



Minutes of the Finance and Resources Committee Meeting held on Thursday 18 November 2021 at 8am via Microsoft Teams

- Present:** John Fogarty – Chair (*Foundation Governor*)
Mike Hill (*Principal*)
Tracy Mawson (*Co-opted Governor*)
Andrew Rannard (*Foundation Governor*)
Naheem Shafiq (*Associate Member*)
- In attendance:** Michelle Williams (*Vice Principal, Strategy & Resources*)
Lenore Burgess (*Finance Manager*)
Ruth Potter (*Clerk to Governors*)

The Chair opened the meeting in prayer.

1. **DECLARATIONS OF INTEREST**

Members were invited to declare whether they had any direct or indirect personal, prejudicial or pecuniary interest or conflict of interest in any matter which formed part of the agenda for this meeting or was likely to be discussed at this meeting.

John Fogarty advised members that he was acting as Director General of Merseytravel on an interim basis and as such declared an interest in any potential discussion relating to student transport.

The Committee **noted** this information.

2. **APOLOGIES FOR ABSENCE**

No apologies for absence had been received. The meeting was declared quorate.

3. **ITEMS TO BE INCLUDED UNDER ANY OTHER BUSINESS**

- 3.1 There were no items submitted for inclusion under any other business.

4. **MINUTES OF THE PREVIOUS COMMITTEE MEETING HELD ON 23 SEPTEMBER 2021 (previously circulated)**

- 4.1 **To (a) approve and sign the minutes in accordance with Article 12 (3) and (b) authorise publication in accordance with Article 13**

The minutes were approved as a correct record and would be signed by the Chair in accordance with Article 12 (3) of the Articles of Government. The publication of the minutes was authorised in accordance with Article 13.

5. **MATTERS ARISING FROM THE MINUTES**

- 5.1 **To consider any matters arising from the minutes (previously circulated)**
Committee members considered the action log prepared by the Clerk.

Minute 6.5 – Good Practice Guide for Management Accounts

The Vice Principal reported that governor feedback on re-designed management accounts would be sought at the end of the Autumn Term.

6. FINANCIAL MANAGEMENT

6.1 Finance Update – Financial Statements for the Year Ended 31 July 2021 *(previously circulated)*

The Vice Principal (Strategy and Resources) referred to this report and advised that the College's external auditors, Murray Smith LLP, would be presenting the Financial Statements to the Audit Committee at its meeting on 23 November 2021. The Vice Principal drew the Committee's attention to the following key points:

- The deficit for the year was £(64k); the total comprehensive income for the year was positive at £454k.
- Net reserves totalled £1,420k
- Reconciliation of the Management Accounts to the Financial Statements resulted in no reported differences.
- College did not meet the planned operating surplus target by £168k due to £(442)k charge arising from the actuarial pension adjustment.
- Ratio used to measure financial health of the College disregarded pension actuarial valuations, hence the health grade should be unaffected.
- Increase in income of 3.04%
- Increase in staffing costs of 4.55%
- Decrease in other operating expenses of 3.04%
- Strong cash balance and strong liquidity position
- Cash flow from operating activity of £1,238k
- Bank loan covenants had been met once the pension adjustment disregarded.
- External auditor's Audit Completion Report included for information, this would be considered by the Audit Committee at its meeting on 23 November 2021.
- Submission of Financial Statements to ESFA required by 31 December 2021.

The Chair thanked the Vice Principal for a comprehensive report and noted that it reflected the information that had been provided to the Committee throughout the year. The external auditors had validated the information and made no adjustments.

The Committee extended its appreciation to the Finance Manager, Finance Team and Vice Principal for the substantial amount of work that had gone into the preparation of the financial statements.

The Committee:

- **noted** the contents of the report and that the Financial Statements reconciled to the management accounts
- **noted** that the Financial Statements were to be presented to the Audit Committee at its meeting on 23 November 2021 for scrutiny in accordance with Committee Terms of Reference.

