

**CALDERDALE COLLEGE
FINANCE AND RESOURCES COMMITTEE MEETING**

Minutes of the Meeting held on 2 July 2020 via MS Teams

Present:

Malcolm Rogers	External Governor & Chair
Peter Clark	External Governor & Chair of the Corporation
Pat Drake	External Governor
Fiona Armer	External Governor
Andrew Wright	External Governor
John Rees	Principal & Chief Executive

In Attendance:

Denise Carter-Cheng	Deputy Principal – Finance and Resources
Sharon Bowker	Executive Director (Finance & Funding)
Ebrahim Dockrat	Director of Commercial Services and Partnerships (for Item FR/20/123)
Joanne Platt	Interim Clerk
Jane Taylor-Holmes	Clerk

Agenda: No items of other business were added to the agenda.

Min Ref.	Minutes	Action
1	FR/20/119 - Apologies for absence	
2	There were no apologies for absence.	
3	FR/20/120 – Confirmation of eligibility, quorum and declarations of interest	
4	No notice had been received of any member becoming ineligible to hold office. The meeting was quorate and there were no declarations of interest in agenda items.	

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5	FR/20/121 – Minutes of the meeting held on 19 March 2020	
6	Resolved: the minutes of the meetings of 19 March 2020 were approved as a true and accurate record.	
7	FR/20/122 – Matters arising	
8	In relation to the action arising out of agenda item FR/19/149 of the meeting held on 21 November 2019, it was agreed to carry this item forward to the Autumn.	Action: Mrs. S. Bowker
9	All further matters arising were complete.	
10	FR/20/123 – Commercial and Partnerships	
11	External Funding	
12	Ebrahim Dockrat presented a report providing an update on external funding contracts.	
13	The Committee noted that SSW 2019-21 contracts commenced in April 2019 and as a result of Covid-19, delivery is currently behind profile, although it is still expected to deliver in full and the forecast had been updated to reflect this. All three contracts continue to improve with £3.975m being claimed from May 2019 to May 2020.	
14	In relation to Sheffield City Region – Skills Bank, the Committee noted that this is not subject to ESF type performance management rules and is funded on an annual allocation of profile delivery as agreed. As a result of COVID-19, an agreement with the ESFA has allowed the reduction of some of the non-funded starts claimed for 2019/20 to be rolled into 2020/21.	
15	The Committee also noted that notification had been received that bids for DWP ESF Open Calls (Yorkshire, North Yorkshire and East Riding) have been successful and that recruitment and initial set up is underway. Bids for three further contracts have been submitted and are currently awaiting approval, although likely to be delayed due to Covid-19.	

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16	All 'live' contracts continued with limited delivery with a suite of online courses despite the challenges of the Covid-19 pandemic. Re-forecasting to take account of the lower anticipated 2019/20 claim levels is complete with related income been deferred to the 2020/21 financial year.	
17	In response to questions from Governors, Ebrahim Dockrat confirmed that the focus has shifted to support for remote working and recovery. The generic nature of the projects enables the focus to shift without the need for renegotiation of the contracts.	
18	He also confirmed that the College is involved with the Collaborative Skills Partnership.	
19	Resolved: The Committee noted the report.	
20	External Funding – Sub Contracting	
21	Ebrahim Dockrat presented a report on current sub-contracting as at June 2020.	
22	RESOLVED: to confirm to the Board at its July 2020 meeting that all sub-contractual arrangements for non-core provision meet the strategic aims of the College, enhance the opportunities and quality of the training offer and are of high quality and low risk.	
23	RESOLVED: to recommend to the Board at its July 2020 meeting the updated list of subcontractors for non-core provision.	
24	Supply Chain Fees and Sub-Contracting Policy for 2020/21	
25	The Committee considered the revised Supply Chain Fees and Sub-Contracting Policy for 2020/21, which had been updated to reflect current funding and regulatory body requirements.	
26	RESOLVED: the Committee agreed to recommend the Policy to the Board for approval at its meeting on 9 July.	

