

WEST THAMES COLLEGE

Minutes of a Meeting of the Finance, Resources and Capital Projects Committee meeting held on Wednesday 02 March 2022 @18.00

Present Mr A Luke (Chair)
Mr S Wilcox
Ms T Aust
Ms C Callinan

Also present Mr M Cooper
Mr M Michaelides
Mr J Allen

APOLOGIES, QUORACY & DECLARATION OF INTERESTS

1. There were no apologies. 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 24 November 2021 (Paper 1) be confirmed as a correct record, subject to the minutes relating to the Barclays Loan being recorded separately as confidential minutes.

SUMMARY ACTION LIST & MATTERS ARISING

3. The 'Summary Action List' was made available (Paper 2) with the following updates provided against previous action points:

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	COMMENTARY / UPDATE PROVIDED FOR MEETING 02 MARCH 2022
39 & 40-16/6/21	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. The Committee AGREED to the recommendation for a complete review of the Financial Regulations to be undertaken.	Action carried forward to the summer meeting
37-24/11/21	To present new proposals on authorisation limits	Agenda item

51-14/11/21	S+LC Lease - to seek further advice from the College solicitors and to make this advice available, along with possible options to pursue and costs involved, in orderfor the Corporation to make decisions on the next steps.	A confidential update was made available. It was agreed for the minutes to be recorded separately as confidential minutes.
	Barclays Loan	A confidential update was made available. Itt was agreed for the minutes to be recorded separately as confidential minutes.

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

DATA DASHBOARD REVIEW

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.

6. It was agreed to defer discussions on financial KPIs to the later agenda item on Management Accounts.

DATA DASHBOARD – HUMAN RESOURCES KPIs

7. Sickness Absence - In term 1 of 2021-22, sickness absence for all employees averaged 6.0 days, which equates to 7.0% 'lost time'. This was a significant increase on the same period last year (3.4 days sickness per employee, equating to 4.1% 'lost time') but reflects the sector experience of increased sickness absence with COVID-19 having a major impact. The sickness rate compares unfavourably with the College target of 3% and sector benchmarking data taken from the AoC College Workforce Survey 2018-19 (published November 2020), which also shows a 'Lost Time' percentage of 3%. Twenty staff were on long-term sickness during term one, double that for the same period last year.

8. Disability Profile – To date 33 employees have declared a disability in 2021-22, an increase of two compared with the previous year.

9. Ethnicity Profile - At 57% of all College employees, the BME ethnicity profile for this year to date is up by three percentage points from 54% in 2020-21. The student ethnicity profile experienced a similar increase and stands at 69%. The College target is to have an ethnicity profile that broadly reflects the student population.

10. Staff Utilisation this year to date is at 91.6%, 0.1 percentage point higher than at the same point last year and compares with the 2021-22 target of 94% and the 2020-21 year-end position of 94.7%. Utilisation is expected to improve across the remainder of the year as staff delivering on short-course provision become fully timetabled and some under-utilised staff are involved in the delivery of small group 'catch-up' tuition funded through the 16-19 Tuition Fund.

11. Staff turnover for the year to date is 11%. This compares with a full-year rate of 13% for last year and 21% in each of 2019-20 and 2018-19. This suggests that staff turnover may be on

the rise again now that the pandemic appears to be coming to an end. AoC benchmarking data taken for 2018-19 reports the whole staff turnover rate at 18%.

DATA DASHBOARD – HEALTH & SAFETY KPIs

12. During the first term, a total of 44 accidents were reported. It was noted this was broadly in line with the same period in 2020-21 where 58 accidents were recorded. The breakdown of accidents is proportionate to the areas expected, however with a slightly lower number reported for the College Nursery (-11). This is due to a lower number of children in the Nursery at the beginning of Autumn Term, which was directly attributable to the decisions of parents, with some uncertainty at the time round COVID-19. There were no serious incidents of note, and no accidents were reportable to the Health & Safety Executive (HSE) during the first term.

MANAGEMENT ACCOUNTS UP TO 31 JANUARY 2021

13. The '*Management Accounts up to 31 January 2022*' were received (Paper 3).

14. Financial Health - Based on an overall score of 220/300, the forecast year-end ESFA financial health grade for the College on 31 July 2022 is 'Good'. This score, albeit lower than the 2020-21 outturn, is towards the top end of 'Good' and is in line with the budgeted score of 220/300.

