

Waltham Forest College



THE CORPORATION OF WALTHAM FOREST COLLEGE

FINANCE AND RESOURCES COMMITTEE

MINUTES OF THE MEETING HELD ON 11 NOVEMBER 2021

MEMBERSHIP

Youness Abidou (Chair), Gbeminiyi Soyinka, Nadia Ahmed, Craig Buist, Janet Gardner (Principal),

In Attendance:

Abena Rodman-Tay Deputy Principal Finance and Resources (DPFR)

Clerk to the Corporation

Naomi Shoffman Director of Governance (DoG)

1 APOLOGIES FOR ABSENCE

Apologies for lateness were received from Mr Soyinka (joined at 6.10pm). It was noted that Ms Ahmed has extended her leave of absence due to ill health.

2 DECLARATION OF INTERESTS

There were no issues included on the agenda for the meeting in which they had a personal interest relative to the College.

3 FINANCE WORKING GROUP MEETING – NOTES OF MEETING HELD ON 12 JULY 2021

The notes of the meeting held on 12 July 2021 were agreed as a correct record.

4. MONTHLY MANAGEMENT ACCOUNTS

The DPFR highlighted the following points:

- Year-end forecast for 2021/22 surplus compared to the budget.
- The year to date financial result shows a surplus compared to year to date budget as at the end of September 2021
- The Cash balance at 30th September and cash days, against the FEC target.
- The key risks that may impact the financial position
- The KPI Indicators using the full year forecast scores the College 250 points which equates to 'Outstanding' (range of 240 – 300) of financial health score according to the current ESFA guidelines. The KPI table shows the College's performance against the both the Old FEC Target and New FEC Benchmarks. However currently we are required to report against the old FEC Target

The DPFR then invited questions/comments.

The Principal explained the rationale for the College's plans to change the AEB funding profile in order to provide a better account to Governors of where we are at any point in the year and be able identify any risks earlier.

The Principal was able to give assurance that the format and content of the Management Accounts

are mostly compliant with best practice recently circulated by the FEC, which had been previously circulated to Governors. The Chair said he liked how the accounts are set out. The Director of Governance was asked to recirculate best practice management accounts to Governors.

The Chair raised concerns about the negative side of the lack of staff recruitment and asked what the difficulties were. The Principal responded that there are a range of issues including pay and difficulties across the FE sector nationally in recruiting to certain roles; people are commanding much higher salaries and their own conditions, also a lot want to work from home permanently which won't work in this College. The senior team is very mindful of the challenges and is looking at different initiatives to address these.

The staff Governor commented that from a staffing point of view the College carried a lot of favour by giving both a pay rise and bonus in the same year. He said that one of the challenges is people are scared to leave jobs in industry and come into their first teaching job when there is a 10 month probation period. The Chair commented that this information was very useful.

The Committee:

- **Noted the good progress being made**
- **Noted the Management Accounts to 30 September 2021**
- **Noted the key financial risks being managed and the mitigating actions being taken by the College**

5. DRAFT RESERVES POLICY

The DPFR highlighted the following points:

- This is the first time the College has been a position to need a Reserves Policy.
- It is good practice and a recommendation from funding bodies to have this policy in place.
- Banks will look at these policies routinely as part of their processes.
- The policy determines what the Collge needs to hold in reserve in order to remain a going concern for 12 months at any one time.
- The figure will be put in the balance sheet after all liabilities.
- Unrestricted Reserves will build up on an annual basis
- This draft Reserves Policy will also be going to the Going to the Audit & Risk Committee for consideration prior to submission to the Board for approval on 14 December 2021

There followed a discussion around the definitions used and what constitutes restricted, unrestricted and designated funds. The DPFR said these terms are prescribed by the SORP.

The Committee agreed to recommend approval of the policy to the Board.

6. DRAFT TREASURY POLICY

The DPFR highlighted the following points in particular:

- A cash deposit is a short-term loan attracting interest.
- The Corporation delegates to the Principal and Chief Executive or his/her nominee the power to place deposits in the College's name, with approved institutions up to a limit of £500k. Amounts between £500k and £1m, will be subject to the approval of the Finance and Resources Committee. Amounts greater than £1m will have to be approved by the full Corporation.
- This draft Treasury Policy will also be going to the going to the Audit & Risk Committee for consideration prior to submission to the Board for approval on 14 December 2021

The Chair observed and the Committee agreed that this was a good start to building this policy as long as the funds are deposited into a call account starting with Barclays and that the College proceeds with caution. The policy will expand as the College builds up reserves.

The Committee agreed to recommend approval of the policy to the Board.

7. BUSINESS INNOVATION AND PARTNERSHIPS PARTNER SUB-CONTRACTING

The Principal highlighted the following points:

- Both the subcontracting and delivery reports went to the last Board.
- In terms of the subcontracting there has not been a lot of change, so this is just to give the Committee an update. All subcontractors with exception of one have been issued with a contract. In terms of the new contractor we have not yet completed the Due Diligence as the provider has not yet sent all of the information and therefore the College will not issue a contract until the process is fully completed and we are happy it is compliant.
- In terms of direct delivery this is an update of the contract issued. All are in line with what was presented previously except for one provider who has not been issued with a contract as demands have reduced and we want the flexibility to put the funding in growing areas if needed.

A Governor asked whether a contract can be changed in response to a change in demand the Principal explained how the process works and links back to business planning and that up until the contract is issued it can be changed and even so after the case. We have the flexibility to change in line with demands which we do in negotiation with the provider. It is important to have the ability to be agile in line with needs of employers and changing demands of our local area, particularly in light of Covid and unemployment.

