

QUEEN ELIZABETH SIXTH FORM COLLEGE

Minutes of the meeting of the Finance & Resources Committee held on Monday 13th June 2022

Present	Mr D Warman, Acting Chair Mr T Fisher, Principal Prof L Oglesby OBE Mr A Wilson
In attendance	Mr S Hargrove, Chief Financial Officer Mrs N Wade, Acting Clerk
Apologies:	Mr J Deane Mr C Wiper

Ref:		Actions
12/22	<u>Declarations of Interest</u> There were no declarations of interest.	
13/22	<u>Minutes of the Meeting held on 28th February 2022</u> The minutes were approved as a true record and signed by the Acting Chair.	
14/22	<u>Minutes of the Special Meeting held on 7th April 2022</u> The minutes were approved as a true record and signed by the Acting Chair.	
15/22	<u>Minutes of the Special Meeting held on 31st May 2022</u> The minutes were approved as a true record and signed by the Acting Chair.	
16/22	<u>Matters Arising</u> None	
17/22	<u>Finance Report to April 2022</u> Mr Hargrove summarised the Finance Report to April 2022 and drew attention to the Year to Date (YTD) figures and the YTD financial health rating, which is currently 'Good' (2) but is expected to be 'Outstanding' (1) by the end of the year. Mr Hargrove explained that there are some positive and negative variances, including increased transport costs and additional ESFA funding, but it looks like the variances will all balance out by the end of the year. He also confirmed that there is nothing new to report on pay variances; capital expenditure shows the College is receiving a lot of investment in relation to its contribution (substantially funded by ESFA grants) and that KPIs are generally in line with the forecast.	

Ref:		Actions
	<p>Mr Warman asked about the impact of the increase in diesel prices on College buses and if the bus companies receive a discount on their diesel. Mr Hargrove explained that a surcharge has been agreed with the bus companies and confirmed that they buy their diesel in bulk and report the price per litre to the College as part of their monthly invoices.</p> <p>Mr Wilson asked if the increased cost of diesel has been considered as part of the full year forecast and Mr Hargrove confirmed that it has.</p> <p>The Committee accepted the Finance Report to April 2022.</p>	
18/22	<p><u>Financial Strategy 2022 to 2025</u></p> <p>Mr Hargrove presented the Financial Strategy 2022-25 and explained that the College's main financial KPI, '<i>To achieve an operating surplus/(deficit) before grants and depreciation as % of income of at least 5% (5.0%)</i>', is likely to be achieved, which would equate to 'Outstanding' financial health. However, the amount of operating surplus (as a percentage of income) required to achieve 'Outstanding' financial health might change to 6% in the future.</p> <p>Mr Warman asked if the College has achieved 6% historically and Mr Hargrove confirmed that the College has been just over 6% in the past, which is quite a significant cash surplus, and this raises the question of whether the College should retain the 'Outstanding' financial health rating with a surplus of 6%, or reduce the surplus by investing more in infrastructure etc. and therefore potentially lose the 'Outstanding' rating.</p> <p>Mr Warman asked if many colleges achieve the 5% target and Mr Hargrove explained that many do, but many have to in order to generate cash to repay loans. QE doesn't have this issue to any great extent and can afford loan repayments and capital investment at lower percentage surpluses.</p> <p>Mr Hargrove reported that the rest of the Strategy remains largely unchanged, but highlighted that the College would only require EBITDA as % of income to be greater than or equal to 1% in order to achieve a financial health rating of 'Good'.</p> <p>Mr Hargrove drew attention to the College's Capital Investment priorities, which now include a priority to support the College's IT infrastructure in line with the Digital Strategy. Mr Warman acknowledged that IT is continually being developed and the College needs to ensure it keeps up to date.</p> <p>The Committee approved the Financial Strategy 2022 to 2025.</p>	
19/22	<p><u>Financial Budget 2022-23 and Forecast 2023-24</u></p> <p>Mr Hargrove explained that a copy of the report is sent to the ESFA along with a completed copy of a spreadsheet containing the same financial information as that in the report. He explained that income is increasing significantly due to an increase in the funding rate, plus an increase in student numbers and other parameters including retention. The £10.7m income expected in 2022/23 is very secure and the operating surplus and EBITDA for next year also look good. KPI parameters across the three years are generally all improving and the College's financial health is expected to be</p>	

