



THE CORPORATION OF WALTHAM FOREST COLLEGE

FINANCE AND RESOURCES COMMITTEE

MINUTES OF THE MEETING HELD ON 21 JUNE 2022

MEMBERSHIP

Youness Abidou (Chair), Gbeminiyi Soyinka, Amir Seyyad, Janet Gardner (Principal),

In Attendance:

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

Clerk to the Corporation:

Naomi Shoffman Director of Governance (DoG)

45. WELCOME AND APOLOGIES FOR ABSENCE

The Chair welcomed everyone to the meeting. There were no apologies.

46. 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.

47. FINANCE AND RESOURCES COMMITTEE MEETING HELD ON 19 MAY 2022

The minutes of the meeting held on 19 May 2022 were agreed as a correct record.

48. DRAFT BUDGET 2022/23

The DPFR presented draft budget for the financial year 2022/23 and a forecast 2023/24 which includes the forecast, assumptions and explanation for the key variances. The DPFR then highlighted the following points:

- The financial objectives of the College and how specifically, these objectives will be achieved by maintaining a sound financial base in line with our draft Financial Risk Management KPI.
- The 2022-23 Budget shows a budget surplus after allowing for restructuring costs. Income has increased by 7% compared to 2021-22 forecast and total expenditure has increased by 10% compared to 2021-22 forecast.
- The 2023-24 forecast shows a budget surplus of after allowing for restructuring costs. There is a reduction in total income of 0.6% compared to 2022-23 budget. There is a 0.1% increase in total expenditure compared to 2022-23 budget.
- Total pay cost (including Partnership Cost) in 2022-23 has increased by 15% and assumes a 3% pay increase.
- The pay cost has an assumed in-year savings in both 2022/23 and 2023/24.
- The Pay cost includes agency and contingency cost in both years. Also, for 2023-24, it is assumed the employer's contribution to the Local Government Pension Scheme will increase.
- Non pay cost (including sub-contracting cost) has increased by 2%. mainly due to increase in utility costs and general inflation. However, the College had received today some indicative figures which

means that what is provided for in the budget will not be enough so we may have to earmark some of the contingency for utilities.

- The Budgeted Key Performance Indicators.
- Key Budget Assumptions for Income and Expenditure.

The Principal added the following comments:

- As things evolve all the time, all we can only fix budget at a moment in time, based on some assumptions for which we don't yet have full information such as utilities costs. The advice from the DfE re utilities is to only sign up to a 1-year contract as it is such a volatile market.
- Although we have had the `in principle` approval letter for the capital bid we have not yet received final confirmation so there is a very slight risk around that.
- The pay bands are based on introducing a further increment to level up the top bands some way with other colleges and a 3% award.

The Principal and DPFR concluded the presentation saying that the budget has been set in a prudent way with a large contingency. Also, the College has in previous years been awarded additional in year funding which is not a given but may happen.

Committee members asked and raised the following questions and points:

What in general is a typical non-pay contingency amount. The DPFR responded that last year it was £300k and this year £400k. The College did not use most of this year's contingency which was set high because of Covid. There is also contingency within the pay budget.

How do the predicted growth in the curriculum plan and finance work together. The DPFR explained how this process works in practice due to lagged funding.

How is the pension fund liability calculated? The DPFR explained how the pension fund is valued and the likely contribution the College will need to make.

How important is the forecast to be accurate in terms of external stakeholders and are the pay forecasts on the prudent side? The DPFR explained the forecast is an ESFA requirement. As the ESFA does not provide 3-year funding and funding is lagged it is recognised there will be changes going forward. So, in response the budget has been set prudently which is why some of the figures are flat.

Regarding staff costs going above benchmark – how would that look across colleges? The Principal said that in isolation not achieving one KPI is not a risk but where there becomes a correlation it is more of a risk. The ESFA is lobbying for this benchmark to be increased as it does not think colleges will be able to achieve 65% given the ongoing staff cost pressures. As things stand anything over 70% is a key trigger but we should try and keep staffing costs well below this. The Principal then went through the mitigation action being taken to reduce staff costs such as better management of sickness absence and cover.

Is there an opportunity to build in some cost efficiencies for next year? DPFR went through what has been done such as increasing class sizes, and only adding new posts as necessary. There is a pay contingency of £760k which includes agency spend. There is some flexibility in the budget that may yield additional cost savings next year. The College has implemented a lot of efficiencies over the past couple of years so it is becoming more difficult to find more. But we are looking for higher contribution rates from each area as part of curriculum planning, which is a good and efficient model which has been recognised as such by the FEC. This is being achieved by more efficient class sizes rather than reductions in staff as this would pose additional pressures on staff and could compromise quality.

The Principal reiterated that she is comfortable that the budget is based on the information available at this moment in time. However as reported earlier the utilities costs were tripled compared to this year's budget but recent info suggest it may even quadruple. SLT is doing some work with members of

the Audit and Risk (A&R) Committee on 'what If' scenarios based on all the variable factors in the economy and the external environments. The Chair suggested that as part of this work SLT and the A&R committee should use all the 'knowns' we are aware of and areas of risk we are most concerned about as a basis of a reverse stress test, to identify what areas would be most impacted which would be early warning indicators. The Principal confirmed that this is something that is being planned.