The Committee noted:

- **planned subcontracted activity and planned direct delivery activity for the year 2021/2022**
- **that the proportion of subcontracted activity between providers may vary according to stakeholder demand but is unlikely to increase in its overall value for the year.**
- **the mechanisms used by the College to monitor and support the quality and compliance of all subcontracted activities.**

8. FE PROFESSIONAL DEVELOPMENT GRANT BID

The Principal highlighted the following points

- This report will also be going to the Curriculum & Quality Committee to monitor quality. The report is coming to this Committee to monitor the financial side of it.
- It was reported at the last board meeting that the Collge was successful with the bid which we are leading on and working with another College group. The grant has a £500k value.
- The decisions were delayed by 6-8 weeks so we were late in starting but are confident we will be able to deliver this.
- The College is now in receipt of the 60% of the grant and the remainder will be paid on completion of the project.

The Committee noted the planned activity for the duration of the project

9. COMMERCIAL ACTIVITIES AND STRATEGIC PARTNERSHIPS

The Principal provided a verbal update and reported on

- progress on the partnership with LMU.
- new programme planned
- A potential new bid

The Chair thanked the Principal for update and confirmed that should the College go ahead with the bid the Committee will meet to consider it when it is ready to be looked at.

The Committee noted the verbal update on commercial activities and strategic partnerships

10. END OF YEAR POSITION

The DPFR went through the report which provides an updated position statement on the financial performance of the College for the financial year ending 31st July 2021 and highlighted the following points:

- The financial result shows an operating surplus.
- The updated full-year operating out-turn for the financial year ending 31st July 2021 surplus resulting in a favourable variance.
- The Financial Health Score remains 'Outstanding'.
- The Cash balance at 31st July, against the College target.
- The College finances remains securely within the terms of the bank covenant.
- Adjustments to the year-end result
- Actuaries will prepare all pension reports at the end of the year. Most years there is a loss but last year there was an actuarial gain and the Pension Deficit come down by just £2m
- The KPIs derived from the updated full year actual results. The College scores 270 points, which equates to "Outstanding" (range of 240-300) on the financial health score according to the current ESFA guidelines.
- The financial indicators demonstrate that the College has significantly improved its cash position and solvency by strengthening performance through a closer scrutiny of staffing and non-pay costs, and closer monitoring of income.

The DPFR concluded her report saying that this has been a successful audit. The new auditors may treat things differently, but this is not material just a different approach. The DPFR invited questions / comments.

A Governor asked what is the danger territory with the Pay as a percentage of income: and when does it become a problem – Principal responded that KPI's are not looked at in isolation and it is important to consider the financial position as a whole and that you need to consider a number of variants as they interlink – not just one on its own, however where it is over 70% this can look dangerous just looking at that on its own but it depends on the other indicators. We know the staffing costs will be higher this year partly due to the fact that last year we received extra funding and were able to limit redundancies and so did not have extra delivery costs. Rising staff costs will also increase the percentage.

A Governor asked whether the College's health being 'outstanding' in 20/21 and then 'good' in 21/22 be a trigger for concern. The Principal explained that the College had carried out a self-assessment and graded itself as 'good', but the ESFA financial health automatic grading was 'outstanding', but we acknowledge that that a lot of extra factors (additional funding etc) has accounted for the 'outstanding' grade. It may be likely it will move back to Good as we would not want to be in a position where we retain the outstanding grade at the expense of not giving staff pay increases. The Principal stated that it was the intention to ensure staff would always be awarded a pay increase and wanted to continue investing in the College estate and she hoped Governors would agree that these remain priorities as long as the College remains at least Good for its financial rating.

The Chair said that in his view last year was an anomaly, and that a self-assessment identified as GOOD would not be seen negatively by Corporation if we go down. The Board would support the continued development and investment of the College which is more important than maintaining a simple grade. He also commented that he hoped the direction of travel with pensions continues.

The Committee Noted

- **The updated financial position and forecast relating to the year ending 31st July 2021 for**

Waltham Forest College.

- **The key financial risks being managed, and the mitigating actions being taken by the College.**

11. REVIEW OF RISK REGISTER – FINANCE RISKS

The DPFR presented the Risk Register showing pre and post mitigation scorings, and controls in place to mitigate risks. She highlighted the changes since the last report and Key progress and risk areas.

The staff Governor asked whether there will there be a penalty cost due to the delay of the I Trent Project implementation. The DPFR responded there will be some additional consultant fees and costs which is unavoidable due to additional work but there is not a penalty fee for timeframes. She explained that the original deadline date was set because of the legal requirement to produce a TPS report within a set timeframe which made the work schedules really tight. The deadline has now been pushed back by the Government, so it made sense to delay implementation to ensure it would be right as there were some issues and we need to make sure this is right before implementation; there will not be any penalty. In addition there are pressures in the HR team who have more urgent operational things to prioritise.

The Chair asked whether the risk register is due to be updated by the Audit and Risk Committee? And the Principal responded that the presentation and content of the risk register will be reviewed as part of the ongoing review of the Board Assurance framework. A new risk framework has been devised and this is going to the next Audit and Risk Committee meeting for approval; this includes a new template for the risk register.

The Committee received and noted the updated College Risk Register.

12. ANY OTHER ITEMS OF URGENT BUSINESS

None

13. DATES OF FUTURE MEETINGS

Thursday 2nd December 2021 – joint meeting with Audit and Risk Committee to consider the financial statements to 31 July 2021

Thursday 27th January 2022

Thursday 28th April 2022

Thursday 16th June 2022

14. ITEMS TO BE ADDRESSED AT FUTURE MEETINGS OF THE FINANCE AND RESOURCES COMMITTEE

The Committee is asked to note that the agendas for future meetings will include the following items:

As per agreed business cycle for 2021/22

15. ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

None

19.25 finish

These minutes have been approved by the Finance and Resources Committee and signed by the Chair as a correct record.

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Signed

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Date