



FINANCE AND GENERAL PURPOSES COMMITTEE

FRIDAY 26 MARCH 2021

Report: Minutes of the meeting held on Friday 29 January 2021

Author: Clerk

Action: Approve

Status: Closed

Present: Martin Hedley (Chair)
Andy Cole (Interim Principal / CEO)
Simon Ennew
John Hogg

In attendance: Ivan Jepson (Director of Business Development)
David Keetley (Financial Controller)
Keith Oxspring (Interim Finance Director)
Chris Toon (Deputy Principal: Curriculum & Quality)
Emma Moody (Clerk)
Suzanne Clark (Minutes)

F/015 Chair's Welcome, Apologies and Conflicts of Interest

The Chair welcomed everyone to the meeting. No apologies were received.

No conflicts of interest were declared at the start of the meeting and members were reminded to declare any conflicts that arose during the discussions in the meeting.

F/016 Minutes of the last meeting dated 23 October 2020

The minutes of the last meeting were agreed as a correct record.

F/017 Matters Arising

It was confirmed that a work plan for the Committee has been created that there is a paper included as part of the agenda for this to be reviewed.

The Clerk confirmed that the terms of reference were updated following the previous meeting.

It was confirmed that a separate meeting took place on 4 December 2020 to determine suitable KPIs for the Committee. There is a paper included outlining the KPIs later in the meeting.

The Clerk confirmed that the threshold for bad debts were reviewed and a revised document was circulated to Committee members.

F/018 Committee KPIs

The report was presented by the Interim Finance Director.

The Interim Finance Director advised that in addition to the KPIs presented there were some additional measures that he would like to share with the Committee for feedback on whether they should be added.

The Chair was complimentary of the simplicity of the presentation of the KPIs which he felt drew attention immediately to any areas of concern. Another member was supportive of this view and indicated that he was particularly interested on the additional measures for inclusion. He would also welcome the details on staff costs as a percentage of income. The Interim Finance Director advised that this is one of the additional measures he would include. The Financial Controller indicated that the measure was not included as it is reported on as part of the People and Remuneration Committee KPIs. The Committee recognised that there would be cross over with other committees but felt that it was important to have this view and the Clerk confirmed that this would facilitate cross committee oversight.

The Interim Finance Director advised that other measures to be considered are:

- Bank covenant compliance. There is an issue currently in that there are no bank covenants. Once these are in place compliance can be reported on.
- Reserves. The Interim Finance Director had some reservations on how useful this would be as it can fluctuate throughout the year. The Chair indicated that it would be useful to have the figure reported and agreed that measuring would be difficult. Others present were supportive of this approach and requested a narrative accompany the reporting.
- Debtor days. The Interim Finance Director suggested a ratio based on commercial debt which can be measured. Individual debt is much more difficult due to the complexities of funding and advanced learner loans.
- Creditor days. The Interim Finance Director advised that it is very difficult to calculate a ratio accurately. He suggested a KPI showing overdue payments to creditors would be a more accurate measure.

In response to a question from the Chair, the Interim Finance Director advised that the percentage of commercial income against individual learner income was fairly small and he estimated this to be around 10 to 15% of overall college income.

The Committee approved this approach for debtor days.

The Committee recognised that the creditor measure is intended to inform if payments were significantly overdue and were comfortable for this to be calculated in the most appropriate way that would give the Committee the oversight required. The Deputy Principal: Curriculum & Quality was supportive of the inclusion of a creditor measure as this would flag any areas of concern swiftly, feeling this to be a very welcome metric. The Clerk agreed that there needs to be confidence in the payment of creditors so the KPI report needs to show any potential late payments, particularly those to bodies such as HMRC and pension funds (ESFA and bank also) – where the consequence of non payment could be severe. The Interim Finance Director advised that the KPIs wouldn't flag up if payments were deferred and indicated that he needed additional time to consider how this can be highlighted. The Director of Business Development felt that it might also be helpful to include subcontracting payments so any delays to payment schedules could be highlighted. The Interim Finance Director stressed that there is a section on payments to suppliers in the management accounts so there could be an element of duplication by doing this.

The Chair advised that he will give an update to the Board on the KPIs as part of the Winter Conference advising that there is still work to do to finalise.

Action: For the next meeting, the Interim FD would work on the document following feedback today.

The report was noted.

F/019 Annual Cycle of Business

The report was presented by the Interim Finance Director.

The Chair asked that members consider whether there was anything missing from the schedule. The Interim Principal / CEO commented that he felt the schedule to be appropriate but questioned the presentation which was by calendar year rather than academic or financial year. It was stressed that activities are still in the correct place and the schedule simply needs reordering to be consistent. Annual review of the College's Fees Policy and review of bad debts is due to take place in January, but the debtors paper would be reviewed and will be presented in April.

