

Minutes of the Finance Committee
held on Tuesday 20th June 2023 at 8.00am
By Microsoft Teams

Present	Apologies
Peter Croom (PCR)	
Sir Dexter Hutt (DH)	
Hilary Smyth- Allen (HSA)	
Gary Turton (GT)	
Pat Carvalho (PC)	
In Attendance	
Simon Eaton (SE)	
Fiona Yardley (FY) (Part)	
Anna Jackson (AJA)	
Andrew Crowter (AC) (For Agenda Item 6)	
Stephen Belling (SB)	

Reference	Minute
	Welcome and Apologies.
	Declarations of Interest
	HSA advised that all current contracts declared in the Conflicts Register were now completed. No further declarations were made in addition to those recorded on the Register of Interests.
Item 1 (i)	Minutes
	The minutes of the meeting on 14 th March were accepted as a true and accurate record of the meeting. IT WAS RESOLVED THAT F22/23: 22 The minutes of the meeting on 14 th March 2023 be approved.
Item 1 (ii)	Matters arising and Action Log
	No Matters arising. No Actions for Review.
Item 2	Management Accounts for April 2023
	FY summarised the headline points from the April Management Report in the committee pack and(presentation and) emphasised the following: <ul style="list-style-type: none"> • Year to date accounts have followed trend. • Income is £1.8 million lower than expected because of lesser income being received from apprenticeships and AEB funding.

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	<ul style="list-style-type: none"> • Pay and non- pay savings have helped to mitigate the reduced income. • The overall trading position is £961K favourable to original budget and outturn is expected to be £721k favourable to budget with an end of year trading position of £3.6 million. • The July AEB payment is not going to be claimed to avoid financial claw back in 2023- 2024 . • Some business- critical posts have been difficult to fill and as a result there has been an increase in some agency costs. • FE Transformation Fund claims are going to be made in the next financial year. • The college’s financial health score would be good if the breach of banking covenants did not require debt to be classified as short- term funding. <p>Governors’ Observations and Questions</p> <p>1. <i>What has happened to the £726 K receivables referred to in the April Accounts not referred to in the July forecast ? (GT)</i></p> <p>FY advised that she would review and revert.</p> <p>2. <i>Why is the FEFC grant not claimed in advance so that interest can be earned? (PCR)</i></p> <p>SE advised that this decision had been made as a result of consultancy advice to assist with cash flow management during the next academic year and assist with ensuring compliance with banking covenants currently in place.</p> <p>IT WAS RESOLVED THAT F22/23:24 The April Management Accounts be noted.</p>
Item 3	KPI Report
	<p>SE presented KPI Report in the Committee pack and emphasised the following: -</p> <ul style="list-style-type: none"> • Application figures are continuing to climb. • WMCA and AEB income streams are behind target. • Work experience figures are expected to increase toward the end of the academic year. • Accepted offer targets for the year have now been met. • Work undertaken this year regarding fitness to study is expected to have an impact on attendance and progression figures during the next academic year. • The number of apprenticeship- starts is below target due to some delays in start times but numbers are increasing.

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	<ul style="list-style-type: none"> • The SWAP target has been exceeded. • Average group sizes are greater than last year but still below target. • Sickness absence is being reviewed as it is more acute in some areas than others . • The staff utilisation indicator needs to be reviewed to take account of short-term sickness. • Financial KPI's are all green apart from the financial health score which is affected by the way loans are categorised by the banking agreements and the breach of covenants. <p>Governors' Observations and Questions</p> <ol style="list-style-type: none"> 1. Can the KPIs of the last three years be reviewed to distinguish between short and long-term targets? (HSA) 2. <i>How have the open days gone? (DH)</i> PC advised that attendances had improved on last year's figures. 3. <i>Do we have data concerning students who are staying at the college and those who are leaving? (GT)</i> AJ advised that data has been produced and staff are now meeting with students to review their next steps. <p>IT WAS RESOLVED THAT F22/23: 25 The content of the March KPI report be noted.</p>
Item 4	Debt Restructure Update.
	<p>SE advised that:</p> <ul style="list-style-type: none"> • The Department for Education (DfE) had concluded they were minded to take over the college's loans with Barclays and Lloyds Bank. • Meetings were taking place with the DfE to get an agreement in place by 31 July. • The DfE have provided Heads of Terms for review. • The proposal is that all historic breaches of covenant will be waived. • A condition subsequent will be the provision of a charge over the Erdington Skills Centre. • Completion is expected to take place week commencing 24th July. <p>Governors' Observations and Questions</p>

