

**Minutes of a Meeting of the Finance, Resources and Capital Projects Committee
meeting held on Wednesday 25 November 2020 @17.00**

Present Mr T White
 Mr S Wilcox
 Ms T Aust

Also present Mr M Cooper
 Mr M Michaelides
 Mr J Allen

APOLOGIES, QUORACY, & DECLARATION OF INTERESTS

1. Apologies were received from Alex Luke. 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 10 June 2020 (Paper 1) be confirmed as a correct record.

SUMMARY ACTION LIST & MATTERS ARISING

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

MIN REF	DETAILS OF RESOLUTION/ACTION POINT	COMMENTARY / UPDATE FOR MEETING 25 NOVEMBER 2020
3	To develop 2/3 high level KPIs for adding to the Data Dashboard covering health & safety and well-being	Update was made available at the meeting - see minute reference 4.
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.	A progress update was made available and was noted.

4. The following Health & Safety KPIs were proposed:

- (i) Accidents reported - broken down by user type (students, staff & public). Further click through could provide break down by area (directorate or curriculum section)
- (ii) Incident types - broken down by RIDDOR category with further click through to break down by user type or area.
- (iii) Risk assessments - broken down by RA type, e.g. mandatory, trips, events, etc. and can be filtered by area.
- (iv) Training completed – reporting in on completion of specific H&S mandatory training.

5. It was confirmed the commentary section to be used to provide an executive summary of H&S performance or items of particular note.

6. The Committee welcomed the proposed H&S KPIs. For the next meeting, it was **AGREED** to go 'live', and to present the first draft for the Committee to review.

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

DATA DASHBOARD - FINANCIAL KPIs

8. 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.

9. The review focused on both the outturn for 2019/20, and the current 2020/21 financial information.

10. 2019/20 Outturn

- Based on an overall score of 240/300, the provisional ESFA financial health grade for the College at 31st July 2020 is 'Outstanding'.
- The year-end operating result is a surplus of £431k (2.3% of adjusted income) compared with the budgeted surplus of £100k and £151k surplus in 2018-19.
- Key variances against the budget were noted as follows.

Favourable

£469k Staffing costs

£167k Administration costs

£103k Consultancy and professional services costs

£89k Exam fees expenditure

Adverse

£314k Tuition and exam fee income

£225k HNS funding from local authorities

£126k Partner provider payments

£84k Nursery fee income

- The College's solvency position remains strong.
- 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.
- Profitability was high in 2019-20. Using the education-specific EBITDA measure, the College's EBITDA as a percentage of income was 10.2% which is considered to be an 'Outstanding' score for ESFA financial health grade purposes.
- The value for borrowing as a percentage of income continues to be high, but this will fall over time and is not a concern whilst the College is able to maintain strong operating cash generation.
- The College is compliant with both Barclays Bank loan covenants in place for debt service cover and operational leverage. These were not breached in 2019-20.
- Full-year staff costs as a percentage of income are 65.1%, which is in line with budget and just above the ESFA target maximum of 65%.

11. 2020/21 Forecast:

- Forecast operating surplus of £10k, £140k lower than budget. Operating surplus as a percentage of income is projected to be 0.1%.
- Key variances against the budget were forecast as:

Favourable

£488k High Needs Student top-up funding from LAs
£366k ESFA revenue funding in respect of the 16-19 Tuition Fund
£100k Admin and central services (targeted cost savings)
£92k Exam fees

Adverse

£371k Education contracts income (14-16 Alternative Provision, Schools Link)
£234k Pay costs (primarily HNS additional support costs)
£220k Apprenticeships income
£164k Nursery income
£160k HE course fee income

- In terms of cash, it was reported 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.
- Full-year staff costs as a percentage of income are projected to be 67.7%.

