

**Minutes of a Meeting of the Finance, Resources and Capital Projects Committee
meeting held on Wednesday 11 March 2020 @ 18.00**

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 13.00.

APOLOGIES, DECLARATION OF INTERESTS & WELCOME

1. There were no apologies. Simon Wilcox joined the meeting via conference call which is permitted under the Instrument & Articles. The Clerk confirmed the meeting was quorate. There were no declared interests against any of the agenda items.

2. Mr Alex Luke was welcomed to his first meeting of the Committee.

MINUTES

3. It was **RESOLVED** that the minutes of the meeting held 14 November 2019 (Paper 1) 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 11 MARCH 2020
13	Further work to be undertaken to strengthen reporting on solvency and, if possible, to export the calculations used in the management accounts on solvency into the Data Dashboard.	Data Dashboard - agenda item at this meeting
17	Holiday Pay Accruals: Executive to undertake a review of the College's internal processes on the recording of holiday pay to ensure accurate reporting throughout the year. The Executive to revisit the holiday pay data in order to validate its accuracy.	Covered through a report at the December Corporation meeting
18	Reporting to the Corporation on the expected year-end deficit: A clear explanation to be made available to the Corporation including the lessons	Covered through a report at the December Corporation meeting

	learnt in order to avoid a repeat situation.	
21	To make available to Committee members the final confirmed Management Accounts July 2019 once the accounting treatment on holiday pay accruals has been confirmed by the auditors.	Covered through a report at the December Corporation meeting
23	The schedule of meetings in the autumn term to be reviewed to ensure more time is given to complete the audit of the financial statements before papers are issued	<p>Last year's meeting dates were: Corporation: 11/12/19 Audit: 21/11/19 Finance :14/11/19</p> <p>For 2020, the following are possible meeting dates:</p> <p>Corporation: 9/12/20 or 16/12/20 Audit: 25/11/20 or 2/12/20 Finance: 18/11/30 or 25/11/20</p> <p>It was AGREED to go for the later dates to allow more time for audits.</p>
32	To clarify the final position on the staff costs against turnover performance ratio and to circulate revised figures and explanations to Committee members.	Covered through a report at the December Corporation meeting
33	A copy of the Management Accounts to be made available to the Committee when the Committee meets to consider the Management Accounts.	Agenda item and to be made available at all meetings when the Management Accounts are an agenda item
44	In future capital expenditure reports to report on investment on curriculum innovation and development to show investment in new opportunities to enhance the curriculum offer.	Autumn term meetings
49	<p>To set targets for review at the spring meeting against some of the key HR statistics reported in the annual HR report, with year-on-year comparisons and, where available, against national benchmark data.</p> <p>The spring meeting to also be used to consider and review HR policies as appropriate.</p>	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. From the Data Dashboard, the following key points were reported in the commentary as at 04 March 2020.

8. Based on an overall score of 220/300, the forecast ESFA financial health grade for the College at 31st July 2020 is 'Good'. Projected scores for the three components of financial health are:

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

9. The position as at 31st January 2020 is an operating deficit of £116k compared with a YTD budgeted surplus of £45k. Key YTD variances against the budget were reported as follows.

Adverse

£409k - Adult Education Budget (AEB) funding - largely due to timing with additional Adult Education (AE) courses planned for the remainder of the academic year that should offset the current adverse figure of £409k.

£99k HNS funding from LAs

£80k FE fee income

£62k exam fees

Favourable

£250k staffing costs

10. Further information on the AEB funding position was provided on the 'Student Numbers and Funding' page of the Dashboard.

11. The full-year forecast performance for the year-ending 31 July 2020 is an operating surplus of £100k (0.5% of adjusted income) which is in line with the budget for the year. Although this is below the recommended target of 3-5% it is nonetheless positive, especially given the College's high depreciation charge. EBITDA is consequently strong at 8.1% of adjusted income.

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

Favourable

£343k staffing costs

£75k Apprenticeships income

Adverse

£198k HNS funding from LAs

£160k FE fee income

£90k Partner provider payments

£62k HE fees

13. It was confirmed £125k of non-pay contingency has been released to mitigate the above variances leaving £82k remaining.