6.2 **Management Accounts – October 2021** *(previously circulated)*

The Vice Principal (Strategy and Resources) provided a summary of the College's financial performance up to the end of October 2021, which reflected the first three months of the financial year. The report included: income and expenditure account, balance sheet, cash flow and monitoring information.

The following points were highlighted:

- Operating surplus – favourable variance of £100k
- Net assets of £2,100k
- T Level capital grant income – auditors had advised that this should be treated as a deferred capital grant split over 40 years, matched to the depreciation over the investment
- Increase in 16-19 tuition funding income of £69k – comprehensive plan in place to support disadvantaged students who had been impacted by the pandemic and to quality assure the impact of this funding
- Increase in Covid funding of £15k
- High cash balance of £3.5m
- Student numbers – Individualised Learner Record (ILR) due to be processed on 1 December 2021 following which final numbers would be confirmed.
- Payroll budget – had originally budgeted for 2% teachers' pay award but a lower award of 1% had been agreed.

Governors' comments and questions were invited.

Q – Is spending returning to pre-pandemic levels and patterns?

A – Yes, early signs suggest things are returning to normal, especially in connection with capital expenditure. Monitoring heating and lighting costs in order to understand whether budget can cover any potential increase.

Q – What are the budgeting expectations around next year's pay award?

A – There is a continued feeling of austerity given the public sector and school teacher pay freeze. Likely to budget for 2% as last year, but award could be lower. Wider budgeting issues surrounding increase in inflation and impact on cost of energy, food, cleaning products etc.

A discussion ensued on the sensitivity analysis around the budget and the fact that previously the College had been accustomed to low inflation whereas next year rates could be significantly higher. A potential rise in interest rates could also impact investments and borrowing. These factors would be considered as part of the next sensitivity analysis.

Q – High level of cash in hand: how do we factor this into the strategic planning process to ensure that the cash is working in furtherance of the College's objectives?

A – The Vice Principal confirmed that cash flow reduces during the middle of the year. In addition, there are capital plans in place which if successful would require a cash investment by the College. The Clerk confirmed that Charity Commission guidance stated that all charities should have a Reserves Policy in place that explains and justifies the level of reserves so as to provide accountability to funders, beneficiaries and other stakeholders. This was not a legal requirement, but was strongly recommended as good practice and

therefore had already been discussed within College with a view to developing a Reserves Policy for consideration at a Committee meeting later in the academic year.

The Committee **approved** the management accounts as at the end of October 2021.

ACTION – Reserves Policy on Committee agenda in Spring / Summer Term meeting.

6.3 Correspondence from the Education and Skills Funding Agency (ESFA) – College Financial Forecasting Return 2021 to 2023 (previously circulated)

The Vice Principal (Strategy and Resources) advised the Committee that the College had received a response from the ESFA to the July submission of the College's Financial Forecasting Return for 2020-21 to 2022-23. The ESFA had confirmed the College's financial health assessment grade as follows:

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

A Financial Dashboard had also been provided that identified College performance against target and sector benchmarks. It was noted that staff costs as a percentage of income were higher than both these benchmarks as was total borrowing as a percentage of income.

The Vice Principal highlighted the recent invitation from the ESFA for governors to participate in the development of the financial dashboard.

Governors' comments and questions were invited.

Q – Staff costs as percentage of income, is this related to rates of pay for teachers?

A – Have previously investigated the factors affecting staff costs, these included: direct employment of cleaning staff; smaller class sizes; high number of long serving staff members who are higher up the pay scale.

The Committee **noted** the contents of the letter and dashboard.

Lenore Burgess joined the meeting at this point.

7. ESTATES MANAGEMENT

7.1 Property Strategy Review (previously circulated)

The Vice Principal (Strategy and Resources) presented the College's Property Strategy for 2021 to 2026. The report set out the current condition of the College estate and was designed to underpin the overarching Strategic Plan and educational objectives for the coming period. A number of options for the future development of the estate were evaluated within the report. The Vice Principal explained that the preferred option (Option 3) would, over the next five years, allow the College to:

- continue to invest in planned maintenance works to ensure a high-quality physical environment for students
- complete the development of the Stoker Building to facilitate the delivery of the College's T Level programme

- submit a Condition Improvement Fund (CIF) bid to refurbish the library and refectory roof.

