

WEST THAMES COLLEGE

Minutes of a Meeting of the Finance, Resources and Capital Projects Committee meeting held on Wednesday 16 June 2021 @18.00

Present Mr T White
Mr S Wilcox
Ms T Aust
Mr A Luke

Also present Mr M Cooper
Mr M Michaelides
Mr J Allen

APOLOGIES, QUORACY & DECLARATION OF INTERESTS

1. Apologies were received from Charlotte Callinan. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting held 03 March 2021 (Paper 1) be confirmed as a correct record.

SUMMARY ACTION LIST & MATTERS ARISING

3. The '*Summary Action List*' was made available (Paper 3) with confirmation received that all actions are addressed through agenda items at this meeting.

4. There were no other matters arising from the minutes.

DATA DASHBOARD

5. It has been agreed for the Data Dashboard to be an early agenda item at all meetings of the Finance Committee and for the meeting to review in detail those KPIs that fall under the committee's remit. These being, financial health and operating surplus, Human Resources and Health & Safety. Subsequent agenda items and reports that follow would then be linked to the Data Dashboard.

DATA DASHBOARD - FINANCIAL KPIS

6. Financial Health - Based on an overall score of 220/300, the forecast year-end ESFA financial health grade for the College at 31 July 2021 is 'Good'. This represents a decline from the 2019-20 outturn of 'Outstanding', due to a lower EBITDA score for profitability.

7. Year-to-date (YTD) Performance for 9 months to April 2021 was showing an operating deficit of £553k compared with budgeted surplus of £169k. Key YTD variances against the budget were reported as follows:

Favourable

- £428k – High Needs Student top-up funding from LAs
- £191k – ESFA 16-19 revenue funding

Adverse

- £489k – Adult Education Budget earnings
- £246k – HE income
- £201k – Education contracts (14-16 Alternative Provision and School Link)
- £126k Apprenticeships

8. The full-year end income & expenditure forecast was for an operating surplus of £100k, £50k lower than budget.

9. Key full-year forecast variances against the budget were reported as follows:

Favourable

- £658k – High Needs Student top-up funding from LAs
- £429k – ESFA 16-19 revenue funding
- £170k – Other income including one-off grants (CCF, COVID-19 testing)

Adverse

- £357k – Education contracts (primarily 14-16 Alternative Provision)
- £256k – Pay costs (primarily HNS additional support costs)
- £205k – Apprenticeships income
- £155k – HE course fees

10. Cash flow was forecast to average around £5m over the next 18 months with the projected low of £3.7m falling in March/April 2021.

11. Data on financial health and KPIs were reported as follows:

- Projected ESFA financial health grade for the year is 'Good'
- Operating surplus as a percentage of income forecast to be 0.5%
- Adjusted current ratio at 31st July is 2.2
- Forecast full-year staff costs as a percentage of income is 67.5%
- Projected compliance with Barclay Bank loan covenants

DATA DASHBOARD – HUMAN RESOURCES KPIS

12. It was confirmed the Human Resource KPIs is still work in progress. At the last meeting data tables were presented on staff ethnicity profile and staff turnover. Following further work on the Data Dashboard additional data tables have been added covering staff sickness, disability profile, and staff utilisation. Further work will be done to include a data table on the Gender Pay Gap. A full commentary on each of the data tables will also be incorporated into the Human Resources KPI.

13. On the staff ethnicity profile, a comparison was incorporated to compare the data table for staff against a data table for the student body. The Committee welcomed confirmation of the staff ethnicity profile being very much in line with the student ethnicity profile.

DATA DASHBOARD – HEALTH & SAFETY

14. The Data Dashboard for Health & Safety provided the committee with a data table on the number of reported incidents, Health & Safety training, and Covid-19.

15. During the spring term a total of 50 incidents were reported. Whilst total numbers for the first two terms are broadly consistent, it was noted this level of reporting is very low and has most

definitely been impacted by the various stages of lockdown. One incident was reportable to the HSE.

16. With the exception of first aid and evac-chair training, all H & S training was completed using the college's bespoke online training modules.

17. The Committee was informed the College's covid-secure re-opening plan is supported by a detailed and comprehensive overarching risk assessment. The plan and risk assessment are reviewed weekly and updated in line with the latest Government guidance. As such both documents are considered fit for purpose.

