

**Minutes of a Meeting of the Finance, Resources and Capital Projects Committee
meeting held on Wednesday 24 November 2021 @17.30**

Present Mr A Luke
 Mr S Wilcox
 Ms T Aust

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 16 June 2021 (Paper 1) be confirmed as a correct record.

3. It was **RESOLVED** that the confidential minutes of the meeting held 16 June 2021 (Paper 2) be confirmed as a correct record.

4. It was **RESOLVED** that the confidential minutes of the meeting held 20 September 2021 (Paper 3) be confirmed as a correct record.

SUMMARY ACTION LIST & MATTERS ARISING

5. The following updates were made available from the Summary Action List (Paper 3):

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	COMMENTARY / UPDATE FOR MEETING 24 NOVEMBER 2021
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.	Not required
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.	Not required

40	To receive the outcome of the review of the Financial Regulations at the spring term meeting.	Spring meeting – 02/03/2022
42	To receive proposals on authorisation limits at the autumn meeting of the Committee.	Agenda item
46	Subcontracted Provision 2021/22: Any changes to the agreed 'in-principle' resolution to be brought back to the Committee for further consideration.	No changes to the agreed 'in-principle' resolution
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.	Actioned and the Loan Agreement has been approved by the Corporation. Agenda item
62	Health & Safety Incident at the Logistics + Skills Centre – To keep the Committee informed on any further developments	An update made available at the meeting. As there is in place a robust action plan in place (copy to be circulated to Committee members) to deal with the issues arising from the incident, it was agreed to close this action point. The Committee will continue to monitor Health & Safety through the review of H&S KPIs

BARCLAY LOAN

6. The Committee received a verbal update from the Executive Director Finance, HR & Development in respect of progress with provision of a legal charge to Barclays as security for the loan. Due to the financial information to be discussed it was **AGREED** to declare this agenda item confidential and for the minutes not to be made available in the public domain.

DATA DASHBOARD - FINANCIAL KPIs

7. 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. Subsequent agenda items and reports that follow would then be linked to the Data Dashboard.

8. The review focused on both the outturn for 2020/21, and the current 2021/22 financial information.

9. 2020/21 Outturn

(i) Outturn for the year ending 31 July 2021

Operating surplus of £446k compared with budgeted surplus of £150k and £431k surplus in 2019-20.

Key variances against the budget were noted as follows:

Favourable

£650k High Needs Student top-up funding from LAs
£429k ESFA 16-19 revenue funding
£175k Other income including one-off grants (CCF, COVID-19 testing) and funding for 1:1 support in 14-16 Alternative Provision
£167k Exam fees

Adverse

£356k Education contracts income, primarily 14-16 Alternative Provision under-recruitment by around 65%
£200k Apprenticeships income - COVID-19 impact on carry-in volumes and new starts
£156k HE course fees
£130k Fee income from Advanced Learner Loans

(ii) Profitability

The operating surplus of £446k (2.3% of adjusted income) is well above the target minimum of 1% recommended by the FE Commissioner. Given the College's high depreciation charge, EBITDA is strong at 10.0% of adjusted income.

(iii) Solvency

The College has good cash reserves and reasonable cash generation. It can comfortably continue to pay its operating expenses in the short term and is very capable of meeting its short-term liabilities as they become due. Cash days in hand at the year end are very high at 140 days but payments in respect of accrued capital expenditure will mean this reduces early in 2021-22.

(iv) Borrowing

Borrowing as a percentage of income is high at 39.4%, but this is falling gradually and is not a concern whilst the College is able to maintain strong operating cash generation. There is compliance with both the Barclays loan covenants relating to debt service cover and operational leverage.

(v) Staff Costs

Full-year staff costs as a percentage of income are 66.1%, which compares unfavourably with the budget of 65.2% and the FE Commissioner's target maximum of 65%

10. 2021/22 Forecast

(i) YTD Performance for the 2 months to 30 September 2021

Operating surplus of £10k compared with budgeted surplus of £117k.

Key YTD variances against the budget were noted as follows:

Favourable

£92k Pay costs
£78k Exam fee expenditure

Adverse

£208k Adult Education Budget earnings
£77k Estates expenditure

(ii) Full-year Forecast

Operating surplus of £100k, in line with budget.