15. Year to date performance for the six months to 31 January 2022 recorded an operating deficit of £451k compared with the budgeted surplus of £46k. The following key variances were noted:

- (i) Favourable
£214k Pay costs
£103k ESFA 16-19 revenue funding (re 16-19 Tuition Fund)
- (ii) Adverse
£401k Adult Education Budget (AEB) & National Skills Fund (NSF) earnings
£385k Estate expenditure (energy costs, S+LC accrued rent)
£108k Exam fees

16. The year-end operating surplus is forecast at £20k, £80k lower than budget. The following key variances against the budget were noted:

- (i) Favourable
£205k ESFA 16-19 revenue funding (mainly unbudgeted 16-19 Tuition Fund)
£215k Other income (release of ALLB and Free Meals provisions)
- (ii) Adverse
£418k Premises costs (£260k energy price rises and £158k accrued S+LC rent)
£232k NSF under-delivery - provision for funding claw back
£116k Nursery income - occupancy rate at only 69%
£110k Inflation estimated impact on other relevant non-pay costs

17. Cash flow is forecast to average around £6.2m over the next 18 months with the projected low of £4.9m falling in March/April 2022 due to phasing of ESFA receipts. Cash days in hand on 31 July 2022 is forecast to be 123 days.

18. In terms of other key financial KPIs, it was reported the year-end operating surplus as a percentage of income will be 0.1%. Staff costs as a percentage of income is forecast at 66.7% It is projected there will be full compliance with both financial covenants attached to the Barclays loan.

19. The Committee asked if energy costs are currently fixed or variable. It was confirmed energy costs are fixed until September 2022 so there will be no impact on the current in-year budget. The impact of significant increase in energy costs will impact on the 2022/23 budget and subsequent years. The Committee advised that it would be prudent to further review energy and utility costs.

20. The Committee asked if the situation on Adult Education Budget can be improved? In response it was stated that the issues on NSF under delivery is a national challenge for all providers. The College will aim to over deliver in other areas of AEB to offset NSF under delivery.

21. It was **RESOLVED** to note the Management Accounts.

INDICATIVE FUNDING ALLOCATIONS AND PLANNING PARAMETERS FOR 2022/23

22. An initial draft revenue budget for 2022-23 was received (Paper 4). The draft budget for 2022/23 projects an operating surplus of £100k (0.5% of adjusted income).

23. The underlying assumptions relating to student numbers, funding, other income and all revenue expenditure was outlined in the report. The key highlights include:

- Projected 16-19 student number allocation of 1,686 (1,656 in 2021-22)
- Estimated total 16-19 revenue funding allocation of £11,006k (up £878k compared with 2021-22).
- Adult Education Budget (AEB) funding assumed as follows:
 - GLA - £3,378k (unchanged allocation net of NSF shortfall)
 - ESFA - £317k (unchanged allocation net of NSF shortfall)
- £120k assumed Apprenticeship income growth through post-pandemic recovery
- Estimated £20k reduction in HE income due to declining student numbers
- Further Schools Link income reduction of £50k through declining trend in student numbers in 14-16 Alternative Provision
- Other income lines have largely been assumed at 2021-22 levels
- Draft Pay costs covering a number of assumptions, including staff requirements, annual pay award of 2%, cost of incremental drift, increase in employers NI contributions, and costs relating to extra delivery of curriculum.
- Estate costs – Inflation of 4%, S+L centre rent, increase in energy and utility costs.
- £170k in contingency (£100k staff pay, £70k for other areas)

24. As an initial draft, the Committee members noted they were comfortable with the various assumptions outlined in the report. Several initial key risks were identified that will be subject to a thorough sensitivity analysis in the final draft. These risks included:

- The need to get nursery numbers back to pre-covid levels in order to achieve the forecast income from the nursery.
- Apprenticeship numbers appear to be a significant increase but, if achieved, would be at pre-covid levels.
- Pay award.
- Estates/premises costs, including energy and utilities.
- Cost inflation – the budget assumes a 4% increase in inflation.

25. With a projected operating surplus of only £20k, it was noted there was a risk of having to set a negative budget. It was **AGREED** for the sensitivity analysis to include mitigation to address such a risk. The Principal informed the Committee that the initial draft was prudent and there would be scope to achieve further efficiencies which would reduce further the risk of setting a negative budget.

26. It was **RESOLVED** to note the report.

TUITION FEE POLICY 2022/23

27. The proposed '*Tuition Fee Policy 2022/23*' (Paper 5) was received for annual review and approval.

28. Minor amendments to the policy have been made to reflect:

- A change in the definition of a 'home' student and replacement of references to 'non-EU students' to 'non-UK students'.
- Reference to the ESFA's 'Find a Learning Aim (FaLA) database for fee setting which replaces the 'Learning Aims Reference Service (LARS)'.

29. It is proposed Higher Education fees remain unchanged from 2021/22. It is proposed to increase fees for other courses by 2% then rounded as appropriate. There was no fee increase in 2021/22 due to uncertainty around the impact of the Covid-19 Pandemic.