18. The Committee was informed the ESFA had agreed with the HSE for the HSE to conduct spot check visits to assess on how colleges had prepared and responded to making the college a safe Covid-19 environment. A spot check was recently conducted on West Thames College from officers from the HSE. It was reported the visit made no recommendations and commented positively on the excellent safety arrangements that have been put in place in the College to protect staff and students.

ESFA FINANCIAL HEALTH ASSESSMENT GRADES

19. The letter from the ESFA dated 13 May 2021 confirmed the following financial health assessment grades as reported in the Data Dashboard:

- Outstanding for 2019/20 (the outturn year)
- Good for 2020/21 (the current budget year)

20. Made available to the letter were a series of graphs reporting on the College's financial performance against available benchmark data. Much of the data tables are those used in the College's Data Dashboard, but of particular interest to the Committee, was the data table showing reliance on income streams across a spread of income categories. Consideration will be given to adding a similar table in the Management Accounts.

21. As reported in the College's Data Dashboard, staff costs are above the target set at 65% but this compares favourably against the sector average of 69% reported in the ESFA data table on pay costs. This led to a discussion on whether the College will always be in the position of not achieving the target, and if not achievable, should a more realistic target be set? Or if the target is to remain, what would be the actions required to meet the target, by either increasing income or reducing staff costs. The Committee were reminded that this was previously reported on the commentary of the Management Accounts as a 'measure' instead of a 'target'. It was **AGREED** for further consideration to be given on how best to report on staff costs, either as a 'measure' or a 'target', and if a 'target', what would be the required actions to achieve the 'target'.

MANAGEMENT ACCOUNTS UP TO 30 APRIL 2021

22. The '*Management Accounts up to 30 April 2021*' were received (Paper 3). It was noted the detail had been covered through the review of the Financial KPIs in the Data Dashboard.

COLLEGE BUDGET 2021/22

23. The Committee received for review and recommendation to the Board:

- College Budget 2021-22
- Financial Plan 2022-23
- Commentary to the budget and financial plan

24. The ESFA requires all Corporations by 31 July 2021 to submit a 3-year CFFR by 31 July 2021, which much include an income and expenditure account, balance sheet and cashflow statement, as follows:

- Outturn – year ending 31 July 2021, comprising:
 - Actuals – period from 01 August 2020 to 30 April 2021 (or a later month if possible)
 - Forecast – period from the end of the period for which actuals have been provided to 31 July 2021
 - Budget – year ending 31 July 2022
 - Forecast – year ending 31 July 2023

25. College Corporations are also required to submit a commentary which explains the assumptions upon which the forecast years have been completed in the CFFR return.

26. Due to the timing of the CFFR release on 31 May 2021, it has not been possible to finalise the budget and forecast for the next two years and complete the CFFR comprehensive spreadsheet template. Instead, the 2021-22 budget and 2022-23 financial plan are presented in the format used previously for internal purposes. It is proposed to complete the CFFR with the financial values presented at this meeting and to circulate this to Committee members for information. It was confirmed it is not intended that there should be any material difference between the financial plans presented at this meeting and the finalised CFFR for submission to ESFA.

27. If there are any material changes in the CFFR return to the ESFA that are over and above the forecasts considered at this meeting, it was **AGREED** to make arrangements to hold a special meeting of the Committee to consider the revised forecasts.

28. The draft revenue budget for 2021-22 and the plan for 2022-23 both deliver a projected operating surplus of £100k and an ESFA financial health grade of 'Good' throughout the forecast period.

29. The Balance Sheet and cashflow statement as at 31 July 2022 forecast healthy cash balances across both years with no anticipated adverse cashflow issues. Full compliance with current bank loan covenants is also projected across both years.