12. The presentation made available on the financial KPIs in the Data Dashboard was noted.

OUTTURN 2019/20 & FINANCIAL STATEMENTS

13. The following reports were received under this agenda item:

- Final Management Accounts July 2020 (Paper 3)
- Draft Report and Financial Statements for the Year Ended 31 July 2020 (Paper 4)
- Financial Statement Auditor's 'Audit Findings Report' that is to be reviewed by the Audit Committee on 02 December 2020 (Paper 5)
- Letter of Representation (Paper 6)

(i) **Final Management Accounts July 2020:**

14. The draft management accounts July 2020 were presented to the Corporation meeting that was held on 14 October 2020. The Management Accounts July 2020 made available at this meeting were confirmed as being the final management accounts for July 2020, and included late adjustments, which amounted to a net £31k favourable movement. The Committee noted the explanations given to account for the late adjustments.

(ii) **Draft Report and Financial Statements for the Year Ended 31 July 2020**

15. The final draft of the Financial Statements and Report for year-ended 31 July 2020 were received for review. It was confirmed the Financial Statements have been prepared in line with the prescribed requirements stipulated by the Education & Skills Funding Agency.

16. The accounts on page 22 record a deficit for the year of £341k (2018-19: £876k). After taking out FRS adjustments of £772k for pension service and interest costs, the operating result for the year as reported at Line A of the I&E account in the Management Accounts, (Paper 3) was a surplus of £431k (2018-19: £151k).

17. Governors were referred to their key responsibility on assessing the College's going concern, and the following was noted from the commentary on page 7 in the Financial Statements:

The College expects arrangements in the sector to continue to be

challenging going forward, not least because of increased uncertainty caused by COVID-19 which will continue to have an adverse impact on some income lines, including tuition fees, nursery fees and income from other commercial activities. The College has built up reserves and had net current assets of £1,837k at 31 July 2020 so is well-positioned to manage this. In addition, the College has in place a cost reduction plan for 2020-21 and has a good track record of being able to realise cost savings to mitigate income reductions. In 2019-20, the College received financial support of £36k through the Coronavirus Job Retention Scheme but does not expect to require any additional, similar financial support ongoing.

The Corporation undertakes regular review and monitoring of student numbers data and timely management accounts which include the current cash position, future cash flow projections, the College budgets and regularly updated forecasts, including financial returns submitted to the ESFA. Bank covenants in place with Barclays are monitored regularly and the Corporation considers that these are not expected to be breached in the foreseeable future.

After making appropriate enquiries and taking into account factors likely to affect its future development and performance, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

18. Following review of the papers presented under this agenda item, it was **RESOLVED** that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation at its meeting on 16 December 2020 be asked to approve the Financial Statements and Annual Report 2019/20.

(iii) **Financial Statement Auditor's 'Audit Findings Report'**

19. It was noted, and welcomed, the auditors made no observations or recommendations in respect of the accounting and internal control systems or regularity and propriety. It was **RESOLVED** that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation, at its meeting on 16 December 2020, be asked to approve the 'Audit Findings Report'.

(v) **Letter of Representation:**

20. The Committee reviewed the letter issued by the auditor which effectively gives the auditor comfort that all relevant disclosures have been made to them. This is a routine request made by all auditors.

21. It was **RESOLVED** that, subject to a satisfactory review undertaken by the Audit Committee, to recommend the Corporation, at its meeting on 16 December 2020, be asked to approve the 'Letter of Representation'.

MANAGEMENT ACCOUNTS UP TO 30 SEPTEMBER 2020

22. The 'Management Accounts up to 30 September 2020' were received (Paper 7). It was noted the detail had been covered through the review of the Financial KPIs in the Data Dashboard.

23. As reported during the review of the Data Dashboard, the year-end forecast is for a much reduced operating surplus of just £10k, against the budget of £150k, a negative variance of £140k. Many of the variances reported were as a direct consequence of the negative impact on student numbers and income arising from the Covid-19 pandemic. Significant areas of concern included income from adult education, higher education and apprenticeships.

24. The Committee were given assurances that the focus of the Executive has been to maximise wherever possible any new income opportunities and to reduce costs in light of reduced income. Controlling costs will be critical to delivering the revised year-end forecast.