The Vice Principal confirmed that should further opportunities or needs arise over the next five years, there would remain flexibility to review the strategy again as required.

Governors' comments and questions on the Property Strategy were invited.

Q – There are additional elements that could be considered: demand from students and demands/opportunities within local community and economy. Strategy is fit for purpose now, but longer term needs greater connection to this wider context.

A – Future strategy generally is dependent on the FE Skills Bill and hence waiting for this to be finalised in order to assess all the implications. Agree that the document does need some amendment to reflect this situation.

It was **agreed** to amend the Property Strategy as discussed and to review the document again in 12 months' time in order to ensure that additional opportunities could be factored in once the FE Skills Bill had been finalised.

ACTION – Review Property Strategy in Summer/Autumn 2022

7.2 **T Level Capital Development** *(previously circulated)*

The Vice Principal (Strategy and Resources) presented her update report on progress on the College's T Level capital project. The following key points were highlighted:

- Tender process to appoint contractors would require governor representation on the Tender Panel. At least three governors would be required to sit on the Panel in line with the College's Tendering Policy.
- External consultant would manage the tender process and prepare shortlist documentation for the Tender Panel to consider.
- Tender Panel dates had not been confirmed but were likely to be in December or January.

A discussion ensued around governor representation on the Tender Panel and the skills and experience of tender evaluation that were required.

The Committee **noted** the contents of the progress report and **agreed** for governor representation on the Tender Panel to be raised with the Full Governing Body.

ACTION – FGB communication – governor representation on Tender Panel

7.3 **Health and Safety Annual Report 2020-21**

The Vice Principal (Strategy and Resources) referred the Committee to the report which had previously been circulated. This summarised College activity relating to Health and Safety during the 2020-21 academic year. The Vice Principal highlighted the following aspects of the report:

- Overview of the various communication systems in place.

- Staff training in a variety of areas including Health and Safety, First Aid, Fire Evacuation, Safeguarding, Safer Recruitment.
- The annual health and safety plan; its implementation and the measuring of performance.
- Accident statistics for the 2020-21 academic year.

The Committee **recommended approval** of the annual Health and Safety report by the Full Governing Body.

ACTION – FGB agenda item – Health and Safety Annual Report

8. POLICY REVIEWS

8.1 Health and Safety Policy *(previously circulated)*

The Vice Principal (Strategy and Resources) presented this policy, which was due for annual review, and reported that only minor amendments were recommended.

The Committee **recommended approval** of the Health and Safety Policy to the Full Governing Body.

ACTION – FGB agenda item – Health and Safety Policy

8.2 Tendering Policy *(previously circulated)*

The Vice Principal (Strategy and Resources) presented this policy, which had been reviewed early in order to accommodate a new requirement in the Post-16 Audit Code of Practice. The requirement stated that a policy must be in place for the re-tendering of the external audit service at least every five years. This was reflected in the proposed clause 1.1.3 of the amended Tendering Policy.

The Committee **recommended approval** of the Tendering Policy to the Full Governing Body.

ACTION – FGB agenda item – Tendering Policy

9. GOVERNOR TRAINING

9.1 Update on Governor Training Activities *(previously circulated)*

No governor training activities were recorded.

10. ANY OTHER BUSINESS

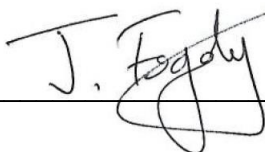
None

11. DATE OF NEXT MEETING

Thursday 17 March 2022 at 8am

The Chair thanked all Members for their attendance and contribution at the meeting. There being no further business to discuss the meeting was brought to a close at 8.50am.

Signed by the Chair: _____



On this day: _____ 17 March 2022 _____