30. The following key points from the draft College Budget 2021/22 were noted:

- 16-19 student number allocation of 1,656 (1,696 in 2020-21)
- Total 16-19 programme funding of £9,350k (down £144k compared with 2020-21).
- Devolution of Adult Education Budget Funding means we will again receive two AEB allocations:
 - a) GLA allocation of £3,568k (an increase of £444k on the 2020-21 initial allocation)
 - b) ESFA allocation of £327k
- Assumed partial recovery of Apprenticeship income (a projected increase of £55k on the current year's forecast) as provision is expected to recover gradually from the adverse impact of the pandemic.
- Estimated £23k reduction in OfS recurrent grant funding due to declining student numbers in 2020-21.
- A small decline in Advanced Learner Loan income is expected as more provision is funded through the AEB (the National Skills Fund L3 Offer and increased funding flexibilities). FE and full-cost fee income is budgeted at current levels.
- HE fee income assumed broadly in line with current levels.
- Budgeted income from education contracts is more than halved following restructure and downsizing of 14-16 Alternative Provision. Income from this area is marginally

higher than current year levels and pay cost savings have been applied to mitigate the income reduction and ensure financial viability.

- Other income lines have largely been assumed at 2020-21 levels.
- Draft pay costs are prepared based on the following assumptions:
 - a) Base staffing requirements have been assumed at 2020-21 forecast levels
 - b) A 1% pay award valued at c. £125k is included
 - c) Cost of incremental drift has been included at approximately 40k
 - d) No increase in employer's NI or pension contributions
 - e) Staffing budget prepared on assumption all vacant posts will be recruited to and occupied for the full year, giving an effective contingency of around £120k (0.6%).
- Thorough line-by-line analysis of non-pay expenditure budgets has been undertaken to separate relatively fixed items of expenditure from discretionary spend and so target cost reductions. In particular, budgets for estates and central administration have been cut facilitating the setting of a sizeable allocation for non-pay contingencies.
- Non-pay contingency allocation of £400k (2% of the total revenue budget)
- An allocation of £765k to the capital expenditure budget resulting in cash-neutral position

31. The Committee noted the risk and sensitivity analysis in the commentary to support the draft budget. In view of the College's dependence on funding agency income, the material risks are usually associated with the assumptions made on agency income. This includes delivering sufficient student numbers to generate the planned income. The plan assumes very limited growth only in 16-18 student numbers, at or below demographic expectations for 2021-22.

32. Funding for adult skills has been included on the basis of GLA and ESFA allocations which have increased. There is therefore a risk if the College is unable to grow its adult provision sufficiently that some funds may be subject to reconciliation and claw back.

33. Both the budget and the forecast have been prudently prepared and do not include over-ambitious assumptions about increased income or reduced expenditure. The College's risk management plan indicates the measures being taken to minimise the risk of funding shortfalls caused by a variety of possible causes. Details of contingency plans in the event of the sensitivities arising have also been considered.

34. The College has a demonstrable record of responding quickly to adverse movements in income by undertaking rigorous review and control of expenditure to mitigate income shortfalls. Robust plans are in place for the recruitment of students ahead of next year. However, if recruitment targets are not achieved there are a number of actions that the College can and will take to alleviate falling income.

35. The Executive will continue to review staff numbers and staff costs in detail on a monthly basis and will continue to work to improve income generation and mitigate the impact of increasing costs.

36. Following a thorough review, and after careful consideration of the risks and sensitivity analysis, it was **RESOLVED** to recommend to the Corporation at its meeting on 30 June 2021 to:

- a) Approve the operating revenue budget for 2021-22 with gross income of £20,324k and gross expenditure of £20,224k giving an operating surplus of £100k.
- b) Approve the financial plan for 2022-23 with operating surplus of £100k.
- c) Agree to a capital expenditure programme for 2021-22 of £765k.

37. In addition to the resolution agreed to hold a meeting of the Committee in the event of any material changes from the budget forecasts considered at this meeting to the final CFFR to be submitted to the ESFA, it was **AGREED** to give delegated authority to the Chair and Vice Chair to approve any technical and non-material changes that may be required to the budget forecasts to be submitted to the ESFA.

FINANCIAL REGULATIONS

38. The current College financial regulations were developed using the CIPFA Model Set of Financial Regulations for Colleges (2003) and were approved by the Corporation on 25 May 2005. The Finance, Resources and Capital Projects Committee is responsible for maintaining a continuous review of the financial regulations, through the Executive Director (Funding, HR & Development), and for advising the Corporation of any additions or changes necessary.

39. Since their implementation, the financial regulations have been subject to regular review and update but the whole document would benefit from a full review. It was proposed to use the most recent CIPFA Model Set of Financial Regulations for Colleges (2013) to form the basis of the review, and to tailor the model to produce financial regulations that are applicable to the College's own size, circumstances and structures.