Key full-year variances against the budget were noted as follows:

Favourable

£288k ESFA 16-19 unbudgeted revenue funding re 16-19 Tuition Fund

£52k ESFA funding for 14-16 direct recruitment

Adverse

£321k Pay costs (including assumed delivery cost of 16-19 Tuition Fund activity; staff bonus payment for 'Good' Ofsted grade and NI increases)

£52k Depreciation expense

(iii) Cash Flow

Cash flow is forecast to average around £6.2m over the next 15 months with the projected low of £5.1m falling in March/April 2022 due to phasing of ESFA receipts.

(iv) Projected Financial Health and Other KPIs

- ESFA financial health grade - 'Good'
- Operating surplus as a percentage of income - 0.5%
- Staff costs as a percentage of income - 67.3%
- Cash days in hand at 31 July 2022 - 109 days
- Projected compliance with both financial covenants attached to the Barclays loan

11. The Committee received for information the ESFA letter and ESFA Finance Dashboard (Paper 6a and Paper 6b). The following ESFA assessments were noted and welcomed:

- Good for 2020/21 (the latest outturn forecast year), and
- Good for 2021/22 (the current budget year).

12. Human Resources

(i) Sickness Absence

In 2020-21, sickness absence for all employees averaged 6.6 days, which equated to 3.2% 'Lost Time'. This is a slight improvement on rates over the last few years but is marginally higher than 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%.

(ii) Disability Profile

31 employees declared a disability in 2020-21, a decrease of 3 compared with the previous year.

There is no numerical College target for this disability data. Instead, the target is for the College to attain and retain accredited Disability Confident Employer status, which has been achieved. An application for renewal was awarded in September 2020 and is valid until September 2023.

(iii) Ethnicity Profile

At 54% of all College employees, the BME ethnicity profile decreased by two percentage points from 56% in 2019-20. The student ethnicity profile experienced a similar reduction. The College is working towards its target is to have an ethnicity profile that broadly reflects the student population (63% of students are of BME origin).

(iv) Staff Utilisation

Staff utilisation for 2020-21 was 94.7% compared with the target of 94% and 93.3% in the previous year.

(v) Staff Turnover

Staff turnover for the year was 13%, which was much lower than in previous years (21% in 2019-20 and 2018-19). This may reflect attitudes towards changing jobs in the pandemic-impacted climate. AoC benchmarking data taken for 2018-19 reports a staff turnover rate as 18%

Health & Safety

13. During the summer term a total of 43 accidents were reported. Whilst total numbers for the three terms were broadly consistent with one another, the level of accidents reported remained low and has most definitely been impacted by the various stages of lockdown. It was confirmed no accidents were reportable to the HSE during the summer term.

14. As a result of COVID-19 restrictions being lifted, face-to-face training was reintroduced during the summer term. This included first aid, general risk assessment and trips & visits' risk assessment training courses. All other H&S training during the summer term was completed using the College's online training systems.

OUTTURN 2020/201 & FINANCIAL STATEMENTS

15. The following reports were received under this agenda item:

- Final Management Accounts July 2021 (Paper 7)
- Draft Report and Financial Statements for the Year Ended 31 July 2021 (Paper 8)
- Financial Statement Auditor's 'Audit Findings Report' that is to be reviewed by the Audit Committee on 01 December 2021 (Paper 9)
- Letter of Representation (Paper 10)

(i) **Final Management Accounts July 2021:**

16. The draft management accounts July 2021 (Paper 7) were presented to the Corporation meeting that was held on 13 October 2021. The Management Accounts July 2021 made available at this meeting were confirmed as being the final management accounts for July 2021 that included late adjustments of an unfavorable net movement of £94k. The Committee noted the explanations given to account for the late adjustments.

(ii) **Draft Report and Financial Statements for the Year Ended 31 July 2021**

17. The draft of the Financial Statements and Report for year-ended 31 July 2021 were received for review (Paper 8) and it was noted the draft accounts are still subject to final review from the external auditors. It was confirmed the Financial Statements have been prepared in line with the

prescribed requirements stipulated by the Education & Skills Funding Agency.