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27	Ebrahim Dockrat left the meeting.	
28	<p data-bbox="284 427 1171 501">FR/20/124 – Draft Budget 2020/21 and 2-Year Financial Forecast</p> <p data-bbox="284 551 1171 745">29 Alongside other members of the Board, Committee members had attended a presentation of the Draft Budget 2020/21 and 2-Year Financial Forecast by Denise Cheng Carter and Sharon Bowker, just prior to the commencement of the Committee.</p> <p data-bbox="284 795 1171 1077">30 Governors noted the wider context for the budget, namely that 2019/20 was a low point for the sector, prior to COVID. Alongside this, funding rates had been fixed in cash for four years, with extra costs on Colleges from pensions, OfS, and JISC, new & tougher competition in apprenticeships & HE and funding reforms /new rules for the Adult Education Budget and apprenticeship levy.</p> <p data-bbox="284 1126 1171 1238">31 Whilst the College was in a strong financial position prior to the pandemic, it is one of the 80% of Colleges with long term loans.</p> <p data-bbox="284 1288 1171 1482">32 As a result of the COVID-19 pandemic, the budget process this year has included modelling several scenarios that have been assessed for risk, namely: Scenario 1 Pre COVID-19, Scenario 2 With COVID-19 and Scenario 3 the likely situation and proposed budget.</p> <p data-bbox="284 1532 1171 1644">33 Governors noted that the proposed budget and forecast creates a two-year recovery plan for the College’s financial health.</p> <p data-bbox="284 1693 1171 1805">34 There is an operating deficit of £499k for 2020/21, followed by an operating surplus of £1k and £264k in the two years after.</p> <p data-bbox="284 1935 1171 1975">35 The budget proposes a 1% pay award from January 2021</p>	

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	followed by full year pay awards of 1% and 2% in the following two years although Governors noted that the proposal for the 2021 pay award had not as yet been discussed with the staff side.	
36	Pay costs as a % of income for the next three years are 65.8%, 63.9% and 64.9% and non-pay costs as a % of income for the next three years are 38.1%, 37.6% and 35.5%.	
37	Cash levels will remain stable, with average cash days being 75.	
38	Short term priorities for 2020/21 are to continue to generate and make timely payments to all creditors, to comply with loan covenants and to keep in touch with the bank in relation to any potential breaches in relation to the ratio of borrowing (as in the current year) and, to ensure the forecast is flexible to allow for mitigation and as yet unknown events	
39	Governors noted the balance sheet for 2020/21 shows net current assets of just under £1m with a cash forecast for 2019/20 of £4.2m, increasing to £4.325m in 2020/21 and to £6.541m in 2022/23, ensuring the solvency of the College.	
40	The draft budget proposed has been set on challenging but achievable targets and is based on a number of prudent assumptions in relation to Education Skills Funding Agency Income, apprenticeship income, grant funding and tuition fees, pay and non-pay expenditure and capital expenditure.	
41	It was noted that the College enters the period in good financial health with cash reserves available. However, Governors acknowledged the risk of its Financial Health Score being reduced from Good to Requires Improvement, but accepted that its relative position should remain stable as a result of other Colleges being in similar positions.	

