

**Minutes of a Meeting of the Finance, Resources and Capital Projects
Committee meeting held on Wednesday 10 June 2020**

(The meeting was held via video conferencing due to the COVID-19 Pandemic)

Present Mr T White
 Mr S Wilcox
 Ms T Aust
 Mr A Luke

Also present Mr M Cooper
 Mr M Michaelides
 Mr J Allen

The meeting commenced at 16.00.

APOLOGIES, DECLARATION OF INTERESTS & WELCOME

1. There were no apologies. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

MINUTES

2. It was **RESOLVED** that the minutes of the meeting held 11 March 2020 (Paper 1) be confirmed as a correct record and signed by the Chair.

3. It was **RESOLVED** that the minutes of the meeting held 03 April 2020 (Paper 2) be confirmed as a correct record and signed by the Chair.

SUMMARY ACTION LIST & MATTERS ARISING

4. The following updates were made available from the Summary Action List (Paper 3):

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	COMMENTARY / UPDATE FOR MEETING 10 JUNE 2020
21	The Committee requested that when presenting the current in-year deficit of £116k to governors an explanation note should also be made available to explain that a major factor for the deficit is the timing issue on the delivery of AE courses.	This was confirmed in the report to the Corporation meeting held 01 April 2020
34	A further report on HR key KPIs will be made available at the next meeting covering: <ul style="list-style-type: none"> • Sickness absence • Staff turnover • Staff utilisation • Gender pay gap • BAME profile • Disability profile 	Agenda item

35	For a progress update to be made available to the next meeting on the outcome of the reviews of the following HR policies: <ul style="list-style-type: none"> • Disciplinary • Grievance • Probation • Capability 	Agenda item
39	To make the Safeguarding Annual Report available to the Corporation when it next meets on 01 April 2020	Made available to the Corporation meeting held 01 April 2020
42	To develop 2/3 high level KPIs for adding to the Data Dashboard covering health & safety and well-being	<i>To be carried forward - Discussions are due to take place with the College's Health & Safety Executive Committee on Monday 15 June to review proposed H&S key KPIs.</i>
51	Hounslow Pension Fund It was AGREED to conduct a full review of the options available to the College, to fully consider the implications of each option, to seek legal advice and other appropriate advice as deemed appropriate, and to bring a report back to the Committee for further review before any final recommendation is made to the Board.	Agenda item

5. There were no other matters arising from the minutes.

DATA DASHBOARD - FINANCIAL KPIs

6. It has been agreed for the Data Dashboard to be an early agenda item at all meetings of the Finance Committee and for the meeting to review in detail those KPIs that fall under the committee's remit, these being financial health and operating surplus. Subsequent agenda items and reports that follow would then be linked to the Data Dashboard.

7. Based on an overall score of 210/300, the forecast ESFA financial health grade for the College at 31st July 2020 is 'Good'.

8. Projected scores for the three components of financial health were noted as follows:

- Solvency - 90/100
- Profitability - 80/100
- Borrowing - 40/100

9. The position as at 30th April 2020 was an operating surplus of £242k compared with a YTD budgeted surplus of £30k. Key YTD variances against the budget were noted as follows.

Favourable

£330k staffing costs

Adverse

£202k HNS funding from LAs

10. The full-year forecast performance for the year-ending 31 July 2020 is for an operating surplus of £100k (0.5% of adjusted income) which is in line with the budget for the year.

11. This is below the recommended target of 3-5% but is nonetheless positive, especially given the College's high depreciation charge. It was noted and welcomed that EBITDA is consequently strong at 8.3% of adjusted income.

12. Key full-year forecast variances against the budget were noted as follows.

Favourable

£343k Staffing costs

£114k Admin & central services expenditure

£100k Consultancy & professional fees

Adverse

£218k HNS funding from LAs

£167k FE fee income

£117k Partner provider payments

£108k Nursery fees

£92k HE fees

13. It was confirmed £170k from the £200k non-pay contingency has been released to mitigate the above variances leaving contingency of £30k in the accounts.

