



Minutes of the F&R Committee

3 December 2019

Present:	D Butcher A Podesta P Brown J Beaumont N Chohan W Rowan	Chair Vice Chair Member Member Member & Principal Staff Member
In attendance:	L Swift J Stott S Butler	Vice Principal Finance & Planning Clerk Minute Secretary
Apologies:	-	
Meeting commenced:	17:57	
Meeting closed:	19:35	

28/19 Disclosure of financial and/or personal interest

17:57

There was no disclosure of financial or personal interest.

29/19 To agree the agenda and order of business as circulated

17:57

The agenda and order of business were agreed.

30/19 To appoint:

17:57

i) a Chair of the Committee

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

ii) a Vice Chair of the Committee

Albert Podesta was nominated, seconded and agreed to the position of Vice Chair of the Committee.

31/19 To approve the minutes of the meeting held on 2 July 2019

17:59

The minutes were approved as a true record.

32/19 Matters arising

18:00

i) Minute 17/19 - it was queried whether the income had been received from the Council for high needs and confirmed that we did get paid in October.

ii) Minute 19/19e - with regard to the subsidiary company, it was queried what business activity we have in the Jonathan Silver Building and confirmed very little - it is only if a student is co-funded that it is classed as 'business'.

iii) Minute 20/19 - to receive an update on WYCC

The Principal reported that currently there are projects of potentially £15m over the next 3 years, all of which Shipley are committed to. However, they do have difficulty in delivering them with several rules clarification issues delaying the start and they have had to take on a central team at a substantial cost. The Let's Talk Real Skills project is less complicated than other projects so they are able to generate a sizable income out of it and, it is estimated, pay for all the central staff costs. Overall, we are feeling more confident that we understand the position and regular updates will be brought to this meeting.

33/19
18:11 **To receive a copy of the letter from the ESFA regarding the outcome of the financial plan and consider the related Financial Dashboard**

The Principal highlighted the number of green areas and Good grades set out in the Financial Dashboard which incorporates various key performance indicators and measures those against target benchmarks and those achieved in the sector. Their letter confirms our assessment grade as Good for both 18/19 and 19/20 and we will be assessed again in January 2020 as to whether we will continue in early intervention. They will be looking at 3 year trends going forward.

The letter from the ESFA was received.

34/19
18:14 **To consider the Audit Completion Report from External Auditors**

The Vice Principal Finance & Planning (VPFP) confirmed this report goes to Audit but is shared with F&R for information, highlighting a number of areas as follows:

Page 4 sets out the three outstanding matters on pension liability (now complete); overall review of the financial statements; and signed final statements and signed Management Representation letter. Reconciliation from the ESFA often delays things, but this was received last week. There are no significant findings on page 7 in context with the Bournville case. At page 10 on assessment of the actuarial assumptions, a member noted an error where it refers to the Greater Manchester Pension Fund instead of West Yorkshire, so this will be amended accordingly. Page 11 on salary increases for pension valuation - taking into account the assumptions of Mazars' other clients within the sector, Audit felt that provided good assurance and we are similar to benchmarks. **ACTION:** This report goes to the ESFA, but it was agreed to share Appendix F on the key updates with the Corporation.

35/19
18:23 **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 confirmed that Audit have already looked at pages 1-27 to confirm they can be signed and it is for F&R to confirm they are happy with the figures. She then talked through the statements asking for any comments and highlighted the

amendments made so far.

There was a query at the top of page 11 and what it means where it says '*The Collegeis developing a strategy for growth in response to the devolution*'. It was confirmed that this is to highlight that skills budget devolution could come into this area and affect our funding so it was agreed to add a few additional words to clarify that.

The table on page 15 on the appointment dates of governors needs to be re-visited to check all the dates are correct.

It was agreed at page 17 to highlight that the Chair of Remuneration is an independent external co-opted member in position since July 2019.

On page 18 where it says '*The Finance & Resources Committee comprises 6 members of the Corporation (excluding members of the Audit Committee)*', that it should be reworded to say '**and excludes members of the Audit Committee**'.

