



Minutes of the F&R Committee

(Via Video Conference)

8 December 2020

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| Present: | D Butcher | Chair |
| | A Podesta | Vice Chair |
| | J Beaumont | Member |
| | N Chohan | Member & Principal |
| | W Rowan | Staff Member |
| In attendance: | L Swift | Vice Principal Finance & Planning |
| | J Stott | Clerk |
| | S Butler | Minute Secretary |
| Apologies: | - | |
| Meeting commenced: | 18:00 | |
| Meeting closed: | 19:25 | |

16/20 Disclosure of financial and/or personal interest

There was no disclosure of financial or personal interest.

17/20 To agree the agenda and order of business as circulated

The agenda and order of business were agreed.

18/20 To appoint a Vice Chair of the Committee

J Beaumont was nominated, seconded and agreed to the position of Vice Chair of the Committee for a period of one year.

19/20 To approve the minutes of the meeting held on 7 July 2020

The minutes were approved as a true record.

20/20 Matters arising

There were no matters arising.

21/20 To receive a copy of the letter from the ESFA regarding the outcome of their review of the financial plan

The Vice Principal Finance & Planning (VPFP) was happy to report that the ESFA agree with our Financial assessment based on the July forecasts and we are now out of early intervention which means we are no longer required to submit quarterly accounts

The copy letter was received.

22/20

To consider the Audit Completion Report from External Auditors including Letters of Representation for signing by the Chair

The VPFP confirmed that this report goes to the Audit Committee and is shared with F&R for information. The key message is that the audit found nothing significant. It was a very challenging process carried out on-line which required nearly 1,000 documents to be uploaded. She believes that the only outstanding work is their review of the financial forecasts from today's meeting as part of their checks on going concern. They did challenge the pensions actuary assumptions last year but have agreed with their assumptions this year. Key is that the pension deficit has gone from £5 million to £12 million which is in line with other colleges in West Yorkshire. It was queried if Going Concern presented additional work this year and confirmed not so much, and that there was more stress on related parties with an emphasis on going through logs to check we are making the correct disclosures based on the staff and Governors' declarations.

The Principal and Chair offered their congratulations to the Finance Team for all their hard work during a very difficult audit.

23/20

To consider the draft College Financial Statements and recommend to the Corporation agreement of the Balance sheet following Audit Committee's review and recommendation of the other reports within these statements

The VPFP informed members that Audit had already looked at all the statements and that it is F&R's role to look at the numbers and approve the signing of the balance sheet. It was queried on page 6 where the target is above 4% of income as the outcome is 3.86%. It was agreed to show a rounded figure of 4% so is achieved. It was highlighted that the College generated an operating surplus of £246k, before the cost of the Defined Benefit Scheme adjustments which, given the year we have had, is a real bonus.

There is a section about the governors and as John Egan is taking over as Chair of Corporation, we have to change the accounts to show he will be signing. As we will also be approving new governors at the Corporation meeting, we need to take advice from the auditors on how they want that reflected. A discussion followed and it was agreed that at the time of appointment on 15 December, new governors will not officially be in position to be able to make any decisions or approvals until January and would remain as observers of that meeting. Therefore agreed to exclude those changes from the section in the accounts.

For accuracy, a member highlighted that some references to F&GP on pages 7 & 10 need changing to F&R.

It was agreed to recommend to the Corporation the Balance Sheet and reports within the above statements.

24/20

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

The VPFP explained that this is a requirement of the Financial Regulations to demonstrate full communication. It shows the differences between what we reported in the October management accounts and the formal accounts with only some minor adjustments. The Chair said this gives the committee confidence that the forecasts are reliable.

25/20 To consider Shipley College Developments end of year accounts and recommend to the Corporation

The VPFP presented the dormant set of accounts. We need to keep it a live company until at least 10 years after the building of the Jonathan Silver Building so we can action any warranties if we need to.

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| <p>It was agreed to recommend to the Corporation Shipley College Development end of year accounts.</p> |
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26/20 To consider the Management Accounts for the period to October 2020

The VPFP went through the accounts which summarise the main position in the top statement. There is a big improvement on the budget of ~ £300k. Given the lagged funding model for 16-18 year olds, we are being funded for more than we currently have, where we have always been underfunded before. This year we have been funded for 845 though we have around 790 students so we are a few groups short. For example, the Prince's Trust was put on hold at the time of lock down. There are a few less costs such as on part time lecturers. Some of the lines are not following normal profiles. With the Adult Skills budget last year we did a lot of customer services courses in this period and so carried the cost of that provision. As income is reflected evenly over the year in the accounts we still have the same income as last year, but we have not yet incurred those costs. Costs have been saved on Marketing where we have not produced a hard copy PT Prospectus, and on exams as we have fewer 16-18 which means we are paying less to BTEC.

