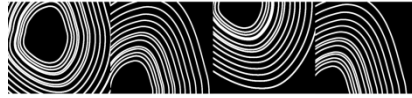


# CALDERDALE COLLEGE



INSPIRING LEARNERS TO SUCCEED IN LIFE & IN WORK

## MINUTES OF THE FINANCE & RESOURCES COMMITTEE MEETING HELD ON 30<sup>TH</sup> NOVEMBER 2017

<b>Present:</b>	Fiona Armer	External Governor
	Pat Drake	External Governor
	Richie Dunk	External Governor
	John Rees	Chief Executive
	Malcolm Rogers	External Governor (Chair)
<b>In Attendance:</b>	Denise Cheng-Carter	Deputy Principal (Finance & Resources)
	Mike Redfern	Grant Thornton (Financial Statements Auditors) – minutes 50 to 55 via telephone
	Lesley Venables	Clerk to the Corporation

### APOLOGIES FOR ABSENCE

42 Apologies for absence were received from Andrew Wright.

### DECLARATIONS OF INTEREST

43 No declarations of interest were received from Committee members in respect of any agenda items.

### MINUTES

44 **Resolved -** That, subject to some minor amendments, the minutes of the meeting held on 12<sup>th</sup> October 2017 be approved as a correct record and signed by the Chair

### MATTERS ARISING

45 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.

46 Under minute 21, the Deputy Principal reported that information on the gaps in learner numbers and actions to address them formed part of the item on the Financial Statements. Conversion rates of applications to enrolments was included as an area for improvement in the College Action Plan.

47 It was agreed that future updates on the work of the Joint Venture would be included as part of the report on External Funding, as the majority of bids submitted by the JV were within this area of provision.

48 Governors noted that key performance indicators had been prepared for IT and that measures relating to the other areas within the Committee's remit would be included for future meetings (minute 37). All milestones formed part of the College Action Plan, but the Committee felt that there could be other, more specific measures of performance that fell outside the CAP: this would be cross-checked by the Deputy Principal and a final version of the full range of KPIs would be circulated to the Committee.

49 Following discussions at the previous meeting on risk mapping assurance, the Committee received information prepared by the Clerk which assessed whether each element of the terms of reference had been addressed in the course of the Committee's work. Governors commented that, in relation to their in-depth examination of functional areas, they should be aware of the associated risks on the risk register and that the Committee needed to be informed if the risk scores changed.

### **Mike Redfern joined the meeting for this item**

### **FINANCIAL STATEMENTS 2016/2017**

50 The Deputy Principal (Finance & Resources) presented the Financial Statements for 2016/2017. It was noted that the reconciliation statement had not yet been received from the Education & Skills Funding Agency and that any approval by the Board was subject to the content of this statement. A small number of other items for further action were identified, some of which had now been completed.

51 Governors received for information a reconciliation between the July management accounts and the Financial Statements, to identify any significant variations and the reasons for these. One major item related to pensions, where the deficit in the pension fund had decreased by £3.2m in 2016/2017. This was due to better than anticipated asset performance and changes to the assumptions on the discount rate and life expectancy.

52 It was noted that the service cost for the pension fund, charged to the Income & Expenditure Statement was £1.4m and was in excess of the contributions paid in by members (£0.7m). This gap was highlighted as a concern, but could only be addressed through additional contributions by the College, which was unaffordable.

53 The Committee questioned the assumption in the pension information on salary increases, particularly as the College had not awarded significant pay rises in the periods included in the report. The Financial Statements Auditor reported that the amount contained an element for annual increments, in addition to pay increases. Based on the average age of the College's staff, pay uplifts of 3% would not be considered unreasonable.

54 The Consolidated Statement of Comprehensive Income figures suggested that, if no adjustment was made for pension contributions in 2016/2017, a surplus of £220K would be generated. However, with the pensions adjustment, this figure was reduced to a deficit of £774K.

55 **Resolved -** That the Board **be RECOMMENDED** to approve the Financial Statements for 2016/2017

## **INFORMATION TECHNOLOGY**

56 Governors received a presentation from the Director of IT, Estates & Facilities that provided an overview of the Technology Strategy, which was linked to the College's 4 strategic pillars).

57 Information was provided on the department's current priorities. These included the stabilisation and continual improvement of the College's IT infrastructure, supporting the digital transformation programme, enabling the development of digital skills by learners and staff and increasing the performance of IT service management and governance.

58 The Committee was concerned about the Ransomware attack suffered by the College during the Summer. Although there had been no impact on teaching, learning and assessment, some data had been lost and the increased risk in this area had not been reflected in the gradings assigned to each element.

59 Governors sought assurance that addressing any weaknesses to prevent a recurrence was being given sufficient priority. The Director of IT reported that a programme of remedial works was in place, with the pace dependent on the resources available. The back-up server was now isolated and, due a programme of incremental back-ups being undertaken, the maximum data would be one day's worth.

