CALDERDALE COLLEGE

INSPIRING LEARNERS TO SUCCEED IN LIFE & IN WORK

MINUTES OF FINANCIAL PERFORMANCE & EFFICIENCY COMMITTEE MEETING HELD ON 6TH JULY 2017

Present:	Rachel Court	External Governor
	Pat Drake	External Governor
	Richie Dunk	External Governor
	John Rees	Chief Executive
	Malcolm Rogers	External Governor (Chair)
	Andrew Wright	Co-opted Non-Governor
In Attendance:	Denise Cheng-Carter	Deputy Principal (Finance & Resources)
	Lesley Venables	Clerk to the Corporation

APOLOGIES FOR ABSENCE

84 There were no apologies for absence.

DECLARATIONS OF INTEREST

85 No declarations of interest were received.

MINUTES

86 **Resolved -** That, subject to one minor amendment, the minutes of the meeting held on 6th April 2017 be approved as a correct record and signed by the Chair

MATTERS ARISING

87 The Committee received a list of actions resulting from the previous meeting and noted that all of these had either been completed, were in progress or featured on the agenda.

88 Under minutes 37 and 38, the Deputy Principal reported that discussions continued on the outstanding amount of £141k that had been claimed from the Local Enterprise Partnership as part of the Unlocking Potential Capital Project. Further updates on progress would be provided to future meetings.

89 The College's bank had asked for an assurance that the adoption of Financial Reporting Standard 102 had not affected the figures in the accounts and performance against the bank covenants attached to any loans. Grant Thornton had completed a review of this area and had provided the necessary assurances to the bank and the College.

90 The Principal reported that the Joint Venture (minutes 60 to 63) was now operational and had been contracted for 2 projects. Governance and reporting arrangements had been reviewed and had resulted in the preparation of a common report that could be submitted to each constituent member's board. A separate finance group had been established, which the Deputy Principal had been invited to join.

91 A positive decision had recently been received on a third bid, for a successor to the Skills Service Project. Currently, the Joint Venture was reviewing the potential for bidding for further contracts in this area of provision and a report on progress would be provided to the Committee's October meeting.

92 Under minute 81, the Deputy Principal confirmed that a further report on the outcome of the 16-18 recruitment strategy for 2017/2018 would be presented to the December 2017 Committee meeting.

FINANCIAL PERFORMANCE & EFFICIENCY REPORT

93 The Committee received for information the management accounts to 31st May 2017. It was noted that the College was still forecast to achieve the projected revised surplus of £201k by the year end.

94 In response to questions on the relatively high levels of overspend on non-pay in specific areas, the Deputy Principal reported that this was partly due to the difference in timing between expenditure being incurred and income being received, particularly in external funding and some for estates-related items. A regular review took place of expenditure in all areas to monitor performance and highlight any potential issues.

95 Pay costs had not achieved the projected level of savings, which was a result of staff sickness requiring agency cover and partly due to the College being unable to reallocate under-utilised teaching staff to other curriculum areas (for example, in Functional Skills). It was acknowledged by management that some planned staffing savings had been too challenging.

96 Governors commented that in the previous year the College had not met its 16-18 learner number target but had reduced pay costs accordingly, however, this had not been replicated in 2016/2017. The Deputy Principal explained that the most significant amount of the over-spend on pay was due to one-off restructuring costs to ensure that staff had the most appropriate skills to deliver the curriculum.

97 Questions were asked about the apparent mismatch between the College's staffing complement being below budget whilst expenditure exceeded the target and whether this was due to an increased (and ongoing) level of agency staffing. The Committee was advised that the budget for 2017/2018 assumed that all posts currently occupied by agency workers would be filled by permanent staff. Currently, agency lecturers were used to cover sickness or other medium to long-term absence and to deliver courses in the short-term, when the College had no other alternative.

98 Governors queried the level of sickness absence and whether this was excessive for an FE college. Further benchmarking data was being prepared by management and would be presented to a future Committee meeting.