40. The Committee **AGREED** to the recommendation for a complete review of the Financial Regulations to be undertaken and it was further **AGREED** to receive the outcome of the review at the spring term meeting.

41. It was also considered timely to review the authorisation limits, specifically to look at ways of managing authorisation more effectively, within a controlled environment.

42. It was **AGREED** to receive proposals on authorisation limits at the autumn meeting of the Committee.

PLANNED SUBCONTRACTED PROVISION 2021/22

43. The College's subcontracting policy sets out our reasons for subcontracting and included details of funding retention and charges. The policy must be signed by the Principal (as accounting officer) and Chair of the Corporation (on behalf of the governing body). The policy must be published on the College's website by 31st October of the year in which it applies.

44. The latest update of the College's subcontracting policy was reviewed and, following the review, the Committee **APPROVED** the 'Subcontracting Policy'.

45. It was confirmed the College is still considering its plans for subcontracting in 2021/22 but currently there are plans in place.

46. To give flexibility to the Executive, it was **AGREED** 'in-principle' for the College in 2021-22 to subcontract to high-quality, low-risk partner providers the delivery of AEB-funded provision up to a maximum aggregate value of £200,000, should the Executive determine it would be appropriate to do so. Any changes to the agreed 'in-principle' resolution to be brought back to the Committee for further consideration.

RISK MANAGEMENT/RISK REGISTER

47. The College report '*Risk Register*' was received, highlighting the areas of focus relevant to the Committee (Paper 8). The Audit Committee requested each Committee to review if there were sufficient and robust sources of 'Independent Assurances' against each risk that falls under the terms of reference of the Committee and, if identified, 'Governor Oversight' arrangements are

adequate and fit for purpose. The Clerk advised that the Committee could also add to the Risk Register if any new risks were identified through discussions during the meeting.

48. Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk that falls under the terms of reference of the Committee.

49. No new risks were identified for inclusion in the Risk Register. It was noted that the score against two risks have been increased these being:

- Risk #18 relating to AEB funding shortfall and potential claw back
- Risk #20 relating to subcontractor AEB funding delivery

50. It was **RESOLVED** to note the Risk Register.

ANY OTHER BUSINESS

51. As this was the last meeting to be attended by Mr Tommy White, the Chair, on behalf of all Corporation members, thanked Tommy for his excellent stewardship of the Finance & Resources Committee during his tenure as Chair and member of the Committee.

DATE OF NEXT MEETING

52. Wednesday 24 November 2021 @ 6pm.

CONFIDENTIAL AGENDA ITEMS

53. The minutes of the confidential agenda items recorded separately and not for publication in the public domain.

The meeting closed at 19.40

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
20	Consideration to be given to adding in the Management Accounts a data table showing reliance on income streams across a spread of income categories	24/11/21
21	Further consideration to be given on how best to report on staff costs, either as a 'measure' or a 'target', and if a 'target', what would be the required actions to achieve the 'target'?	24/11/21
27	If there are any material changes in the CFFR return to the ESFA that are over and above the forecasts considered at this meeting, it was AGREED to make	24/11/21

	arrangements to hold a special meeting of the Committee to consider the revised forecasts.	
37	In addition to the resolution agreed to hold a meeting of the Committee in the event of any material changes from the budget forecasts considered at this meeting to the final CFFR to be submitted to the ESFA, it was AGREED to give delegated authority to the Chair and Vice Chair to approve any technical and non-material changes that may be required to the budget forecasts to be submitted to the ESFA.	24/11/21
40	To receive the outcome of the review of the Financial Regulations at the spring term meeting.	Spring meeting
42	To receive proposals on authorisation limits at the autumn meeting of the Committee.	24/11/21
46	Subcontracted Provision 2021/22: Any changes to the agreed 'in-principle' resolution to be brought back to the Committee for further consideration.	24/11/21
57(v)	Barclays Loan Agreement – To seek Corporation approval to delegate authority to the Finance & Resources Committee to oversee the process and to make decisions on behalf of the Corporation, with any use of delegated authority to be reported to the Corporation.	24/11/21
62	Health & Safety Incident at the Logistics + Skills Centre – To keep the Committee informed on any further developments	24/11/21