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42	The proposed budget should require no major staffing adjustments, but will require strong cost control. Opportunities for new delivery will be explored and regular reviews of the forecasts will be undertaken.	Action: Mrs. S. Bowker
43	In response to Governors questions in relation to forecasted apprenticeship income, Sharon Bowker confirmed that the figures were evidence based using existing data on numbers of apprentices on breaks in learning, furloughed or redundant and research with employers.	
44	Governors noted that any additional Government recovery funding had not been factored in as this was uncertain.	
45	Governors agreed the budget was a prudent and realistic one and did not rely on grant funding that was not already secured by contracts or on Government recovery funding.	
46	Governors asked for contingency plans to be developed and documented with clear management actions in case monitoring shows that assumptions will not materialise in the timescales.	
47	Resolved: Subject to the development of contingency plans, to recommend the draft Budget for 2020/21 and the 2-year financial forecast to the Board for approval at its meeting on 9 July 2020.	
48	FR/20/125 – Financial Performance Report	
49	Management Accounts to 31 May 2020	
50	Denise Cheng-Carter presented the management accounts up to Period 10 (end May 2020).	
51	Governors noted that the accounts relate to the revised forecast shared with Governors following the College closure arising from the pandemic. The original forecast	

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	<p>was for a £120k surplus but this was reforecast to a £674k deficit and Period 10 shows an operating deficit against the revised forecast of £602k.</p> <p>52 Although income is significantly below budget, both pay and non-pay expenditure are also below budget.</p> <p>53 Reduction in income is largely due to the loss of apprenticeship income due to the mix and balance of provision, delayed sign up and commencement of new apprentices, apprentices on furlough, breaks in learning and withdrawals.</p> <p>54 The Committee also noted that income from HE fees is below budget due to under recruitment and contract income is also below budget due to the impact of Covid-19 and significant delays by DWP in the issuing of both Yorkshire, North Yorkshire and East Riding Business Scale up and Specialist Skills contracts. There is also a reduction in commercial income from commercial sport and catering arising directly from the pandemic.</p> <p>55 The current forecast is to outturn an operating loss of £674k at the year-end.</p> <p>56 The Committee was informed that due to the College's previously strong financial health, the College's bank had agreed in writing to increase the ratio of borrowing for 2019/20 to prevent the College from being in breach of its loan covenant.</p> <p>57 RESOLVED: the Committee noted the report.</p>	
58	<p>FR/20/126– Financial Regulations 2020/21</p> <p>The Committee considered the revised Financial Regulations for 2020/21 and noted that alongside the general changes in job titles, there had been some amendments and additions, including:</p>	

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59	Section 6 – Creation of “Responsibilities of the Executive Director, Finance and Funding”. This section has been created in recognition that the postholder is responsible to the Principal for the day to day management of the financial affairs of the College. Accordingly, some of the points under section 5 have been re-allocated here.	
60	Section 10.7 Income has been extended (10.7.3-10.7.6) to include treatment of and approval for bad debt provision and write off.	
61	Section 10.9 Assets has been extended (10.9.6-10.9.10) to include the approval process for disposal of any College assets.	
62	Section 11 Capital Expenditure has included reference in 11.3 regarding consideration and approval of depreciation rates.	
63	Section 14 Management Accounts includes the inclusion of a 24 month rolling cash forecast and commentary within the management accounts pack each month.	
64	It was noted that the Committee Structure diagram and Terms of Reference for the Audit Committee and the Finance and Resources Committee in the Appendices, required amendment to bring them in line with recent changes.	
65	RESOLVED: Subject to the above changes to the appendices, the Committee approved the Financial Regulations 2020/21	
66	FR/20/127 – Data Protection Annual Report	
67	The Committee considered the Data Protection Annual Report and noted that there had been no data breaches reported by the College in this academic year.	
68	There had been two Subject Access Requests made, both linked to potential legal challenges against the College. Both requests were dealt with within the one-month time limit and the College’s responses were therefore compliant with the relevant legislation.	
69	The Committee also noted that there had been six	