99 The Deputy Principal advised that any planned structural changes had been included in the original budget for 2016/2017. However, there had been some further occurrences, which enabled the College to bring in specialisms during the early part of the academic year and these formed the main reason for the higher than expected expenditure in this area.

100 The Committee asked whether it was correct to assume that overall income was less than anticipated due to under-recruitment of learners and a slow start to the External Funding programmes, but that the revised forecast surplus of £201k had been achieved due to the capitalisation/revenue split of some of the Unlocking Potential project. The Deputy Principal confirmed this and reported that the total income from the External Funding projects of £35m would not be realised in 2016/2017, due to the start date being delayed by the ESFA.

101 An assumption had been made at the beginning of 2016/2017 that it would be able to capitalise 50% of the College's project assets, but this had now been revised to a higher figure, with £1.3m of value being transferred. This strategy had enabled the College to project to reach the outturn identified in the budget for 2016/2017.

102 In response to questions about the under-performance of 19+ apprenticeship programmes, the Deputy Principal reported that this was due to one of the College's sub-contractors for this provision not delivering to target.

103 An assurance was given to the Committee that the current ratio would improve prior to the year end.

104 It was suggested that the College should seek assistance in reviewing its utilities and other costs.

PROPOSED BUDGET FOR 2017/2018 AND FINANCIAL FORECAST FOR 2018/2020

105 The Deputy Principal presented the proposed Budget for 2017/2018 and Financial Forecast for 2018/2020, together with comparative data on the colleges within the West Yorkshire region.

106 It was noted that the budget contained an operating surplus of £342k for 2017/2018, or 1.6% of its income. This percentage was higher than in previous years (which had been between 1% and 1.1%), with the aim of building resilience in to the College's operations and financial performance. Governors were advised that the Area Based Review process had suggested certain benchmarks that had influenced judgements within other organisations, including having a 2 to 3% surplus to ensure long-term financial health. It was felt to be prudent for Calderdale College to assume an environment of continued austerity and the need for the organisation to maintain its strength and autonomy.

107 The Committee asked whether, due to the lagged income model operated by the ESFA, any growth in learner numbers would require the College to teach additional students with the accompanying income being paid in the following year. The Deputy Principal advised that it may be possible to bid for in-year additional funding for exceptional levels of growth. There would be circa 100 16-18 year olds enrolled in 2017/2018 from the partnership with Kirklees Industrial Training Services.

108 Governors were concerned that the College had found it difficult to meet the target learner numbers for 16-18 in 2016/2017 yet high levels of growth had been predicted in the budget. A full curriculum review had commenced to ensure that the College offered specialisms that met the needs of employers and learners. Specific focus had been placed on targeting internal progression amongst this cohort and in attracting additional external learners. The benefits of social media were being maximised to support the marketing effort and initial feedback was positive.

109 The process for converting applications to offers of places had been streamlined and a ‘keep warm’ strategy had been devised for learners who had accepted these offers, together with a follow-up of those who had not yet responded. Progressing learners from 2016/2017 had been re-enrolled prior to leaving the College for the Summer.

110 The Committee queried whether the targets for 16-18 apprenticeships would be difficult to achieve, given the high level of local competition amongst educational establishments and the national reduction in the population of that age. Management responded that there had been a significant increase in apprenticeships (13%) and a carry-over of 42% of learners from 2016/2017 to 2017/2018. A large number of levy-paying employers had sought assistance from the College in spending their allocations on training. There were indications of a high amount of job vacancies locally, some of which were providing to be difficult to fill and required specialist training that could be provided by the College.

111 Any growth in apprenticeships would be achieved through matching employer vacancies to candidates.

112 Governors asked about the College’s strategy to replace the monies it currently obtained from the European Union post-Brexit. The Deputy Principal reported that there would be a significant re-balancing of funding prior to this event. The Government had expressed its intent to continue to fund programmes such as those provided now by the EU and the College was well-placed and resourced to be able to deliver any such projects. If it was unsuccessful in any future bidding process, it would be possible to reduce expenditure accordingly, as most of the relevant staff were employed on fixed-term contracts.

113 Following the protracted start of the current year’s External Funding projects, an assumption had been made in the budget that only 80% of the total would be delivered in-year.

