Minutes of the F&R Committee

(Via Video Conference)

7 December 2021

Present:	D Butcher	Chair
	J Beaumont	Member
	P Whittle	Member
	N Chohan	Member & Principal
	W Rowan	Staff Member
In attendance:	L Swift	Vice Principal Finance & Planning
	D Bird	Vice Principal Curriculum
	J Stott	Clerk
	S Butler	Minute Secretary
Apologies:	G Jeffrey	Member
Meeting commenced:	18:00	
Meeting closed:	19:52	

The Committee were informed that J Beaumont was due to arrive around 10 minutes late.

26/21 Disclosure of financial and/or personal interest

There was no disclosure of financial or personal interest.

27/21 To agree the agenda and order of business as circulated

The agenda and order of business were agreed.

28/21 To appoint:

i) a Chair of the Committee

David Butcher was nominated, seconded and agreed to remain as Chair of the Committee.

ii) a Vice Chair of the Committee

J Beaumont was nominated and seconded in her absence to remain as Vice Chair of the Committee.

29/21 To approve the minutes of the meeting held on 6 July 2021

The minutes were approved as a true record.

30/21 Matters arising

There were no matters arising.

31/21 To receive a copy of the letter from the ESFA regarding the outcome of their review of the financial plan and consider the related Financial Dashboard

The Principal confirmed that the ESFA is supporting our financial statements and highlighted the dashboard which shows some interesting national trends. Noted on financial grades was the fewer number of inadequate colleges which reflects emergency cash being used to help institutions as well as a number of mergers. Staff costs are increasing for most institutions and borrowings are going down.

The Chair added that our position on adjusted cash days in hand has improved a lot and how he is surprised by the low benchmark but that the dashboard provides a really useful set of information.

The copy letter was received.

J Beaumont arrived and was informed of her nomination to remain as Vice Chair which she accepted.

32/21 To consider the Management Accounts for the period to October 2021

The Vice Principal Finance & Planning (VPFP) explained that the order of the accounts had been changed this year to allow consideration of the Going Concern assessment before approval of the accounts. The management accounts show a slightly better position with a £39k operating surplus compared to a budgeted deficit of £59k. This is due mostly to savings in expenditure rather than income. There has been a small decrease in income overall, but we feel this could catch up. On 16-18 funding, there is some in-year claw back for T levels built in. We currently have 746 16-18 students but are being funded for 807 for the full year so we are looking at another drop next year. We are still corresponding with the Council and expect higher than forecast income from Bradford Council for high needs. L3 National Skills has been successful and we have reached above our target to meet the contract. Apprenticeships are also on target as we have already achieved our forecast income. Confirmed income suggests that our income savings target is achieved and expenditure shows some savings, though that presumes we deliver our challenging AEB contract. We have a number of vacant posts not being filled and being covered by agency staff but non pay is still showing a healthy reduction.

33/21 To receive the 3 year Financial Forecast update

The VPFP reported that the forecast has changed from a break even back to a surplus as we know the areas where we can generate more income. For example, we are expecting more money from the Council for high needs.

Note that we may choose to spend additional money on marketing but still expect to make a surplus. We have plans on how to fulfil the AEB contract which is going better than last year, but still not back up to normal levels, largely because it has been difficult to get the unemployed in due to Covid.

We have met and increased our apprenticeship contract and National Skills Level 3 has given us another £300k to work for. If we can deliver that successfully, that would bring in a really good contribution.

Student numbers are key and the forecast assumes our AEB contract is fulfilled. Lifestyle courses are improving with a significant increase in numbers for Ballroom Dancing in January. The accounts also show that we supported 7 people through the Kickstart Programme which is about getting people back into work. The forecasts assume a pay increase of 1%.

22/23 shows a different position and we are forecasting a small deficit. The revised forecast still has a £470k income/savings target but there is scope to generate additional income in year for the L3 National Skills and Apprenticeships as well as building 16-18 numbers for additional income in 2023/24. The forecasts include a 0.8% per annum increase in contribution rates for the West Yorkshire Pension Fund which is not yet confirmed for all years.

The Chair enquired where we are with timings for submitting the forecasts to the ESFA as it keeps moving. The VPFP confirmed the year end accounts have to be submitted by end December with the next forecast not expected until next July. It was queried if the 22/23 forecast deficit will be a problem and confirmed that a lot of income should be firmed up by then. A member asked about our utilities contracts with soaring costs. The College has a fix to March 2022* and will be looking again at these contracts. Some colleges are looking at a 100% increase in utility costs. Another query was on the difficulty filling posts and whether that had anything to do with current inflation rates and salaries offered. It was confirmed that recruitment is an issue across the region and not unique to the College.