14. The College's solvency position is strong. Cash reserves at 31 January 2020 were relatively healthy at over £4.8m and year-end projections for cash days in hand and adjusted

current ratio are 81 days and 2.2 respectively.

15. Cash flow is forecast to average around £4.4m between February 2020 and January 2021 with the projected low of £3.1m falling in September 2020. 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.

16. At 41.5%, the forecast year-end value for borrowing as a percentage of income is high, but this is falling 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 65%, which is in line with the ESFA target maximum and a slight improvement on the budget of 65.5%.

19. Current 16-19 student numbers are 1,696 against the allocation of 1,803. The impact of not meeting the allocation for 2019/20 will be felt in the funding allocation for 2020/21, a later agenda item.

20. The Committee asked if there was any identified impact on the current budget arising from the Coronavirus. If AE courses had to be closed then this could impact negatively on meeting the AEB allocation. How the funding body would deal with this is still not known and further guidance from the funding body is expected in the event of course closures arising from the virus. Funding for both 16-19 and HE are fixed income streams for the year so are not affected. Income from the nursery provision could be affected either through parents not bringing their children to the College or by closure of the nursery.

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.

MANAGEMENT ACCOUNTS UP TO 31 JANUARY 2020

22. These were noted for information purposes (Paper 3) as the detail had been covered through the review of the Financial KPIs in the Data Dashboard.

INDICATIVE FUNDING ALLOCATIONS AND PLANNING PARAMETERS FOR 2020/21

23. A draft initial revenue budget for 2020/21 and plan for 2021/22 were made available along with the proposed capital budget 2020/21 (Paper 4). The revenue budgets project operating surplus of £200k and £100k respectively.

24. The underlying assumptions relating to student numbers, funding, other income and all revenue expenditure were summarised in Appendix B. The budget setting process involved a cautious approach to growth which the Committee agreed was the correct approach to take.

25. For the revenue budget 2020/21, the following key points were noted:

- 16-19 student number allocation of 1,696 (1,803 in 2019-20)
- Total 16-19 programme funding of £9,494k (up £290k from 2019-20 following national funding rate increase and targeted additional funding, e.g. for English and maths and 'high-cost' subjects).

- Devolution of Adult Education Budget Funding means the College will again receive two AEB allocations:
 - a) GLA allocation assumed unchanged at £3,063k
 - b) ESFA allocations assumed to reduce to £290k in line with 2019-20 forecast outturn
- Assumed continued growth in Apprenticeship income of £50k.
- Estimated £15k reduction in OfS recurrent grant funding due to declining student numbers in 2019-20
- HE fee income assumed to continue at current levels, albeit this is an area where there is still potentially an opportunity for limited growth.
- Other income lines have largely been assumed at 2019/20 levels
- Draft pay costs are prepared based on the following assumptions
 - Base staffing requirements have been assumed at 2019/20 forecast levels
 - A 1% pay award valued at c. £120k is included
 - Cost of incremental drift has been included at an estimated 40k
 - Employer's pension contribution total increases included at an estimated £90k
- A non-pay contingency of £150k has been included in the budget

26. The proposed capital budget for 2020/21 is an allocation of £900k resulting in a cash-neutral position. Details of the proposed capital expenditure were outlined in the report.

27. The new Integrated Financial Model for Colleges (IFMC) was discussed. It was confirmed that the completed IFMC to be 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.

28. Following review, it was **RESOLVED** to approve the initial revenue and capital budgets for 2020/21, the plan for 2021/22 and the IFMC, and for the Executive to submit the latter to the ESFA in order to meet the deadline date for submission set by the funding agency.

DRAFT FEES POLICY 2020/21

29. It was confirmed only slight non-material changes were made to the policy (Paper 5).

30. It was **RESOLVED** to approve the '*Fees Policy 2020/21*'.

ANNUAL HUMAN RESOURCES REPORT

31. An update report was made available (Paper 6). At the last meeting the Human Resources Annual Report was subject to review and the following was agreed:

- To set targets for review at the spring meeting against some of the key HR statistics reported in the annual HR report, with year-on-year comparisons and, where available, against national benchmark data.
- The spring meeting to also be used to consider and review HR policies as appropriate.