18. The accounts on page 25 show a deficit for the year of £666k (2019-20: £341k). After stripping out FRS adjustments of £1,112k for pension service and interest costs the operating result for the year as reported at Line A of the I&E account in the Management Accounts (Paper 7) is a surplus of £446k (2019-20: £431k).

23. The following was noted from the commentary in the Financial Statements:

The financial position of the College, its cash flow, liquidity and borrowings are described in detail in the financial statements and accompanying notes.

The College had £7,623k (2019-20: £7,924k) of loans outstanding at 31 July 2021 with Barclays Bank plc on terms negotiated in 2008. The terms of the existing agreement are for up to another 16 years. During the year, the College was notified of a technical breach of the Facility Agreement with Barclays as the overall reserves of the College (including pension liabilities and deferred capital grants) are negative. To remedy this breach, a Letter of Variation was signed in July 2021 which waived the rights of Barclays to enforce repayment on demand in return for the College delivering to the Bank a first legal charge over the freehold of the property at the Millennium and Atrium buildings located on the Isleworth campus. Additionally, the financial covenant relating to operational leverage was revised in line with Barclays' norm for the sector. The College's forecasts and financial projections indicate that it will be able to operate within the existing facility for the foreseeable future and make repayments as they fall due. The covenants are monitored regularly and the Corporation considers that these are not expected to be breached in the foreseeable future.

The College expects arrangements in the sector to continue to be challenging going forward due to inflationary pressures on costs, such as fuel price rises, and continuing uncertainty caused by COVID-19 which may still have an adverse impact on some income lines, including tuition fees, nursery fees and income from other commercial activities. The College has built up reserves and had net current assets of £1,887k at 31 July 2021 so is well-positioned to manage this. In addition, the College has a good track record of being able to realise cost savings to mitigate income reductions.

The Corporation undertakes regular review and monitoring of student numbers data and timely management accounts which include the current cash position, future cash flow projections, the College budgets and regularly updated forecasts, including financial returns submitted to the ESFA.

After making appropriate enquiries and considering factors likely to affect its future development and performance, the Corporation believes that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements

24. Following review of the papers presented under this agenda item, it was **RESOLVED** that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation at its meeting on 14 December 2021 be asked to approve the Financial Statements and Annual Report 2020/21

(iii) **Financial Statement Auditor's 'Audit Findings Report'**

25. The Committee received for review the external auditor's 'Audit Findings Report' following their audit of the financial statements (Paper 9). It was noted, and welcomed, the auditors made

no observations or recommendations in respect of the accounting and internal control systems or regularity and propriety. It was **RESOLVED** that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation, at its meeting on 14 December 2021, be asked to approve the '*Audit Findings Report*'.

(i) **Letters of Representation:**

26. The Committee reviewed the two letters (Paper 10) on the audit of the financial statements and regularity audit issued by the external auditors which effectively gives the auditors comfort that all relevant disclosures have been made to them. This is a routine request made by all auditors.

27. It was **RESOLVED** that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation, at its meeting on 14 December 2021, be asked to approve the '*Letters of Representation*'.

MANAGEMENT ACCOUNTS UP TO 30 SEPTEMBER 2021

28. The '*Management Accounts up to 30 September 2021*' were received (Paper 11). It was noted the detail had been covered through the review of the Financial KPIs in the Data Dashboard.

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

CAPITAL EXPENDITURE REPORT

30. The report on capital expenditure was received (Paper 12). The report presented an executive summary of the College capital expenditure for 2021-22 and was received for information with no decisions required from the Committee.

31. An update was received on the Further Education Capital Allocation (FECA) with the works funded through the FECA coming to close. The works have resulted in a number of significant improvements at both the Skills Centre and Isleworth.

32. The report provided the Committee with an update on the use of the capital expenditure budget of £765k agreed for 2020-21 that has been used to make improvement to College facilities. It was confirmed a detailed breakdown of all capital spend will be presented to the Committee at its March meeting.

33. it was **RESOLVED** to note the report.