Action: Annual Cycle of Business to be re-ordered.

Action: Debtor paper to be brought to April meeting.

The annual cycle was approved subject to the amendment above.

F/020 ESFA Term Loan Facility Agreement

The report was presented by the Clerk and the Interim Finance Director.

It was highlighted that at this point, the focus is on agreeing the legal framework. There are gaps in the document including in relation to certain payment terms and there is no certainty of what they will be or the definitive interest rate that will be charged.

The Clerk asked that documented evidence be sought for anything agreed with the ESFA or PMO outside of the agreement.

The Clerk asked for approval to the delegation to two members of the Committee to support the Interim FD in these negotiations and to recommend to the Board for final approval in due course. The Chair volunteered to provide support and indicated that he would seek additional support from one of the newly appointed governors with a finance background.

Action: Chair to seek an additional governor to provide support to negotiation and conclusion of outstanding terms within the agreement.

The Committee authorised any two members to oversee the negotiation of the loan terms with the ESFA and to recommend to the Board the final version for agreement in due course.

F/021 Monthly Management Accounts – December 2020

The report was presented by the Interim Finance Director.

The Interim Principal / CEO reported that he has been in discussions with ESFA colleagues in relation to AEB funds. An announcement is expected imminently on the level of provider support that will be offered. The threshold is normally to meet 75% of the contract value. In 2019/20 this was initially 85% and then reduced to 68%. The College achieved over 70% in the previous year so no clawback was applied. There is a feeling

that provider support will be based on achieving around 75-80% of contract which would cause difficulties in many colleges depending on how their provision is planned across the year. The timing of announcement is felt to be key in relation to this and there is a view that the earlier a decision is made, the less generous the support package will be. Colleges are likely to be more affected than in the first lockdown. The Director of Business Development recognised that there is a potential cash impact for 20/21. The College is currently under the threshold on contracts with combined authorities. Confirmation has been received that the Tees Valley Combined Authority will not be reclaiming funding from the College. The College is awaiting a decision from the Greater London Authority. This could have a potential negative impact of approximately £50k.

In response to a question from a member, the Interim Principal / CEO advised that a quality of dialogue is needed between the AOC and the Department for Education in relation to this. Colleges could have been asked to provide a delivery profile update which could have been validated. This would have provided the opportunity for a more tailored support package. The member questioned whether colleagues in the FE Commissioners office would have any influence. The Interim Principal / CEO advised that he has been raising this on a local level and has requested confirmation of when a decision will be made. The Interim Principal / CEO reported that the current increase in 16-18 learner numbers would normally be lag funded with funding being received in the new academic year. The College was likely to see some advancement on this funding in the current year of between 25 and 30%. There would be no associated expenditure against this additional funding.

In relation to the non-pay savings reported, the Clerk asked whether an analysis has been completed on the financial standing of any subcontractors and if there is a contingency plan in place to address any vulnerabilities caused if they are no longer able to operate. The Interim Principal / CEO responded to this confirming that this is an area the Executive Team have considered, with a view to ensuring subcontractors are viable. The Director of Business Development confirmed regular discussions are taking place in relation to sustainability and there are no concerns at this time. He added that risk and contingency are also discussed regularly.

The Chair commended the work of the College team in managing the accounts in such challenging times.

In response to a question from the Teaching Staff Governor, the Interim Finance Director confirmed that whilst there had previously been late payments to the pension scheme, all payments are now up to date. The challenges outlined in the accounts are related to the funding of the pension scheme and it was highlighted that all funds operating on a final salary scheme present financial challenges.

The report was noted.

F/022 Potential Impairment of Assets

The report was presented by the Interim Finance Director.

The Chair welcomed confirmation that the market has held up quite well through the pandemic and was pleased to be advised that there were no concerns to be reported. The Clerk indicated that in line with governance requirements, the report should also be approved by the Audit Committee prior to being presented to governors.

Action: Clerk to circulate the report to Audit Committee members for approval.

The report was noted.

F/023 Fees Policy

The report was presented by the Interim Finance Director with input from the Deputy Principal: Curriculum & Quality and Director of Business Development.

It was confirmed that the College Fees Policy should be approved on an annual basis, as part of the schedule of business. The Director of Business Development gave assurance that he and the Deputy Principal: Curriculum & Quality review apprentice withdrawals on a monthly basis. This ensures that there is a full understanding of the impact of withdrawals and evidences the monitoring in place for refunds.

The report was approved.

F/024 Any other business

The Clerk reported that a number of new governors have recently been appointed, some with a finance background. This will be reviewed by the Governance Committee. A member commented that they would be welcoming of this and that they felt it was important to look to strengthen the Committee with the addition of a member(s) with finance expertise.

F/025 Date of next meeting

The date of the next meeting was confirmed as Friday 26 March 2021 at 10.00am.