustment (based on the previous five years) to both the Bank Rate and SONIA rates to align them more closely with the average level of LIBOR.

The Vice Principal said that he did not believe that the College required professional advice on these issues as the changes were limited and would have no financial impact for the foreseeable future. Even in the event of a loan default, there would be minimal impact due to the “no detriment” adjustment. He said that he had consulted the SFCA’s finance advisor, John Boyle, who has a banking background.

The Committee is asked to recommend to the Governing Body that it approves:

- **The Bank Rate option with the switch preferably occurring on 1 January 2022.**
- **A decision to ask Lloyds to progress the re-writing of the loan agreement clauses relating to LIBOR.**
- **Delegation of the authority to the Chair and the Principal to sign (either manually or with DocuSign) the amended agreement on the advice of the Vice Principal Finance and Resources.**

16. Maths School - update

The Principal outlined the vision for the Maths School and the College's relationship with it. The Principal highlighted the importance of shared leadership. The Clerk confirmed that the Articles required the College Principal to be the Maths School Executive Principal unless the College and Maths School agree that this would not be appropriate.

The Principal explained that the ESFA had approved a secondment arrangement for the Accounting Officer and Chief Financial Officer.

The Principal said that the benefits to the College of the Maths School could already be seen in the raised profile of the College in and beyond Maths.

The Chair asked about the re-charges and the element of cost being borne by the College as an investment in the success of the project. The Vice Principal confirmed that the College would have its direct costs reimbursed by the Maths School post-opening.

The Clerk as Vice Principal said that the College could legitimately recover an element of overheads in "at cost" recharges but noted that the College (and the Maths School) needed to be careful with including a share of overheads as it made the re-charges more subjective and sensitive for all parties including the ESFA.

A governor asked about the non-financial benefits of the relationship. The Principal said that this was vital – he gave the example of the Maths Outreach programme in which the College was playing a key role. He noted how Exeter College benefited from its association with the Exeter Maths School.

17. Note on the ownership of the St James building (taken after item 7)

The Clerk said that after the discussion at the previous meeting he had reviewed the legal status of the College when it acquired the St James building. He noted that the College and other Roman Catholic sixth form colleges became independent in 1993 as Designated Institutions in 1993. Assets transferred to the Diocese rather than the College. When the College acquired the St James vicarage in July 1995, the Diocese took legal ownership. Only when the College and other Roman Catholic SFCs became incorporated sixth form colleges did they gain the power to acquire property in their own right.

A governor asked whether the College should ask the Diocese to hand over the St James building to the College. The Principal saw limited benefit from seeking such a transfer. He noted the positive and supportive attitude of the Diocese which had recently agreed to the expansion plans.

18. Risk register (including additions and changes required)

The Clerk explained the move of the risk register item to the end of the meeting as arising from John Boyle's assurance review recommendation that governors should consider the risk register in the light of the discussions at each committee meeting.

A governor suggested that the cyberattack risk should be revisited. He said that the residual risks looked low. The point was also made that unfortunately cyber attacks are becoming an increasingly regular occurrence in everyone's life. The Principal agreed that the lesson-learned review as well as the Cyber Essentials process should inform any re-scoring of the risks.

19. Feedback from Link Governors

There were no reports back from Link Governors on the Committee.

20. Determination of any items to be treated as Confidential

Part of the discussion of Finance Report was deemed confidential and would be treated as reserved.

21. Date and time of the next meeting

The next ordinary meeting of the Committee is scheduled to be held at 4.00 p.m. on Wednesday 16 June 2021.