Reference	Minute
	<p>1. What will be the financial impact of exiting the Barclays and Lloyds Loans? (PCR)</p> <p>SE advised the loans will be netted off the balance due to the DfE. The breakage fees are expected to be £10 K with Barclays and nil for Lloyds. No capital repayment will be expected from the DfE until after the original loan has been cleared. The deal will involve more short-term cash expenditure because of the need to maintain the original repayments and the new loan but overall, the borrowing will be significantly cheaper and repaid at an earlier date than the original arrangements.</p> <p>2. Does the deal provide the headroom that was initially sought when the renegotiations commenced? (HSA)</p> <p>SE does not achieve the level of headroom sought at the start of the negotiations but does achieve a manageable deal that will be better in the longer term.</p> <p>3. It would be helpful for Governors to have consideration of the bank covenants in the management accounts. (GT)</p> <p>SE advised that this would be reported in the Key Performance Indicators report and could also be covered in the management accounts.</p> <p>4. Could creditors be paid up early this year to support cash flow?</p> <p>SE confirmed creditors could be paid early to support cash flow.</p> <p>IT WAS RESOLVED THAT F22/23: 26 The debt restructure proposals be noted.</p>
Item 5	Budget and Business Planning
	This matter is recorded in Private and Confidential Minutes.
Item 6	FETF Project
	<p>AC presented the report in the Committee Pack and emphasised the following: -</p> <ul style="list-style-type: none"> - The first phase of the contract involving the contractors getting started on site and setting up effective contract systems and programme management was complete. - Good progress was being made in respect of the replacement of energy efficient lighting and a return on investment was expected to start within the year with a 2 year payback . <p>IT WAS RESOLVED THAT F22/23: 27 The content of the FECA project report and progress made with implementing the contracts be noted.</p>
7	Supply Chain Policy Update

Reference	Minute
	<p>SB presented the Supply Chain Policy Review report and recommended amendments to the existing policy to take account of changes in definition to the term of subcontracting and clarification on points relating to the services provided to subcontractors by the college.</p> <p>IT WAS RESOLVED THAT F22/23: 28 Amendments to the Supply Chain Policy be commended to Corporation for approval.</p>
8	Treasury Management Policy Review
	<p>SE advised the Treasury Management Policy had been reviewed and recommendations were being made to update the policy to take account of the current level of cash balances and implications of the ONS reclassification of the sector.</p> <p>Governors' Observations and Questions</p> <p>1. <i>Will the Department for Education offer an investment facility or will be colleges be given more scope to secure investment from elsewhere?(GT)</i></p> <p>SE advised that colleges could use the Government as a bank and that it will accept deposits: As yet it is unknown whether colleges will be required to use government banking facilities. Clarity may be provided when the Government publishes its financial hand book.</p> <p>IT WAS RESOLVED THAT: AC 22/23: 29 Amendments to the proposed Treasury Management Policy be commended to Corporation for approval.</p>
9 (i)	Annual Review of Terms of Reference
	<p>SB advised that the Committee's Terms of reference had been reviewed and no amendments were proposed for the following year.</p> <p>After careful consideration</p> <p>IT WAS RESOLVED THAT: AC 22/23: 30 The current Terms of Reference be commended for ongoing use during the next academic year.</p>
9 (ii)	Annual Review of Governance

Reference	Minute
	<p>Committee considered the questions contained within the Association of College's recommended questions for Committees and concluded:</p> <ul style="list-style-type: none"> • The Committee has met its terms of reference. • Attendance had been satisfactory. • Sufficient information has been provided at the right level to enable challenge, support and decision making. • Requests for further information and follow up was provided in a timely way. • Committee has had a positive impact on overall performance because matters have been picked up minutes and followed up with appropriate actions. • Further training would be valued in relation to the Managing Public Money requirements.
10	Managing Public Money ("MPM")Review
	SE advised that no transactions considered in this committee meeting required reporting under the MPM regulations.
11	Matters to report to Corporation
	<ol style="list-style-type: none"> 1. Consideration of the April Management Accounts. 2. Position regarding Debt Restructure Negotiations. 3. Review of the KPI's. 4. Proposed budget (See private and confidential Minutes) 5. Review of progress made in relation to the FETF Project. 6. Proposed amendments to the Subcontract and Supply Chain Policy 7. Proposed amendments to the Treasury Management Policy 8. Continued use of the current Terms of Reference
Item 12	Any Other Business
	There being no other business the meeting concluded at 9.45am.

Signed: Peter Croom