The forecasts are showing a reasonably good position but we are not forecasting to exceed expectations at this stage.

27/20 To receive the 3 year Financial Forecast update

The VPFP stated the ESFA return made on 27/11/20 was just a cash flow statement. The return and commentary are included for information but her report will focus more on our internal version of the forecasts which was the basis of this return. Our previous income/ savings target was £227k which has now reduced to £70k. With the reduction in 16-18 student numbers and devolution coming in, it feels aiming for a surplus next year is not realistic and we have gone for break even as things stand. This year we can identify the £70k savings target and could well exceed it, but it is hard to judge by how much. The Forecasts do include lots of contingencies, eg, to buy more online learning materials, or for spending more on marketing or exams. It is in the following years where there are a number of things we don't yet know about such as ESOL projects and West Yorkshire Consortium contracts. To note is our apprenticeship income where we have already exceeded our budget particularly with very good recruitment in the Care sector. We had a target of £430k and the forecast has

already been increased to £500k. Advanced learning loans are going well and it is hoped to utilise the balance of our allocation in January. In April a number of level 3 qualifications will be available free to students which may include rail engineering. At this time it is not known if this is a new income source which may replace the learning loans.

For catering, we had expected 50% of our normal level of income, but it is actually around one third. We are keeping profit margins right down, have put some staff on furlough and are trying to minimise the loss, but it is challenging. We are keeping an eye on the TPS Pension and have a grant to support recent increases up to March 2021. This should be extended for another 12 months which will remove some of the risk in future forecasts.

A query was made on cash generation which was noted is getting better, but that in Section 1, those figures do not match up to the figures on page 8. The VPFP confirmed that those figures had not been updated so she will make the necessary changes.

A member noted we are reducing our target to break even in 21/22 but then go back to our target in 22/23, and asked how we think income will flow. The VPFP explained that in the termly finance report to Corporation, she tries to look at the history of achieving the income/saving target and these sort of levels have been achieved in the past. Also, with the amount of unemployed, there will be a real need for extra support and FE may provide extra funds to support this area. The key year to think about is 23/24. The new T Level programmes, if successful, would reduce the £1.2 mil quite significantly, but there are many unknowns at this time of year so we have erred on the conservative side.

The 3-year Financial Forecast update was received.

28/20 To consider in more detail the Sensitivity Analysis of the financial forecasts

The VPFP presented the forecasts in the usual format highlighting that apprenticeship income for this year is green but for the following 2 years jumps to amber as it is assumed we will return to precovid levels of income. For 16-18 funding we know the forecast is reasonably accurate for 21/22, but are not sure about 22/23. We have de-risked the adult education budget in the forecasts with the introduction of devolved budgets for our area. For tuition fees, we have more learners that are fully funded and fewer lifestyle classes so have taken a hit and therefore this could be an issue in future years as well.

For learning loans, the impact of L3 could be a risk for future years. High Needs funding is in amber as we haven't agreed it with the council as yet. Other income is red as that is where the income savings target is. One budget which is always variable is our part time lecturing budget. This is left as amber for the current years as well as future years as it depends how much extra staffing we will require for the unemployed. There is little risk this year, but we are more cautious for future years.

The Chair thanked the VPFP for the useful format of the report.

29/20 To consider a Pay Award for Staff other than Senior Post Holders and the

adoption of the Living Wage Foundation increase

The Principal explained that a 1% rise is affordable this year, but the worry is for next year. Since the paper was written the AoC have agreed a formal response to unions of a 1% increase or £250, whichever is greater, which equates to an extra £5k cost to the proposal shown in the paper. There was a discussion around the Principal's concern around teachers' pay as we are falling behind schools. It was queried how our scales compare with other FE Colleges and confirmed that it is best to compare with the AoC where we are 0.9% below although this is similar in other Colleges who, like us, have not always adopted their recommendation. However, it is about where you pay on the scale that is of relevance. One option would be to only offer a pay increase to teachers as they are our key source of income. The effect of increasing the top of teachers scale is approximately £70-80k. The Chair said it is good to think about these things going forward and how we can work it into the financial plan. A suggestion was, rather than a blanket scale, we could link it to some progression with added responsibility, but that could cause difficulties as to what constitutes additional responsibility.