14. It was noted the College's solvency position remains strong. Cash reserves at 30 April 2020 were relatively healthy at over £4.9m and year-end projections for cash days in hand and adjusted current ratio are 95 days and 1.9 respectively. Using the ESFA financial health calculation, the latter is considered to be an 'Outstanding' score.

15. Cash flow is forecast to average around £5.3m between May 2020 and July 2021 with the projected low of £4.3m falling in April 2021. The College can comfortably continue to pay its operating expenses in the short term and is very capable of meeting its short-term liabilities as they become due. Therefore there are no insolvency concerns.

16. At 42.3%, the forecast year-end value for borrowing as a percentage of income is high, but this will fall over time and is not a concern whilst the College is able to maintain strong operating cash generation.

17. Financial projections show the College to be compliant with both Barclays Bank loan covenants.

18. Full-year staff costs as a percentage of income are forecast to be 66%, which is one percentage point above the ESFA target maximum and close to the budget of 65.5%.

19. Made available on the Data Dashboard was a breakdown of enrolled 16-19 student numbers against contract and a summary of performance of the Adult Education Budget against contracts (ESFA and GLA).

MANAGEMENT ACCOUNTS UP TO 30 APRIL 2020

20. These were noted for information purposes (Paper 4) as the detail had been covered through the review of the Financial KPIs in the Data Dashboard.

21. A discussion took place on the reported position, as at the last review, a year-end deficit of £80k was forecast. The better reported position was due to savings that have been made to offset the reduction in income arising from the College closure and the use of £170k from the contingency fund. The Committee welcomed the prompt and swift action taken by the Executive to address the forecast deficit.

22. It was reported that within the Management Accounts is £75k for restructuring costs, but as there is no expectation of any staff redundancies by the year-end, this could result in an improved year-end outturn over and above the forecast surplus of £100k.

23. It was noted capital expenditure is at £668k against the budget of £900k. The Committee asked if the full budget is to be used. It was confirmed that with outstanding invoices the latest forecast is a capital spend of £850k, so a saving of £50k is expected at year-end.

COVID UPDATE

24. Although not an agenda item, the Principal provided the Committee with an update on the plans in place for the partial re-opening of the College. The expectation from DfE/ESFA is that every educational setting will have a plan to re-open which works for their students, staff and unique circumstances. In accordance with this, the College plans to open on a phased return basis from 15 June for the following limited areas:

- EHCP/LAC – primarily individuals with low levels of engagement
- Students that have “lost learning” and need practical assessments in order to complete their license to practice. Primarily in 2 areas: Creative Industries and Trade Skills
- Level 3 Year 1 - target setting/review/planning for next year e.g. UCAS, Work Experience

25. Further phased opening may well take place or be deferred until the start of the new academic year 2020-21 or when it is safe to do so.

26. In doing so, the College will have to accommodate various changes in how it operates in response to the on-going threat of the virus in order to create a COVID-19 secure workplace. To this end operational plans and risk assessments have been made available.

27. The Committee was informed the entire risk register is to be presented to the Audit Committee at their meeting on 17 June 2020 for its annual review. Risks associated specifically with COVID-19 will be addressed at this meeting.

28. The Committee noted the update and placed on record its appreciation of the work of the Executive and all staff in what has been very challenging times.

COLLEGE BUDGET 2020-21

29. At the March meeting the Committee received a detailed report on the indicative funding allocations and planning parameters for 2020/21. At the March meeting it was confirmed that the completed Integrated Financial Model for Colleges (IFMC) submitted to the ESFA showed a projected financial health grade of ‘Good’ throughout the forecast period. Forecast surpluses after interest, tax, depreciation and amortization are £200k in 2020/21 and £100k in

2021/22. The cash and balance sheet positions do not change materially across the plan period and there are no cash flow concerns.

30. Due to the timing of the IFMC submission in March 2020, it has been necessary to update the 2020-21 revenue budget, the 2021-22 financial plan and supporting commentary to reflect the College's detailed curriculum planning and its impact on the budget and plan. The updated College Budget 2020/21 (Paper 5) forecasts an operating surplus of £150k for 2020/21 and a surplus of £75k for 2021/22. It was confirmed there are no material changes to the cash and balance sheet positions and there are no cash flow concerns.

