MINUTES OF THE MEETING OF THE FINANCE & GENERAL PURPOSES COMMITTEE
HELD: on 19 January 2023 at 17:00 in 4F07 DHB Boardroom

Present	**In Attendance**
Cath Orange (Chair)	Chris Malish (Vice Principal Finance & Corporate Services)
Cuthbert Pazvakavambwa (Vice Chair) (Via MS Teams)	Marc Gillham (Vice Principal Data &Funding)
Chris Webb (CEO/Accounting Officer)	
Lendy Ho	Sarah Cooper (Director of People Services)
Bulbul Barrett	Sarah Towan (Director Student Recruitment & External Affairs)
Apologies	Sarah McKenzie (Clerk to the Corporation)
Alina Khan (Vice Principal EDI & Student Voice)	Allison Booth (Assistant Clerk to the Corporation)
David Fearnley	

Item		**Action**
1.	**Introductions, Apologies for Absence and Disclosures of Interest**	
1.1	The Chair welcomed everyone to the meeting.	
1.2	Apologies were noted for Alina Khan and David Fearnley.	
1.3	There were no declarations of interest.	
1.4	The Clerk informed the Committee that due to ill health Neil Ward had unfortunately had to tender his resignation as Governor and that Cath Orange will take over as chair of the F&GP Committee until a new chair is appointed. Members acknowledged and recorded their thanks for all that Neil had done for the college and wished him well.	
2.	**Chair's action**	
2.1	There had been no use of Chair's actions since the last meeting.	
3.	**Minutes of the meeting of 8 December 2022**	
3.1	**RESOLVED:** The minutes of 8 December 2022 were approved to be signed by the Chair as an accurate record of the meeting.	
4.	**Matters Arising**	
4.1	The Matters Arising Report was reviewed.	
4.2	It was noted that there could be further delays to agreeing the	

	outstanding HR Policies with the unions as a result of UCU time spent in negotiations regarding its pay claim.	
Strategic plan Implementation		
5.	**F&GP Data dashboard**	
5.1	The VPF&CS presented the F&GP Data Dashboard and advised that there had been little change since December 2022, the only change was: • Covenant Compliance- stands at 80%. As per the financial plan the college is in breach of covenants but waivers have been agreed with the Bank to July 2023, the main reason for breach is the match funding required for the Transformation funding, which at the time of agreeing the plan had not been approved by the bank.	
6.	**VPF&CS Report**	
6.1	The VPF&CS introduced his report, which served to highlight a number of areas within the other reports on the agenda.	
6.2	**Q. Should we be discussing the energy crisis and additional funding for that?** A. In line with other colleges has received allocated funding to support rising energy costs. However, the College is in a good position in relation to this as the contract was fixed on a 3-year deal until 2025 before some the significant increases were seen.	
6.3	It was noted that as part of the annual accounts for Inprint & Design, the College is asked to provide a letter of support, which states that in the event of cash flow issues the College in partnership with the University will cover these at least for 12 months since the point of signing. The VPF&CS confirmed that this was provided in December 2022, signed by the VPF&CS, as it has been done annually since Inprint & design was formed.	
6.4	The VPF&CS explained that the 2021/22 financial results for Inprint & Design demonstrate a surplus being made.	
6.5	**ACTION**: The VPF&CS to provide the Inprint & Design 2021/22 Financial Accounts to the next F&GP Committee meeting on 16 March 2023.	**VPF&CS**
Finance 2022-23		
7.	**Management Accounts (November 2022)**	

7.1	Members considered the period 4 management accounts to 31 November 2022:	
7.2	As at the end of November EBITDA was favourable to the original budget by £0.3m. This was predominantly a result of savings in staff and profiling of non-pay spend offsetting the shortfall in income to date. Following the Q1 reforecast the EBITDA is expected to be relatively in line with the budget at the end of the year, with the increase in HE fees offsetting any reduction in Skills for jobs (included within AEB income), Apprenticeship income and some of the additional non-pay spend due to inflation and the additional insurance costs.	
7.3	• YTD staff costs (including restructuring) as a percentage of income is 62.1%, which is 0.8% favourable to budget. • YTD income is showing as £644k adverse to budget. • The income profile is behind due to Apprenticeships and AEB. • That saving is being made up through vacancies on pay and some variances on non-pay. • The shortfall in AEB of £220k year to date is a timing difference due to a slower than expected start to the year. • FE Funding Body -This is a timing difference, £577k is expected in April due to growth in student number. • Pay-Staff Costs are £0.5m favourable to budget due to new/vacant posts mainly in the first three months not being filled compared to original budget for this period and some new posts being recruited at a lower salary scale. • Non-Pay is £0.4 m favourable to the budget year to date. • Current cash balance of £10.8m is higher than the budgeted cash balance of £8.9m for November.	
7.4	**Q. Does the vacancy factor affect the quality of teaching?** A. It can have an impact on quality if we don’t have the right people in the right place to teach our students. The issue is that it is taking longer to recruit to posts. We have invested extra resource in the Talent & Learning Team so that they can assist with clearing the backlog.	
7.5	**Q. Is the issue of struggling to recruit a local or national issue?** A. There is a shortage of candidates in particular areas but it should be noted that our lecturing pay scale for FE is 10% higher than our local competitors.	
7.6	**Q. Can we be reassured that if a case to replace a Maths or English Tutor for example was brought to HR, would that request be accelerated?**	