The Committee having considered and scrutinised the budget relating to 2022-23 and forecast 2023-24 agreed to recommend its approval the Corporation.

49. MONTHLY MANAGEMENT ACCOUNTS – APRIL 2022

The DPFR presented the management accounts and provided summary details of the College's actual income and expenditure, balance sheet and cash flow forecast, compared with budget and highlighted the following points:

- The Year-end forecast surplus for 2021/22.
- The Year to date actual compared to year to date budget resulting in a favourable variance and the key items contributing to this variance.
- The Cash balance at 30th April and cash days, against the FEC targets.
- The Financial Health Score of 280 is 'Outstanding'.
- AEB budget is currently below the threshold but we are on track to achieve it.
- The key risks that may impact the financial position and the mitigation actions being taken.

A member asked about the risks around clawback how does the timing work on that? The Principal explained how the returns work and that clawback is based on the last one submitted in October; however, she would be worried if returns from the end of this academic year are vastly different to the forecast as this is being monitored very carefully. The main risk is if learners do not achieve, as some of the payments are predicated on achievement. We are aiming for 103% for AEB allocation.

A member asked whether the figure for consultancies and legal spend is regular. The DPFR said that consultants were engaged where we have not been able to recruit however, we have now appointed full time roles so that has ceased. The majority of these legal and professional fees that are mainly to do with the Countryside/Town hall development next door, most have which have been or will be recouped from Countryside. There are some Long-standing legacy legal cases which are shown as liabilities in the accounts relating to around 2016.

A member asked for clarification of the financial health score and how likely would any college be able to achieve this? The Principal said that most colleges have not achieved outstanding; in terms of our score we could achieve more but that would be to the detriment of other factors.

The Committee:

- **Noted the good progress being made.**
- **Noted the Management Accounts to 31 April 2022.**
- **Noted the key financial risks being managed and the mitigating actions being taken by the College.**

50. FEES POLICY 2022-23

The DPFR presented the College Fees policy which has been updated to include changes from the ESFA and GLA. The funding eligibilities in Annex A has been updated to include individuals exempt from the three-year residency requirement rule particularly for Ukrainians.

A member noting the amount of statements/guidance asked how much the onus on the College is to ensure the right fees are being charged. The Principal responded that it is completely on the College and as it is all very complicated, we need to be on top of it to ensure learners are being charged (or not) correctly. There are audits carried out on this, but it is a very complicated area.

The Committee agreed to recommend the Fees Policy 2022-23 for approval to the Corporation.

51. UPLAND HOUSE LEASE UPDATE

The DPFR provide the Committee with the Background to this lease, the actions taken and the outcome of the application

A member asked about College's obligation under the lease and the DPFR explained what they were.

The Committee noted the update.

52. UPDATE ON THE FE SECTOR DEBT RETURN

The Principal provided a verbal update on new requirement for the FE sector debt return, what this entails and the implications, pros and cons of the ONS proposed reclassification of colleges as public sector organisations.

The Committee noted the update.

53. 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. The DPFR advised the committee of the Key risk movements and updated activities.

- Internal funding audits on learners have been Introduced to provide additional assurance.
- Planning has been updated to reflect changed government policy to achieve net carbon zero by 2030.
- The impact of reclassification by ONS.
- A full cyber security review is to be performed by JISC.

A member asked about the cyber security review and whether we collaborate with other peers in terms of what they are doing? The DPFR explained how good practice is shared and disseminated in the sector and how this is used by Internal auditors to scope and shape cyber security reviews. The College also has achieved Cyber Essential accreditations. In recognition of the potential risks the cyber security budget for next year has been increased.

A discussion ensued around the sustainability plan, and the measures and strategies that have been and will be put in place to achieve the government's target for net carbon zero.

The Committee received and noted the updated College Risk Register.

54. COMMITTEE BUSINESS

The Committee undertook the annual review of the Committee's Terms of Reference (ToR's) and agreed the recommended changes. The DoG advised that the SGR committee had suggested a couple of additional changes to these ToR's at their earlier meeting which she would circulate for approval to this Committee for the final version to go to Board for approval.

The Committee then reviewed, discussed and agreed the content of the evaluation questionnaire, which members were asked to complete and return outside of the meeting. All responses will be collated, and a grade determined accordingly. Ultimately the responses/outcomes to all the Committees' Evaluation Questionnaires and follow up discussion will be incorporated within the annual Governance Self-assessment

The Committee:

- **Agreed to recommend the Committee's Terms of Reference, with the agreed changes, to the Corporation for approval.**
- **Noted the report.**

55. ANY OTHER ITEMS OF URGENT BUSINESS

None.

56. DATES OF FUTURE MEETINGS

Autumn 2022- TBC.

57. 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 2022/23.

58. ACTION POINTS ARISING FROM THIS MEETING OF THE COMMITTEE

None.

20.12 finish

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

Youness Abidou

Signed

10 November 2022

Date