60 The College's finance system was due to be replaced in May 2018 and posed a risk due to the existing platform no longer being supported. In response to questions as to the extent of any remaining vulnerabilities, the Director of IT advised that these were system-wide. The Committee requested that a report be provided to the June meeting on the actions taken and any outstanding items.

61 A list of key performance indicators for IT was noted and governors asked for a further measure to be added on the percentage availability of resources.

## **FINANCIAL PERFORMANCE REPORT**

62 The Deputy Principal presented the management accounts to October, which included an explanation of the variances and actions being taken to address these.

63 The College was currently under-delivering against its budgeted income, with the exceptions of 16-18 year olds and other income. The area of highest concern was Apprenticeships, where the impact of the Government reforms had caused a national decline in the level of starts. Staffing resources had been refocused on filling any apprenticeship vacancies and the College was working with Levy-paying employers to encourage a higher level of participation. In response to questions, the Committee was advised that the length of time taken by Levy-paying employers to engage an apprentice varied, depending on the organisation.

64 At this point in the academic year it was too early to forecast a reduction in income for 2017/2018 and the outturn was predicted to be in line with the budget approved in July 2017. Additional growth in the Adult Education Budget may be possible and had been applied for as there was money available from the ESFA. A further re-profiling exercise would be undertaken at period 7 of the academic year.

65 Pay and non-pay expenditure had decreased in line with the reduction in income.

66 Project Income had an adverse variance of £185K, which management felt to be recoverable. However, the shortfall in HE tuition fees would not be reversed in-year, but this may be partially offset by any reduction in costs.

67 The Deputy Principal was complimented on the improved content of the report, which enabled governors to monitor performance in an even more robust manner.

## **LETTER OF VARIATION – LOAN FACILITY**

68 The Committee received revisions to the current terms associated with the loan funding provided by Barclays Bank in respect of the capital project. The variation was to take into account the introduction of FRS102 replacing FRS17 to take it back to the original intent of the bank covenants.

69 **Resolved -** That the Board **be RECOMMENDED** to approve the Letter of Variation

## **CAPITAL PROJECT UPDATE: “ORANGE BOX”**

69 The CEO reported that the lease on the “Orange Box” building in the town centre was still being negotiated with Calderdale Council. Initial surveys had been undertaken and had not identified any significant areas of concern.

70 Discussions had taken place with officials from the Department for Education regarding an indemnification for the College on any existing grant conditions, to ensure that there would be no clawback of funding. Confirmation had not been received and it was felt by management that the compromises that the College was being asked to make in terms of usage and tenancy were too onerous and risky. The Committee concurred with the CEO’s assessment that the project should not be pursued, but that alternative options to deliver the digital agenda should be examined.

71 **Resolved -** That the Board **be RECOMMENDED** not to progress the “Orange Box” project and to seek alternatives for the delivery of the College’s digital agenda

## **JOINT VENTURE: WEST YORKSHIRE COLLEGES’ CONSORTIUM**

72 The CEO provided a verbal report on the Joint Venture with the West Yorkshire Colleges’ Consortium.

73 It was noted that the Deputy Principal had recently been appointed to the JV’s Audit and Finance Committee. The latter had received revised cashflow forecasts at its latest meeting, however, further work was still required on the associated sensitivity analysis. This would be presented to the Directors’ December meeting.

74 A bid to the Flexible Learning Fund had been approved by the JV Board, the value of which was uncertain.

## **EXTERNAL FUNDING REPORT (SKILLS SUPPORT FOR THE WORKFORCE) & SUB-CONTRACTING PROVISION**

75 Governors received for information a report on External Funding – Skills Support for the Workforce. It was noted that the majority of contracts were either exceeding the cash profile or were within the 10% tolerance limit. There was one exception which was a reactive project to support individuals at risk of or undergoing redundancy.

76 Proposals had been submitted to the ESFA to extend a number of existing contracts to March 2019 and to increase delivery on some contracts.

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

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

## **ITEMS TO BE REPORTED TO THE BOARD**

79 The Committee agreed a list of items that would be reported to the Board on 14<sup>th</sup> December 2017:

- Presentation received on IT Strategy and performance against the KPIs.
- Briefing from Grant Thornton on the Financial Statements for 2016/2017 and the variation between these and the management accounts for July 2017. Financial Statements were recommended for approval by the Board.
- Management Accounts to October 2017 were discussed, including negative variance of £160K and 3 core areas where income levels are not as high as anticipated.
- Letter of variation for the loan agreement with Barclays Bank and updated list of sub-contractors were recommended for approval.
- Reports received on progress to date on the Orange Box project and the Joint Venture, which will feature in the CEO's report to the Board.

## **DATE OF NEXT MEETING**

29<sup>th</sup> March 2018, 5.00 p.m.