After further discussion, it was agreed to the proposal of a 1% or £250 minimum increase to recommend to the corporation.

30/20 To receive a progress report on the Risk Register related to financial risks

The Principal went through the risks related to F&R with any new words highlighted in red. On the financial base, cash is improving and we are in a solid place, but need some project income for next year. AEB may be increased next year. We remain aware of financial issues and have carried out a session with governors with RSM. We are doing well with capital, and the impact of pensions is green for now. IT will receive some extra investment through recent funding. Of note is the penetration testing which was carried out in October, Although they came out with 32 recommendations, they found no holes in our systems which is a very positive outcome. However, we will need to think about governance of IT security going forward as we did for H&S. Under business continuity, the Estates team has done a great job keeping us going. We are trying to keep up to date with changing curriculum and to adjust our offer accordingly. Levels 4 and 5 require some long term thinking which the government wants colleges to deliver. This does require higher skilled lecturers which are not always easy to find.

The progress report was received.

31/20 To consider the Sector and Service accounts for the year to 31 July 2020

The VFPF presented her report which is more unusual this year. We did not earn all our money, but still have the associated costs. For these accounts, we have used earned income which is the best way to judge our sectors.

The sector accounts summary shows a contribution rate this year of 49.2% compared to 54.1% the previous year. All sectors are at least 1% under where they would have been. The figures are not as useful as usual due to all the differences caused by Covid.

32/20 To receive details of the significant changes to the Funding Agreement

The VPFP reported no significant changes. There is a small change to adult funding with the increase in threshold of household income for free courses. The requirement to carry out cyber essentials is already on our list. There are a number of pots of money, all with slightly different rules for which she provided some examples.

The details were received.

33/20 To receive an update on the West Yorkshire Consortium of Colleges Finances

The Principal reported we have had some difficulties in delivering european projects, particularly with the paperwork. West Yorkshire has chosen an unusual model which has not worked particularly well and we are still awaiting approval for a project submitted last December. There is a lot of money at stake with £150k for last year and £300k - £350k potentially next year. The biggest issue for the Consortium is cash flow as they are carrying some debt which is a challenge, but currently Leeds City College underwrites the cash flow. Legally we have little exposure but have a moral imperative to support it. There are some major projects coming up. For example, for Re:boot we have a one year contract of £150k. £6 mil additional Re:boot funds are being made available for the Leeds City Region over the next 2 years aimed at unemployed and to include health care qualifications for the first time. This could be a real opportunity for the College.

The update was received.

34/20 To receive a report on the Student Union Income & Expenditure to the 31 July 2020

The VPFP said the funds continue to build up as before with nothing having been spent due to lock down.

The report was received.

35/20 To consider proposed changes to Local Government Pension Scheme (LGPS) Employer Discretions

The VPFP highlighted the one proposed change which is to do with whether we allow people to draw on their benefits from those built up in the Care part of their pension. Decisions would be made on the merit of each particular case.

Members approved the proposed changes to the discretions.

36/20 To consider the outcome from the 2019/20 F&R Committee Performance

Review Questionnaire

The Clerk presented the outcome of the review which shows a very slight increase in the overall score to 4.73. Six members completed the questionnaire compared to 5 the previous year. The comments were highlighted, and that we require new members with accountancy skills. As we still have 3 vacancies, there is still scope to find new members with a finance background.

Members noted the positive outcome from the questionnaire.

37/20 To review the Terms of Reference of the Committee

The Clerk reported that this has been through SMT and there are no proposed changes so members were asked to recommend them for another 12 months which was agreed.

38/20 Any Other Business

i) Farewell

The Chair wanted to formally thank Albert Podesta who is leaving for all his service on the committee and his 9 years on the Corporation which has been really appreciated.

ii) Dates of meetings to December 2021

- Tuesday 16 March 2021 - as a member is unable to make this date, it was proposed to change the next meeting to **23 March 2021**
- Tuesday 06 July 2021
- Tuesday 07 December 2021

iii) To consider which recommendations/proposals are reported to the Corporation

- **Minute 23/20** on the draft financial statements and recommendation to the Corporation agreement of the Balance sheet following Audit Committee's review and recommendation of the other reports within these statements
- **Minute 25/20** on recommendation to the Corporation Shipley College Developments end of year accounts
- **Minute 29/20** on recommendation of a pay award for Staff other than Senior Post Holders and the Living Wage Foundation increase