31. Throughout the forecast, income assumptions have been matched with appropriate expenditure. Wherever new or increasing income is forecast, the effects of this extra income not materialising have been addressed through sensitivity analysis.

32. The Committee reviewed in detail the budget assumptions and the associated risks.

33. It was noted most income lines have remained flat with no forecast growth, and in some areas, there is a forecast reduction in income compared against 2019-20 figures.

34. The one exception was the projected increase in Apprenticeship income of £50k for each year over the next 2 years. To achieve this growth target requires new starts to be enrolled from now which is a key risk, especially in light of COVID-19.

35. Another risk identified was the significant increase in employer contributions. The ESFA grant to offset the increases is only available up to 31 March 2021. The assumption is for the grant to continue up to 31 July 2021 as they have done for this year, but as this is not guaranteed at this point in time, this therefore remains a risk.

36. In conclusion, other than the forecast growth in Apprenticeship income, there are no significant growth forecasts and a prudent and cautious approach has been taken when drafting the budget. The sensitivity analysis in the budget clearly outlined the actions to be taken in the event of the Apprenticeship growth targets not being met. There remains a lot of uncertainty on recruitment for 2020-21 as a result of COVID-19 so the approach taken in drafting the budget has been one of caution and prudence. The Committee fully endorsed this approach.

37. Following review, it was **RESOLVED** to recommend that the Corporation at its meeting on 8 July approves the College Budget 2020/21.

HUMAN RESOURCES

38. A report (Paper 6) on HR key KPIs was made available covering:

- Sickness absence
- Staff turnover
- Staff utilisation
- Gender pay gap
- BAME profile
- Disability profile

39. Made available in the report was performance data for each of the six key HR statistics. It was noted 2019-20 data was at the 31 May and was compared against full-year data for 2018-19 and 2017-18 and, where available, appropriate benchmarks.

40. The report confirmed proposed targets for 2020-21 and the Committee endorsed the

targets

41. It was confirmed a number of key HR policies are currently undergoing review to ensure they are still current, consistent and fit for purpose. These include policies for:

- Disciplinary
- Grievance
- Probation
- Capability

42. Confirmation was given the final draft policies will be ready for Executive approval by the end of term so that these can be implemented for the start of the new academic year.

LONDON BOROUGH OF HOUNSLOW PENSION FUND

43. At the last meeting held in March, the Committee was informed of discussions between the Strategic Pensions Manager for the London Borough of Hounslow Pension Fund and the Executive Director of Finance, HR & Development with regard to the former's proposals for the College's pension contributions to the scheme from April 2020 onwards. The paper made available to the Committee (Paper 7) provided more detail on the LBH Pension Fund proposals and updates with regard to actions taken in response to this, the current position and next steps.

44. It was noted that discussions with the Strategic Pensions Manager are still on-going and the Executive will continue to explore legal and financial implications of the options. It was also expected that the Executive would seek specialist external support to advise and recommend an approach to resolve the matter.

45. It was **AGREED** to keep the Committee updated and to liaise with Committee members if decisions are required before the next meeting of the Committee.

RISK MANAGEMENT/RISK REGISTER

46. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 8). The Audit Committee has requested that each Committee be asked to review if there are sufficient and robust sources of 'Independent Assurances' against each risk that falls under the terms of reference of the Committee, and if identified 'Governor Oversight' arrangements are adequate and fit for purpose. The Clerk advised that the Committee could also add to the Risk Register if any new risks were identified through discussions during the meeting.

47. There have been no risks added or removed from the register since the last Comm meeting.

48. There have been no changes to risk scores since the last Committee meeting.

ANY OTHER BUSINESS

49. There was no other business

DATE OF NEXT MEETING

50. To be confirmed.

The meeting closed at 17.45

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
3	To develop 2/3 high level KPIs for adding to the Data Dashboard covering health & safety and well-being	Next meeting
45	Hounslow Pension Fund It was AGREED to keep the Committee updated and to liaise with Committee members if decisions are required before the next meeting of the Committee.	Next meeting