114 Tuition fees were projected to increase by 12% in 2017/2018. There had been a slow take-up of advanced learning loans in 2016/2017, which was reflected in a 30% reduction in this amount in the budget and the opportunity to bid for additional funding if required. An increase of 75% for full cost recovery work had been built into the budget for 2017/2018 and HE fees had been projected for growth of 30%, with particular focus on widening participation postcodes.

115 The Committee questioned the assumption in the budget for there to be no pay award for staff in 2017/2018, particularly in a year when the College was likely to be inspected by Ofsted. The Deputy Principal advised that a 1% pay increase would cost approximately £130K and would reduce the surplus to 1.2% of income. Governors requested a short report on the options for future pay awards, the risks and potential impact to be provided for consideration at the Board at its July 2017 meeting.

116 **Resolved -** That the Board **be RECOMMENDED** to approve the Three Year Financial Forecast for 2017/2018 to 2019/2020, subject to further consideration being given to awarding staff a pay increase for 2017/2018

EXTERNAL FUNDING – SKILLS SERVICE

117 Governors received for information a report on External Funding – Skills Service. It was noted that the overall performance had improved compared to the previous report (April 2017) and the majority of programmes were delivering in line with the identified target, with one exception which was a reactive project to support individuals at risk of or undergoing redundancy.

118 A re-profiling exercise had recently been undertaken by the ESFA, with all amendments to the College's profile approved. The College was piloting an associate delivery model which would provide a more streamlined procurement and delivery process.

119 Temporary premises had been secured in York to enable the College to support the teams delivering programmes in the locality and should effect some cost savings in terms of travel and administration.

120 The results of a number of compliance visits by ESFA staff had been positive, with no significant issues identified.

EXTERNAL FUNDING – SUB-CONTRACTING PROVISION

121 The Deputy Principal presented a revised list of sub-contractors who would be delivering on External Funding programmes.

122 **Resolved -** That the Board **be RECOMMENDED** to approve the updated list of sub-contractors

FINANCIAL REGULATIONS

123 Governors received an updated set of Financial Regulations. These had been amended to reflect changes to committee terms of reference and the merger of the SFA and EFA into the ESFA.

124 **Resolved -** That the Board **be RECOMMENDED** to approve the revised Financial Regulations for 2017/2018

COMMITTEE SELF-EVALUATION 2016/2017

125 The Clerk presented a draft of the Committee's self-evaluation.

126 The Committee concluded that although some good work had been undertaken during the year (for example capital projects and development of performance monitoring),

there was still capacity for improvement, particularly in developing the dashboard to enable governors to monitor performance levels more effectively.

127 It was felt that the presentation of performance information and its analysis in reports to the Board and committees should form part of the agenda for a future development day.

128 Governors graded the Committee's performance as a grade '2' or 'good'.

ITEMS TO BE REPORTED TO THE BOARD

129 The Committee agreed a list of items that would be reported to the Board on 13th July 2017:

- Financial monitoring report was received for information - concerns expressed over under-recruitment of learners, particularly in the 16-18 cohort. Revised operating surplus of £201k likely to be achieved due to the increased capital/revenue split of the Unlocking Potential project

- Budget for 2017/2018 recommended for approval, but the Board will be asked to consider the strategy on future staff pay awards with an additional paper provided to the July meeting. Action was requested on addressing the end of EU funded programmes in 2019.

- Monitoring report received on delivery of Skills Service project

- Amendments to the list of External Funding sub-contractors and Financial Regulations for 2017/2018 were recommended for approval by the Board

- Committee evaluated its performance for 2016/2017 as a grade '2' or 'good'.

MEMBERSHIP ISSUES

130 Governors were advised that from 2017/2018 Rachel Court would be transferring to the Audit Committee and would be replaced on the Committee by Fiona Armer. The Chair thanked Rachel for her contribution to the committee.

131 At the July Board meeting proposals would be submitted for approval on widening the Committee's remit to include all functional areas of the College.

DATE OF NEXT MEETING

12th October 2017, 4.45 p.m.