30. It was **RESOLVED** to approve the '*Fees Policy 2022/23*'.

TREASURY MANAGEMENT POLICY 2021/22

31. The '*Treasury Management Policy*' is subject to annual review at the Spring meeting of the Committee (Paper 6). The Committee is responsible for approving a treasury management policy statement setting out a strategy and policies for cash management, long-term investments and borrowings. The Committee has a responsibility to ensure implementation, monitoring and review of such policies.

32. It was confirmed the policy was updated in 2020/21 in accordance with recommendations made during the February 2020 internal audit review of treasury management activities with the revised policy approved at the March 2021 meeting of the Committee.

33. It was noted no additional changes are proposed to the Treasury Management Policy. The Committee **RESOLVED** to adopt the Treasury Management Policy for 2022/23.

34. The paper provided the Committee with an update on current treasury management activities. It was noted, and welcomed, that cash reserves remain stable. Current projections indicate that this position will be sustained over the next 18 months at least.

AUTHORISATION LIMITS

35. A paper on proposed amendments to the current authorisation limits was received for the Committee to review (Paper 8).

36. Instead of being in the position of asking the Chair to rubber stamp spend that has already taken place, it is proposed to focus more on the third bullet point by bringing planned, large-scale expenditure items to the Finance Committee in the summer term for approval by the committee. Such expenditure, which is not solely related to building works, is generally known about in advance and costs may be estimated with a reasonable degree of accuracy. Contracts

will often be subject to tender and for some services may run for three years with only inflation-linked price increases. Typically, these high-value items might include:

- Energy/Utilities
- Cleaning
- P&E maintenance
- Insurance
- Student MIS software licences
- Partnership contracts, e.g., Brentford FC Community Sports Trust

37. The proposal is to include the above items into the detailed planned CapEx budget for the coming year that is a fixed agenda item at the summer term meeting of the Committee, as this should cover the vast majority of high-value expenditure.

38. It was noted the Financial Regulations will need to be amended to require Chair's approval only where actual expenditure is materially different from that budgeted, in which case there will be the need to define material difference in percentage and/or absolute (£) terms. The Committee **AGREED** to define material difference at 10% with any variation over 10% requiring approval from the Chair.

39. In addition to the above, it was proposed to increase the authorisation limits as follows.

Expenditure (Single Item)	Approval Requirements	
	Current	Proposed
≤ £5,000	Budget Holder	Budget Holder
> £5,000	EDFHD	EDFHD/Principal
> £20,000	Principal	EDFHD/Principal
> £50,000	Chair	Principal
> £100,000	Chair	Chair

40. Following review, it was **RESOLVED** to approve the changes proposed to the authorisation limits for inclusion in the Financial Regulations.

RISK MANAGEMENT/RISK REGISTER

41. The College report '*Risk Register*' was received, highlighting the areas of focus relevant to the Committee (Paper 9). The Audit Committee requested each Committee to review as to whether there were sufficient and robust sources of 'Independent Assurances' against each significant risk that falls under the terms of reference of the Committee and, if identified, 'Governor Oversight' arrangements are adequate and fit for purpose.

42. It was noted the Committee was in receipt of all risks, and not just significant risks, that fall under the remit of the Committee.

43. Since the last review the Executive added one new risk to the Risk register – Risk 16 – Cyber Risk

44. 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.

45. No additional risks were identified during discussions on agenda items at this meeting.

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

ANY OTHER BUSINESS

47. A confidential report, 'Pay Award Update' was received for information and discussion (Paper 10). It was **AGREED** for discussions on this item to be recorded separately as confidential minutes.

DATE OF NEXT MEETING

48. The next scheduled meeting is Wednesday 22 June 2022 @ 1800

The meeting closed at 19.15

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
39 & 40- 16/6/21	Review of Financial Regulations	22/6/22
25 – 2/3/22	Budget 2022/23 – Sensitivity analysis to include mitigation to address the following risks: <ul style="list-style-type: none">• The need to get nursery numbers back to pre-covid levels in order to achieve the forecast income from the nursery.• Apprenticeship numbers appear to be a significant increase, but if achieved, would be at pre-covid levels.• Pay award.• Estates/premises costs, including energy and utilities.• Cost inflation – the budget assumes a 4% increase in inflation.• Risk of setting a negative budget	22/6/22
49 – 2/3/22	S+L Centre Lease: To make available for the March Corporation meeting a confidential report outlining the advice received from the College solicitors and proposed recommendation for the Corporation to consider. The paper to be circulated to Committee members before it is made available to the Corporation.	22/6/22