** The VPFP confirmed after the meeting that current contracts through the Crown Commercial Services (a Government consortium) are until March 2023 and they buy utilities in advance. Spend in 20/21 on gas and electricity was £69k, forecasts include £94k for 21/22 based on 18/19 spend.*

The Principal then asked governors if they are happy to support a zero EBITDA for next year and our rationale for that. If 16-18 recruitment continues as it is, then we expect to be in difficulty, though just another 50 students would improve forecasts significantly. If we invest more in marketing, this could make that happen. It was queried how much we are considering spending on marketing and the VPFP confirmed we spend around £165k and any increase on that would not be major, but it depends what we decide to do. The Vice Principal Curriculum added that we currently have a temporary member of staff in Marketing who is very experienced and is putting together a strategy for us with some ideas. Members agreed that using some of the surplus for marketing to mitigate a likely deficit for 22/23 sounds like a useful strategy.

The Principal highlighted that our operating model leads to us having lower opportunities for making a surplus as we run lots of small class sizes; around 12 per class. If we could run 16 per class that would make a significant difference so it all comes back to recruitment for 16-18. There are other avenues for increasing income such as with apprenticeships and Level 3 which are areas for expansion if we can find the market, but the key is to increase our class sizes or consider if we should stop running the smaller courses altogether.

The 3-year Financial Forecast update was received.

34/32 To consider in more detail the Sensitivity Analysis of the financial forecasts

The VPFP presented the report showing areas where significant variances to the forecasts may occur which are:

- Where there is potential clawback for under achievement of contract values - the adult education budget, apprenticeship contracts and other grants.

- Areas where income or expenditure is not fixed at the start of the year

    - Income from tuition fees
    - Income from advanced learner loans
    - Level of income for Element 3 of high needs funding which is specific to the students enrolled
    - Expenditure on variable hours staff

The key risk for 2023/24 is achievement of 16-18 student numbers in 2022/23 as detailed in the commentary to the financial forecasts

The Chair thanked the VPFP for the very useful format.

35/21 To consider an update of the College's assessment of use of the 'Going Concern' principle

The VPFP presented an update of the paper from the last meeting in July. It is now a requirement of the Audit Code of Practice that we formally review whether to use the Going Concern principle in the accounts and background was provided. We have looked at all the key areas in the accounts and forecasts and believe, even if we have a deficit in year, we will still have the cash reserves. The auditors had no issues or concerns with this.

Members agreed to the adoption of the Going Concern principle in the Financial statements.

36/21 To consider the Audit Completion Report from External Auditors

The VPFP presented the report which was written for the Audit Committee as part of their assurance work and is shared with F&R for information. There were just a few things outstanding at the point of writing the report. One point is on confirmation from the ESFA on the AEB claw back. We now know that the clawback has been reduced from £313k to £68k so have had to change the accounts to reflect that. Mazars are still finalising the funding audit work with their ILR audit team within Mazars. Overall, we have a clean audit report subject to this hopefully minor matter.

37/21 To consider the draft College Financial Statements and the Balance sheet following Audit Committee's review and recommendation of the other reports within these statements

The VPFP confirmed that Audit had already considered the wording in the front pages and it is for F&R to confirm the figures from page 32 onwards and signature of the balance sheet.

The College generated an operating surplus of £943k before the cost of the Defined Benefit Scheme adjustments and the effects of these adjustments are detailed in the statements.

The pension deficit has decreased, but recent statements suggest it has since gone up again so it is a moving picture but as at 31 July 2021 it has improved our net liabilities.

The VPFP asked members to inform her if they spot any typos or errors to formatting and the Chair highlighted the salary band widths on p42 which show some blank lines which the VPFP confirmed she will look at and update.

Members confirmed they were happy with the recommendations and thanked the VPFP for all her hard work on the accounts.

It was agreed to recommend to the Corporation the signing of the Balance Sheet

38/21 To consider the reconciliation of forecasted and actual outturn for previous financial year

The VPFP presented her report which details the changes between the forecasts prepared in June 2021 and the final year end accounts and the variation between our internal and statutory reporting format.

Members confirmed they were content with the explanations of the variations and level of accuracy of the forecasts.

39/21 To consider Shipley College Developments end of year accounts

The VPFP confirmed we have nothing going through these accounts as the company was dormant throughout the year but that they still have to be formally approved. The Company must stay in place for at least 10 years post the building of the Jonathan Silver Building for VAT purposes. The account could also be used as a vehicle if we have another new build.

It was agreed to recommend to the Corporation agreement of the Shipley College Developments Accounts

40/21 To consider:

i) a Pay Award for Staff other than Senior Post Holders

ii) the adoption of the Living Wage Foundation increase

The Principal confirmed we have asked West Yorkshire Colleges what pay rise they will be offering and their offers have ranged from 0% up to 2%, with 1% being the most common response. We have not yet heard what the AoC's recommendation will be as unions have been fighting for a 6% rise and the AoC have yet to come up with a counter offer so we have no national picture to draw upon. It was asked why the college is not waiting for the AoC recommendation to come out first, and confirmed that it would be a recommendation for last September and we are out of sync with national guidance as we implement pay rises in January. The College is keen to offer a pay rise this year as the NI increase next year will hurt staff as well as the impact of high inflation. The current financial forecasts include a 1% pay increase with effect from 1 January 2022 at a cost of £76k per annum. However, 1.5% or 2% increase to all scales are also possibilities to consider.