	A. Yes, we have a business case process to sign off such requests. The issue is how long it takes to recruit.	
7.7	**Q. If for example, the A Level student numbers were down; would you be careful to match the staffing?** A. We leave that to the HoD's to manage themselves and through the Performance Review process, we would expect them to manage their budget accordingly, looking at the financial and quality metrics.	
7.8	**Q. In terms of payment of suppliers, what has caused the lag of 6 months in some of the payments?** A. The lag is not due to taking the time to pay, the lag is in completing the works, resulting in delayed payment to what was forecast.	
7.9	It was noted that there would be an Internal Audit on the subject of Creditor Payments and Debtors during January.	
7.10	Governors discussed the cost and use of agency staff and were advised that this process was usually used to cover teaching staff shortages and to ensure there was minimal disruption for students. Agency costs were higher than budgeted and at £181k. The Talent and Learning Team were trying to identify preferred suppliers to ensure the College has a reliable source of agency staff and were negotiating fees. It was noted that the issue was being closely monitored.	
7.11	**Q. Are agency costs increasing as with other goods and services?** A. No but the costs are significantly more than if we were to recruit permanent staff.	
7.12	**Q. Do any of the agency staff become permanent?** A. That will depend on the quality of the candidate and any permanent post will go through the proper agreed process for employment of staff.	
8.	**Q1 Financial forecast**	
8.1	The VPF&CS provided an update on the Q1 Financial Forecast highlighting: • Following the Performance Review One process and Quarter One Financial Forecast, the College had produced a revised financial forecast for 2022/23 and provided analysis of the variances to the plan signed off in July 2022. • Income is slightly up at £50.6m. • Bank Covenant Compliance is 80%. • AEB and Apprenticeships are posing some risk.	

	• ESFA Financial Health rating is good. • The College submitted a cash flow return to ESFA in November 2022 based on known changes to the original 22/23 cash flow plan from July 2022. • The recent reclassification of FE colleges as public sector effectively hands over some financial control to the government especially with loans and approval of any changes to them. • There is a risk of increased withdrawals of the current HE cohort above those assumed in the forecast. This will be further assessed at the Q2 forecast in February 2023. • The ESFA is to reprofile and flatten the core 14-19 funding in year and this could result in a technical breach to one of the covenants. • An additional cash requirement covenant has been introduced by Lloyd's, which limits the maximum shortfall of forecast cash to £1m which could cause a technical breach. • Overall Q1 is looking relatively positive.	
8.2	It was noted that the impact and risk to AEB funding was being caused by adding multiple streams to the existing process making it very difficult for potential students to navigate through what they could apply for.	
9. 9.1	**Annual Treasury Management Report** The VPF&CS presented the Annual Treasury Management Report, highlighting that: • Interest rates have risen eight times in the last 12 months from 0.25% to 3.5% in December, with the Bank of England reviewing their base rate on the 2nd of February. However, with the continued levels of inflation being significantly above the Bank of England's target of 2% it is forecast that further increases will occur, with some predicting it being around 4.75% by July 2023. The 2023-24 annual impact in 2023-24 of the 4.5% increase on the Colleges variable loan is circa. £284k on the levels of variable debt at July 2023 (£6.3m). • Capital loan repayments are made quarterly at a value of £225k (£0.9m per annum), with an additional £1.4m of the £18.75m (as at July 2022) college loan portfolio being repaid on the sale of the Old Building in August 22. The remaining element (£350k) of the original short-term loan of £2m is scheduled to be paid in March 2023. • Loan interest in the year to July 2022 amounted to £647k, with interest rates being between 0.25% to 1.25% in the year on the	