Ref:		Actions
	<p>'Outstanding' for all three years. Mr Hargrove summarised the 'key assumptions' and explained that any increase in costs can usually be balanced out through 'efficiencies', but that this time the cost increase is such that it has been necessary to include a 5% inflationary increase in most areas of non-pay cost.</p> <p>Mr Hargrove commented that it has been good to be able to make positive investments in terms of staff. Mr Fisher added that pay negotiations are currently ongoing and the meeting discussed thoughts on the possible implications.</p> <p>The meeting also discussed the impact of demographics and increased competition in the area.</p> <p>The Committee approved the Financial Budget 2022-23 and Forecast 2023-24.</p>	
20/22	<p><u>Accommodation Update</u></p> <p>Mr Fisher informed the Committee that he has received no new updates on the planning application for the expansion project but a Planning Committee meeting is to be scheduled in the next week or two. Mr Hargrove added that the Letter of Intent has been submitted to the contractors.</p> <p>Mr Warman asked if there are any further plans for green energy projects, such as solar panels etc. Mr Hargrove replied that a Salix funded review has just been announced and that the College has applied to be included in their carbon reduction process, which is funded by Salix.</p> <p>The Committee accepted the Accommodation Update.</p>	
21/22	<p><u>Student Bursaries and Financial Support</u></p> <p>Mr Hargrove explained that the amount of money in the College's bursary fund has built up in recent years and cannot all be carried over into future years. Therefore, it is proposed to increase the amounts offered in bursaries towards the cost of attending College and transport, whilst keeping the income thresholds the same.</p> <p>Mr Warman asked if this will be sustainable going forward and whether the income thresholds are set externally or by the College. Professor Oglesby asked if the income thresholds are set in relation to local or national wages. Mr Hargrove replied that the increased bursary offer will be sustainable for at least a couple of years and can then be reviewed depending on the funding received. He also confirmed that the College sets its own income thresholds based on the government's free school meals boundaries and the College has the flexibility to take decisions on an individual basis.</p> <p>Professor Oglesby asked if there is any financial support offered in relation to extra-curricular activities and Mr Hargrove explained that there is; funds are available to help with equipment and College trips etc.</p> <p>Mr Warman asked if there is much demand for bursary support for trips and Mr Hargrove explained that demand is not huge, but that help can be offered to all those who might need it for the more expensive trips etc.</p> <p>The Committee approved Student Bursaries and Financial Support for 2022/23.</p>	

Ref:		Actions
22/22	<p><u>ESFA Financial Health Dashboard</u></p> <p>Mr Hargrove provided an overview of the College’s ESFA Financial Health Dashboard, which shows four years of the College’s financial performance and two years of forecasts, and summarised the current position. The adjusted current assets to liabilities ratio is high; the number of cash days in hand is high; the EBITDA chart shows where the College is in relation to the different benchmarks and borrowing is low. Staff costs at QE are usually slightly higher than what is considered ideal by the ESFA, but this works well for the College.</p> <p>Mr Warman asked if there are any opportunities to increase income now that COVID restrictions have been lifted. Mr Hargrove replied that returning to adult education courses might be a consideration in the future but that the return on lettings is relatively small.</p> <p>The Committee accepted the ESFA Financial Health Dashboard.</p>	
23/22	<p><u>HR Update</u></p> <p>Mr Fisher explained that there has been a good number of appointments and leavers, as is usual at this time of year, and also highlighted recruitment currently in progress.</p> <p>The Committee accepted the HR Update.</p>	
24/22	<p><u>Digital Strategy</u></p> <p>Mr Hargrove explained that the Digital Strategy has been updated following input from this Committee and that a member of SMG has been assigned to each of the objectives. Mr Hargrove added that the objectives are to be monitored, some of which appear in other action plans, and the Strategy is to be reviewed annually by this Committee.</p> <p>Professor Oglesby asked if the College has faced any major cyber threats and Mr Hargrove confirmed that the College has not faced any cyber-attacks; it has received alerts from the cyber monitoring system but these were false alarms. The monitoring systems also alert the College if user credentials have been compromised and the College network also undergoes quarterly external testing. Professor Oglesby commented that the systems sound robust and Mr Hargrove added that the College does hold the Cyber Essentials accreditation, but there is always work to be done on cyber security.</p> <p>The Committee approved the Digital Strategy.</p>	
25/22	<p><u>Any Other Business</u></p> <p>a) <u>Catering Tenders</u></p> <p>Mr Hargrove informed the Committee that the contract for providing the College’s catering provision had recently gone out to tender, using an external consultant and the Crescent Purchasing Consortium framework. Only two companies out of the nineteen contacted, Aramark and the present incumbent Chartwells, submitted full bids. Both bids were of a high standard and very similar. Following a review of the bids and a morning of presentations, the bid receiving the highest overall score was from Aramark.</p> <p>The Committee recommended that the contract to engage Aramark should be signed.</p>	

Ref:		Actions
	<p>b) <u>Energy Costs</u> Mr Hargrove reminded the Committee that the College has locked in its energy prices until 2026 for electricity and 2027 for gas. The College is currently paying around £113k per year in energy costs, whereas the current market value of the energy is around £333k. There is an option to 'blend and extend' the prices in the fixed term electricity contract. The option to extend for 2026-27 is now available at £249k. This is significantly higher than the fixed contract for 2024-26 of £140k per annum but is below the current market price. It is therefore recommended that the contract offer for 2026-27 is taken, particularly as it includes 'blend and extend' allowing the College to switch to a lower price if the market falls. The contract will be signed subject to confirmation that the contract complies with value for money compliance terms.</p> <p>The Committee approved the proposal to extend the contract the 2024-26 electricity contract for a further year to 2026-27, subject to compliance.</p> <p>Mr Warman asked if there are any measures that can be taken within College to reduce energy costs and Mr Hargrove confirmed that solutions such as solar panels and battery storage etc. are to be considered as part of the College's future capital investment.</p> <p>c) <u>Retirement of Chief Financial Officer</u> Professor Oglesby took the opportunity, on behalf of the Committee, to thank Mr Hargrove for his excellent contribution during his time at the College and in particular for his clear and well-written papers.</p>	
26/22	<u>Confidentiality</u> Details of the HR Update are to remain confidential and the outcome of the catering tenders is to remain confidential until 23 rd June 2022.	
27/22	<u>Date of the next meeting</u> To be confirmed	

Summary of Actions:

Ref:	Action summary	By whom
	n/a	