Five options were set out in the report for members to consider and a full discussion followed.

A member stated he felt it morally difficult to step away from the Living Wage, though understood if the college didn't want to adopt the increase due to the impact and collapsing of the lower bands. It is difficult, as the living wage increase would distort the differentials so that those on much more responsibility would not see that reflected in the difference in wages. A member asked if we offered a 2% rise, how far does that leave us from the Living Wage and confirmed it would be close at £9.69, with the Living Wage set at £9.90.

The Chair agreed it had been a good discussion and is not an easy decision, but that members felt more keen to support option e) 2% increase only without adoption of the Living Wage offered on the basis that if 16-18 numbers are not increased next year then no pay rise in 22/23 would be an option, and also supported a consideration of option c) of a 1.5% increase only - all scales. A 2% rise would be good news for staff and offer an increase towards the Living Wage as well as maintaining the differential of the lower levels.

Members agreed to recommend to the Corporation a pay award of either 1.5% or 2% for staff other than Senior Post Holders

Members agreed to recommend to the Corporation that we do not adopt the Living Wage Foundation increase.

A paper will be prepared for Corporation explaining the reasoning for not adopting the Living Wage.

41/21 To receive a progress report on the Risk Register related to financial risks

The Principal highlighted the main risks, particularly given that we plan to add 2% to the wage bill which puts us in a more risky place, but we do currently have the cash reserves in place.

The progress report was received.

42/21 To consider the Sector and Service accounts for the year to 31 July 2020

The VPFP explained that these accounts are unusual this year due to the pandemic and we have unearned income from 16-18 due to lagged funding.

The Principal then drew attention to the table showing the contribution of each of the sectors. 39% against Land Based means that is how much they are contributing to the College. Their rate is lower than other sectors as a weighting is applied to 16-19 which does not apply to Land Based. The Care sector is contributing 51.4% and the average contribution rate is 43%. Of note is that Business Development is now making a higher contribution and they have brought in double the money from the previous year.

43/21 To receive an update on the West Yorkshire Consortium of Colleges Finances

The Principal explained there have been issues trying to mirror the projects' income and that Bradford and Kirklees Colleges have walked away from the Joint Vehicle at no financial cost. The Finance Committee was unable to approve the accounts as there were some queries to resolve. The Consortium owes £445k to Luminate Group which is supporting the cashflow. Income is not as big as it once was but it will carry on trading for now and it is expected they will recommend the Consortium gets wound up. This does not put us at a higher risk than previously stated.

We are being encouraged to work as a group of colleges to help bring in significant funds so the Consortium is more important than it ever was. The maximum exposure for us would be £100k which we could just walk away from but would feel morally wrong. It will be a decision for the new Principal if they want to join the Joint Vehicle. It was queried if the debt has been reduced and confirmed that they have paid quite a lot of money with our maximum loss position about £90k, which is down from £160k. It was agreed we keep an eye on this as we don't want the debt to get any bigger.

44/21 To receive a report on the Student Union Income & Expenditure to the 31 July 2021

The VPFP confirmed there was very little to report except for a small spend on student hoodies.

The report was received.

45/21 To consider the outcome from the 2020/21 F&R Committee Performance Review Questionnaire

The Clerk highlighted a small reduction in scores from the previous year and asked members to note the comments. It was agreed 2b) appears to be a reflection of having experienced members who have left and new members joining. On the comment about receiving papers 10 days in advance, it was felt unrealistic as information changes quite quickly so it was agreed it was better to receive up to date information rather than changing data.

Members received the outcome of the Review.

46/21 To review the Terms of Reference of the Committee

The Clerk confirmed this had been through SMT initially who have recommended no changes so members were asked to maintain the Terms of Reference for another 12 months which was agreed.

47/21 Any Other Business

i) Future Meeting Proposal

The VPFP explained that 6 items on the agenda are also on the agenda for Audit. She therefore proposed a joint meeting take place from next year as a trial at the 6 December 2022 meeting. Audit have agreed they are happy to trial this and members were asked for their thoughts. The Chair suggested another option would be to hold 2 separate meetings in the same week. Members agreed they would prefer to see a draft of the Agenda first to see how a joint meeting could work before confirming their agreement.

ii) Dates of meetings to December 2022

- Tuesday 22 March 2022
- Tuesday 05 July 2022
- Tuesday 06 December 2022