32. It was confirmed targets are to be set for:
- Sickness absence
 - Staff turnover
 - Staff utilisation
 - Gender pay gap
 - BAME profile
33. It was **AGREED** to add a further target covering disability profile.
34. It was confirmed three-year data for the College will be presented alongside a benchmark such as national data, where available and where relevant. As further work is required in identifying appropriate benchmarks before HR targets can be confirmed, it was **AGREED** for a further report on HR key KPIs to be made available at the next meeting.
35. A number of key HR policies are currently undergoing review to ensure they are current, consistent and for for purpose. The review will also involve cross-referencing with the AoC's model policies where such models exist. The policies that will be reviewed include:
- Disciplinary
 - Grievance
 - Probation
 - Capability
36. As these are critical operational policies it was **AGREED** for a progress update to be made available to the next meeting on the outcome of the reviews.

SAFEGUARDING ANNUAL REPORT

37. The report (Paper 7) outlined the progress made on the Safeguarding agenda at the College during the academic year 2018-2019 and highlighted the features of the College's safeguarding work that will be evaluated by an OFSTED inspection.
38. The report demonstrated that the College continues to meet its legal requirements with regards to safeguarding young people and vulnerable adults and demonstrates an ongoing commitment to safeguarding as an organisational priority. The report set out broader background information about how safeguarding is organised at the College and provided trend information regarding incidences. The report outlined the policies and procedures, the links with external agencies and the training undertaken by staff.
39. It was **AGREED** to make the Safeguarding Annual Report available to the Corporation when it next meets on 01 April 2020.

HEALTH & SAFETY ANNUAL REPORT

40. The report (Paper 8) provided an overview of the performance of the College's management of Health and Safety during 2018-19. It also provided an amended Health and Safety Development Plan for 2019-20 along with a commentary on Health & Safety compliance.
41. Concern was expressed on the number of recorded incidents of 268. It was noted 203 of the 268 were incidents involving nursery children (bumps, falls etc. that have to be recorded), leaving 51 incidents relating to students and staff. Of these, one incident

involving a student required reporting to the HSE. Regardless of this analysis it was agreed that the profile of incidents needed to be closely monitored.

42. It was **AGREED** to maintain the annual H&S report but to develop 2/3 high level KPIs for adding to the Data Dashboard covering health & safety and well-being.

RISK MANAGEMENT/RISK REGISTER

43. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 9). 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.

44. Following review, the Committee was satisfied with the robustness of the range of 'Independent Assurances' identified against each risk that falls under the terms of reference of the Committee.

45. No new risks were identified during the meeting for inclusion in the Risk Register.

46. It was confirmed there have been no changes to risk scores since the last meeting.

47. Risk #52 relating to the Coronavirus has been added since the last Committee meeting.

48. It was **RESOLVED** to note the Risk Register.

LONDON BOROUGH OF HOUNSLOW PENSION FUND

49. A verbal update was made available on a recent meeting held with the Pension Manager of the LB Hounslow Pension Fund. It was clear from the meeting that the Pension Manager was seeking ways to safeguard the pension fund, especially in light of the insolvency regime. To this end options were proposed for the College to consider. All options entailed an increase in the primary employer's contribution rate to 18.8% (from 13.2%). Two options involved the College providing security to the pension fund – either through a charge over its assets or by the issue of a bond – whilst paying reduced secondary contributions assumed to clear the deficit within 17 years. The third option, for which no security is required, involved shortening the assumed deficit recovery period to 10 years by maintaining secondary contributions at current levels. The estimated annual increase in employer's contributions is £93k under options 1 and 2 rising to £203k under option 3..

50. It was confirmed advice has been sought from a range of sources and advice received from the AoC was made available to the Committee.

51. 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.

ANY OTHER BUSINESS

52. There was no other business

DATE OF NEXT MEETING

53. The next scheduled meeting is Wednesday 10 June 2020 @ 1800.

The meeting closed at 20.00.

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
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.	10/6/20
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	10/6/20
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	10/6/20
39	To make the Safeguarding Annual Report available to the Corporation when it next meets on 01 April 2020	10/6/20
42	To develop 2/3 high level KPIs for adding to the Data Dashboard covering health & safety and well-being	10/6/20
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.	10/6/20