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70	<p>Freedom of Information requests made to the College, equalling the six made in the previous year. Some were relatively in depth such as from the Universities and College's Union regarding pay issues, whilst others could be considered commercial in nature.</p> <p>All were dealt with in accordance with the relevant legislation and guidance. Despite this, one matter was referred to the Information Commissioner's Office (ICO) and to date the College has not received an adjudication or further communication from the ICO.</p>	
71	<p>The Committee also noted that policy frameworks to support good data governance such as a comprehensive GDPR policy and staff, student and overarching privacy notices are in place and subject to review and that the College has implemented a comprehensive programme of on-line GDPR training for staff. To date, 92% of staff have completed this.</p>	
72	<p>RESOLVED: The Committee noted the report.</p>	
73	<p>FR/20/128 – Risk Management</p>	
74	<p>Sharon Bowker presented the Committee's Risk Register and referred to questions raised by the Audit Committee in relation to the risk scoring of three risks. This had arisen as the date of the Finance and Resources Committee meeting had been changed, and accordingly, it hadn't had chance to review its risks prior to the meeting of the Audit Committee.</p>	
75	<p>The Committee reviewed its risks and agreed changes as follows:</p>	<p>Action: Mrs. S. Bowker</p>
76	<p>Risk 3: Change Likelihood to 4 and impact to 5, giving an overall residual risk score of 20.</p>	
77	<p>Risk 5: Change Likelihood to 4 and impact to 5, giving an overall residual risk score of 20.</p>	
78	<p>Risk 6: Change Likelihood to 3, giving an overall residual risk score of 12.</p>	
79	<p>Risk 9: Change Likelihood to 3 and impact to 3, giving an</p>	

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80	<p>overall residual risk score of 9.</p> <p>The Committee also noted the addition of the 'consequence' and 'movement' column to the Risk Register, both of which it welcomed and that a new risk relating to COVID-19 was the College's top risk and had accordingly been allocated to the Governing Body as a whole to review.</p>	
81	<p>RESOLVED: to make changes to the Risk Register as set out above.</p>	
82	<p>FR/20/129 – Committee Terms of Reference</p>	
83	<p>The Committee considered its Terms of Reference for 2020/21 and subject to the removal of reference to a maximum number of Governors in section 1.1, agreed to recommend the Terms of Reference to the Board for approval.</p>	<p>Action: Mrs. J. Platt</p>
84	<p>RESOLVED: Subject to the above, the Committee agreed to recommend the Terms of Reference to the Board for approval.</p>	
85	<p>FR/20/130– Items to be recommended to the Board:</p>	
86	<p>It was agreed that the following would be reported to the Board for approval:</p> <ul style="list-style-type: none"> ➤ Committee Terms of Reference ➤ The updated list of subcontractors for non-core provision. ➤ Draft Budget 2020/21 and 2-Year Financial Forecast <p>It was agreed that the following would be reported to the Board for information:</p>	
87	<ul style="list-style-type: none"> ➤ The Committee had reviewed the External Contracting report ➤ That all sub-contractual arrangements for non-core provision meet the strategic aims of the College, enhance the opportunities and quality of the training offer and are of high quality and low risk. ➤ The Committee had approved the Supply Chain Fees 	

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	<p>and Sub-Contracting Policy for 2020/21</p> <ul style="list-style-type: none"> ➤ The Committee had reviewed the management accounts for Period 10 against the revised forecast previously shared with all Governors ➤ The Committee had approved the Financial Regulations 2020/21 ➤ The Committee had reviewed the Data Protection Annual Report ➤ The Committee had reviewed its risks and re-scored some in light of the current climate. 	
88	<p>FR/20/132 – Dates of Future Meetings</p>	
89	<p>The dates of future meetings of the Committee are to be confirmed following consideration of the Board and Committee timetable at the Board meeting on 9 July. However, it was agreed that the proposed meeting on 17 September 2020 should be moved back due to the number of other meetings to be held on that date.</p>	
90	<p>The Chair referred to the impending retirement of Denise Cheng-Carter and, on behalf of the Committee, thanked Denise for all her hard work and efforts on behalf of the College over the last 19-years. The Committee also wished her well in her retirement.</p>	
91	<p>In response, Denise thanked the Committee for its constructive challenge and support.</p>	

Signed as a true and accurate record

Chair : Malcolm Rogers

Date : 17 September 2020