	loans in place. On the current and projected rate of interest the College's interest payments for the 2022-23 year are expected to be £765k. • Increases in bank of England base rates (a 0.5% increase increases annual interest costs by £34k) have an impact upon the College interest costs as the College has £6.7m of variable rate loans with Lloyds. This required constant review of cash holding levels and the financial performance levels of the College as one of the bank covenants is cash flow for debt servicing being 1.25 the debt service costs.	
9.2	It was recognised that the recent reclassification of colleges ruling by the Office for National Statistics that new government legislation allowing the Department for Education to intervene directly in the operation of colleges means colleges are state controlled and their finances will be included in the government's accounts. It was noted that the full impact of this decision on the College's finances is still being assessed and will be reported on in due course once the full consequences of are known but it is likely that the College has effectively lost financial independence including treasury policy and strategy to the government.	
Resources		
10.	**People Strategy Update**	
10.1	The DPS provided an overview on the People Strategy Update, highlighting:	
10.2	The college may be subject to future UCU strike action over pay subject to the outcome of the recent failure to agree. Governors had already requested that the college would remain open during any strike action. The process that may now happen was summarised so that Governors were aware.	
10.3	**Q. Can you clarify what 'action short of strike' means?** A. If they don't go out to strike there are other actions to cause disruption such as working to rule, not supporting College events out of hours, not being flexible and not doing overtime.	
10.4	**Q. Would that have a significant impact on the college?** A. There is a process that has to be followed. They have to advise us what the action would be and give 2 weeks' notice.	
10.5	**Q. Do we need to do anything as Governors to support?** A. Not at this point, the unions need to inform us if they decide to strike ballot so as soon as they do that, we will be able to provide Governors with more information.	

10.6 10.7 10.8	Subsequent to the F&GP papers being drafted, a Failure to Agree panel had met and concluded in the recommendation of further time limited negotiation on both parts of the UCU claim. **ACTION:** A strike action plan will be brought to the next F&GP Committee meeting. It was noted that the DfE would need to be notified of any strike action and will want to know what the Colleges plans were.	 **DPS**
11. 11.1 11.2 11.3 11.4 11.5 11.6	**Estates Strategy Update** The VPF&CS provided an update on the three capital projects in train: • T-levels Capital- Budget £1,293k (no match), £52k spent to date - on track • Future Technology Centre - Budget £10,200k (Inc. £1,296k match), £135k spent to date - on track • Garden Mills- Budget £5,800k (no match), £53k spend to date - on track Since the report to the F&GP Committee in December 2022 the ESFA had announced a further capital allocation for Colleges of £356k to improve energy efficiency. Whilst it is expected to be spent in the 2022 to 2023 financial year, it can be spent over the following 2 financial years if necessary. In addition to this allocation as part of the reclassification of FE colleges to the public sector a further capital allocation of £892k to the College is to be made by the ESFA, grant letters should be received in March 2023 with the payment being made in April 2023. This funding is to be spent on capital projects, which prioritise condition improvement of the College estate, with it being spent by 31 March 2025. How these funds will be allocated and utilised will be discussed through Business Planning for 2023/24. It is expected this spend will be on top of the annual £1.5m capital limit covenant currently in place as part of the RF (restructuring finance) agreement. The College is preparing a bid to the wave 5 T-level Capital Fund, it was agreed that Chairs Action should be taken to give approval to the submission of bid, which would require an element of match funding. It was noted that the first Capital Special Interest Group would take place on 24 January 2023 and members were advised that they were welcome to join.	

11.7	**ACTION:** To add Cuthbert Pazvakavambwa on to the membership of the Capital Special Interest Group.	**Clerk**
Policies		
12.	**None**	
Governance and Risk		
13.	**Strategic Risk Monitoring**	
13.1	The Committee reviewed the strategic risks for which it has oversight. The VPF&CS advised that:	
13.2	**SR12**- Risk increased to red following UCU submission of a Failure to Agree over pay.	
14.	**Items for report to the Corporation**	
14.1	It was noted that there was another meeting of the F&GP Committee on 16 March ahead of the next Corporation meeting on 30 March. Items from this meeting for reporting to Corporation include: • Minutes of meeting - 19 January 2023 • Q1 Financial forecast • Annual Treasury Management Report	
Any Other Business		
15.	**Any other business**	
15.1	There was no other business.	
15.2	The Chair closed the meeting at 18.30.	
16.	**Meeting Evaluation**	
16.1	**ACTION:** To be circulated by the Assistant Clerk.	**Assistant Clerk**

Approved by the Committee:

C.Orange 23.03.23

Signed by the Chair Date

Agreed actions

No	Minute	Action	Who?

1	6.5	The VPF&CS to provide the Inprint & Design 2021/22 Financial Accounts to the next F&GP Committee meeting on 16 March 2023.	VPF&CS
2	10.7	A strike action plan will be brought to the next F&GP Committee meeting.	DPS
3	11.7	To add Cuthbert Pazvakavambwa on to the membership of the Capital Special Interest Group.	Clerk
4	16.1	Meeting Evaluation to be circulated by the Assistant Clerk.	Assistant Clerk