AUTHORISATION LIMITS

34. It was noted a full review of the financial regulations is scheduled to take place at the March 2022 meeting of the Committee. However, at the June 2021 meeting a request was made to look at ways of managing more effectively, within a controlled environment, the College's authorisation limits and to bring proposals arising from the review to this meeting for review and approval.

35. The proposal was to add to the exceptions list in the Financial Regulations the following:

a) Clarifying that pay and capital expenditure budgets are presented to the Committee for review and approval before the start of the year, and

b) Adding all itemised and approved expenditure covered by the total CapEx budget, which is reviewed and approved by the Committee before the start of the year.

36. The Chair of the Corporation asked for the proposals to be taken away and to be given further consideration, as the proposals did not address his concerns previously raised. In particular, the primary concern of being asked to sign invoices when the commitment to spend has effectively already occurred.

37. It was **AGREED** to present new proposals on authorisation limits at the March meeting.

HUMAN RESOURCE ANNUAL REPORT

38. The 'Annual Human Resource Report 2020/21' was received (Paper 14). It was noted that the terms of reference for this Committee has the duty to consider and review annually a Human Resources Report.

39. Targets have been set in order to review data against some of the key HR statistics reported in the annual HR report, with year-on-year comparisons and, where available, against national benchmark data. The targets set were against: Sickness absence, Staff turnover, Staff utilisation, Gender Pay Report and BAME profile. Three-year data for the college was presented alongside a benchmark for each area, where available and where relevant.

40. It was noted that a summary of HR KPIs was covered in the Data Dashboard. In light of this the suggestion was made for future reports to focus on more strategic HR matters with the HR KPIs on the Data Dashboard to be used to report on performance against targets.

41. It was **RESOLVED** to note the HR Report.

ANNUAL HEALTH & SAFETY REPORT

42. The 'Annual Health & Safety Report 2020/21' was received (Paper 15). It was noted that the terms of reference for this Committee has the duty to consider and review annually a Health & Safety Report.

43. The report provided the Committee with an overview of the performance of West Thames College's management of Health and Safety during 2020-21. It also provided a Health and Safety Development Plan for 2021-22 along with a commentary on Health & Safety compliance.

44. It was **RESOLVED** to note the Health & Safety Report.

RISK MANAGEMENT/RISK REGISTER

45. The College report 'Risk Register' was received highlighting the areas of focus relevant to the Committee (Paper 16). The Audit Committee has requested that each Committee be asked to review if there are 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.

46. 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.

47. In line with governors' requirements to see a pared down version of the register that focussed more on strategic risks, the risks for which the Committee is 'risk owner' have been grouped and summarised by overarching strategic risk in the attached extract, as follows:

- Under-recruitment vs funding allocations or income budgets – this encompasses the following operational risks: 16-18 funded students, AEB funded adults, Apprenticeships, HE and Subcontractor Provision
- Student data management
- Budget accountability and management
- Financial control

48. This approach was welcomed by the Committee.

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

ANY OTHER BUSINESS

50. The Chair of the Corporation asked for an update on the Lease for the Skills Centre. He highlighted that it had been sometime since this was raised and he was of the view that the College had largely agreed terms and was nearing a position to sign the Lease. The Principal replied that with great frustration the College is in the situation where there still remains some outstanding issues that need to be resolved and that there had been some suggestion from the College solicitors that we 'shouldn't rush to sign it'. The Executive have made no decision on whether to push the matter any further. The Chair expressed the view that this is a decision for the Corporation to make as the current view of the Corporation was that they were in favour of signing and that the last update to the Corporation had reflected that we were close to signing the Lease. If circumstances have changed then this needs to be brought to the attention of the Corporation to enable decisions to be taken as to the next steps.

51. It was **AGREED** to seek further advice from the College solicitors and to make this advice available, along with possible options to pursue and any costs involved, in order for the Corporation to make decisions on the next steps.

52. There was no other business.

DATE OF NEXT MEETING

53. The next scheduled meeting is Wednesday 02 March 2022 @ 1800.

The meeting closed at 19.00.

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
37	To present new proposals on authorisation limits	2/3/22
51	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 order for the Corporation to make decisions on the next steps.	2/3/22

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