At page 32 on Going Concern, it was queried why it is included here as it is elsewhere in the document and that the last 2 sentences of this section should suffice. The VPFP believes Mazars had requested that it be repeated, but agreed to challenge it.

It was agreed to recommend to the corporation the signing of the balance sheet and recommend the other reports within the financial statements

36/19
18:34

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

The VPFP produced this report to demonstrate what has changed in general terms between the forecasts and the outturn and sets out the pension costs to be able to tie them up in the accounts. She also reported where we are with the summer plans. There are no significant variances to note and she recapped on the pension increase costs and risk to colleges. We have learnt that the increase will not be introduced in one go, but by a 0.8% increase per year over the next 6 years, so the progressive increase will really help in the short term. Of note is that the new system of pension auto enrolment has resulted in an increased number of members.

37/19
18:41

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

The VPFP confirmed that it had been agreed we did not need these accounts audited this year as there have only been a few minor transactions with just £52 showing on the profit and loss account for the year ended 31 July 2019. Next year the account will definitely be dormant.

It was agreed to recommend to the Corporation Shipley College Developments end of year accounts

38/19
18:42

To consider the Management Accounts for the period to October 2019

The VPFP reported an underlying operating surplus of £20k compared to a budgeted deficit of £53k, which is a very good position to be in. There has been an increase in income of £21k, though tuition fees are a little down, particular for Horticulture. Advanced learning loans are doing really well and the income savings target has been achieved before Christmas for the first time in 20 years and we should achieve more than our budget. We were pleased to get one long standing debt down to £180 which we will write off. The cash balance is a lot healthier since the Council paid the High Needs monies. Cash totalled £846,743.07 on 31 October 2019. This represents 32.2 cash in hand days based on the actual income for the period, against the College target of 25 days. Our financial health overall is Good, but Satisfactory in this quarter as expected. Overall, we are in a fairly positive position.

39/19
18:48

To receive the 3 year Financial Forecast update

The VPFP reported that the original income/savings target for 2019/20 was set at £36k to achieve a £220k surplus. This is significantly lower than in previous years. Even with some additional investment in staff over the summer, the target has now been achieved and maybe further exceeded before year end. We have invested more in some staffing areas but it has not made a huge difference and we have a list of things that could bring further improvements. The figures include a 0.8% not 5% pension increase. Of note is that Leeds College of Building increased their contract to £200k (£150k last time) which is significant and things continue to run smoothly with Askham Bryan College's lease of our building. Sensitivity has been taken out of the Management Accounts and put into a separate paper. It was asked if the summary on page 2 is being reported to Corporation and the Principal confirmed that he could add it to his KPI paper.

The income savings target for next year is already dropping so we are feeling more confident.

The Financial Forecast update was received.

40/19
18:55

To consider in more detail the Sensitivity Analysis of the financial forecasts

The VPFP produced this report following on from insolvency training. There are 5 main areas with some sub areas included. These are the contracts which, if not achieved, could result in claw back. Another area of risk is where income and expenditure are not fixed. As we have no income savings target, it was queried where we feel we will end up and the VPFP said we are fairly confident about the majority of our figures which could be a lot more if all of our projected work is successful. The conservative figure is £250k. There was strong support for developing the cash position of the College.

Members were asked if they would like to continue with this format for demonstrating sensitivity and they agreed it was a useful paper which they would like to continue to receive.

41/19
19:02

To consider a Pay Award for staff other than Senior Post Holders and the Living Wage Foundation increase

The Principal reported that the current financial forecasts include a 1% pay rise with effect from 1 January 2020. National Unions are not happy with that and are balloting action. We have not officially signed up to the real living wage, but are on track with it. The real living wage now means that scales 1 and 2 are the same with scale 2 being just one point on the payscale.

Of note is that we are struggling to fill some posts, particularly for AAT and Computing which is an issue for us. It may help if we could increase the top scale for teaching staff as there is a shortfall in salary of £2k-£3k for these subjects. Some other Colleges offer 'shortage subject' payments as additional salary.

It was agreed to recommend to the Corporation a 1% pay rise or £250 min from January 2020 and to keep paying the living wage.

42/19
19:11

To consider introducing a Cash and/or Reserves Policy

The VPFP asked members for their thoughts on a Cash/Reserves Policy and all agreed it was not required for the FE Sector and that what we have included in the accounts on page 8 is adequate.

43/19
19:13

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

The Principal highlighted his updates in blue and talked through each of the risks. The ILR audit at Leeds College of Building has raised no concerns. We are in a good place with student numbers, 19+ AEB is very good and our financial base is improving. There was nothing of major concern to report and comments were invited.

The VPFP added that along with the Clerk and Chair of Audit, she had been invited to attend an event held by RSM looking at board assurance. They have come up with a 50 page Risk Register tool. Although it is not something we will be adopting, we have agreed to amend our own Risk Register to allow more space for setting out the assurances to make it clearer and we will also look to see if we have missed any risks to help enhance the register.

The progress report was received.

44/19
19:17

To consider the Sector and Service accounts for the year to 31 July 2019

The VPFP stated that this process is carried out with sectors at least 3 times per year where we look at income earned, as opposed to what we have been paid. Part of our performance reviews is to look at contribution rates at course and sector level.

The contribution percentage rate in 18/19 was 54.1% compared to the previous year which was 47.5%. We allocate costs as accurately as we can and the service accounts are mainly about keeping track of expenditure. It was queried if

we set a vacancy factor per department and confirmed we might do, depending on enrolments, but it is not automatic. We do sometimes put a hold on vacancies. The target contribution rate this year is 52% which sectors are judged against. The figures for Essential Skills look artificially high as English and Maths do not make a profit, but the cost is allocated across the sectors as part of the study program. ESOL in the community did really well last year. We expect adult classes to make a lower contribution rate than full time learners. This is a useful tool for the College to look at costs overall. Of note is that apprenticeships on the frameworks were low earners, but for those that have moved onto the new standards, they now bring in much more, particularly relevant to the Care sector.

45/19
19:24

To receive details of the significant changes to the Funding Agreement

The VPFP presented the Funding Agreement, previously known as the Financial Memorandum, which is now 108 pages long and includes some new unexpected changes and is about more than just finances. She then highlighted the 4 unexpected changes.

For DBS declarations, there is a view for contractors working in term time to have a DBS and it was queried whether this could affect us in terms of competitiveness. Members were assured it would not as this has now become the standard. One of the changes is that we now get paid for the adult budget 5 days later than before which makes our pinch point in April that bit longer.

The details were received.

46/19
19:29

To receive a report on the Student Union Income and Expenditure to 31 July 2019

The VPFP presented the accounts which shows our share of money from people buying NUS cards. Unusually, some of the money was spent last year on a trip to Alton Towers and the purchase of some T shirts, but there is still over £4k left in the account.

The report was received.

47/19
19:30

To consider the outcome from the 2019/19 F&R Committee Performance Review Questionnaire

The Clerk confirmed that all questions received a score of 4.4 or above out of 5. For F&R it was 4.7, which is a very slight decrease on last year. One comment that came out of other committees was for the minutes to be circulated within 2 weeks of the meeting to check for accuracy which was agreed. However, as the Corporation meeting closely follows F&R, it was felt this would not be necessary for this committee.

Noted was the need to look at membership for the future.

48/19
19:33

To review the Terms of Reference of the Committee

The Clerk highlighted the changes and ask members to note that new to the Committees is the requirement to look at and recommend for approval a number

of policies and procedures.

49/19

19:33

Any Other Business

i) Dates of meetings to December 2020

- Tue 17 March 2020
- Tue 7 July 2020
- Tue 13 October 2020 (if needed)
- Tue 8 December 2020

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

- **Minute 35/19** on recommendation of the balance sheet and other reports within the Financial Statements
- **Minute 37/19** on Shipley College Developments (on the Corporation agenda)
- **Minute 41/19** on recommendation of a 1% pay rise from Jan 2020 and to keep the living wage.