25. It was reported the funding agency has asked all colleges to submit a funding return at the end of November, which is much earlier in the financial year compared to previous years, and for the return to include a cashflow forecast, as the funding agency has concerns on the possible negative impact of Covid-19 on college finances.

26. The Committee was informed the cashflow forecast in the Management Accounts is to be made available to the funding agency. The Management Accounts recorded that cash balances are projected to average £5.4m over the next 12 months. Based on current net revenue and capital spend assumptions, it is anticipated that there will be no adverse cash flow issues during the forecast period.

27. It was **RESOLVED** to note the Management Accounts.

CAPITAL EXPENDITURE REPORT

28. The report on capital expenditure was received (Paper 8). It was confirmed the government announced on 30 June 2020 that it will be investing £200M of capital funding into further education to support Colleges with condition improvements and the upgrading of their estate.

29. Eligible Colleges will be receiving capital funding in the form of a grant, which can be used to make condition improvements where they were identified in the building condition survey carried out by the ESFA last year. The grant will be allocated proportionately on the basis of ESFA funding and the College has been notified that it will receive an allocation of £662k on a matched funding basis, where the College would be required to contribute up to 25% of the grant value. The Executive is currently going through the detail of the condition survey and will be producing a scheme of improvement, which will need to be completed by 31 March 2021. It was confirmed a project manager has been appointed to oversee this. The Committee welcomed this development and it was **AGREED** to receive a further update at the spring meeting of the Committee.

30. A capital expenditure budget of £900k has been agreed by the committee for 2020-21. The planned split between curriculum and business support areas was confirmed as follows:

- IT £444k
- Estates £345k
- E-Learning £50k
- Contingency £60k

31. The key projects to be delivered in 2020/21 were confirmed as follows:

IT

- £166k – phased replacement of desktop computers
- £147k – phased replacement of Apple computers
- £44k – student laptop/tablet devices

- £21k – audio visual equipment in classrooms
- £50k – support development of E-Learning

Estates

- £166k – FECA matched funding contribution
- £65k – upgrade and/or replacement of LED / emergency lighting
- £29k – Installation of lightening protection system at S+LC
- £19k – Installation of ansul fire suppression in kitchens
- £14k – replacement of perimeter fencing - Nursery / Sunflower Centre

32. It was **RESOLVED** to note the report.

PAY AWARD 2020/21

33. A confidential report on the pay award for 2020/21 was received (Paper 9). The 2020-21 revenue budget approved by the Corporation in July included within pay costs provision for a pay award of 1%, effective from 01 August 2020, with the recommendation that this be reviewed subsequently for affordability by the Finance Committee. The approximate cost to the College of a 1% pay award was £125k.

34. Following review of the report and the financial information contained within, and as a 1% pay increase had already been agreed and set aside in the budget, the Committee **RESOLVED** to award a 1% pay award for all staff with effect from 01 August 2020.

35. Noting that the year-end forecast is for a much lower surplus of just £10k against the budget of £150k, and whilst an unlikely prospect at this stage, the Committee **AGREED** for consideration be given to the option to pay a discretionary award later in the year. This might, for example, be based on achievement of a college-wide target, such as a 'Good' Ofsted inspection judgement. The Committee agreed that such a payment would be strictly subject to affordability. It was **AGREED** to further review this at the spring and summer term meeting of the Committee.

36. The Principal reported the Executive was considering giving to all staff an extra half-day holiday on the last day of this term, in recognition for their hard work during what has been a very demanding year. The Committee agreed that this was a good idea and an excellent gesture for the Executive to make.

HUMAN RESOURCE ANNUAL REPORT

37. The '*Annual Human Resource Report 2019/20*' was received (Paper 10). It was noted that the terms of reference for this Committee has the duty to consider and review annually a Human Resources Report.

38. Targets have been set in order to review data 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 targets set were against: Sickness absence, Staff turnover, Staff utilisation, Gender Pay Report and BAME profile. Three-year data for the college was presented alongside a benchmark for each area, where available and where relevant.

39. During the review of the report, up dates were given on how the College has responded positively to the health and well-being of staff, especially in response to the pressures arising from Covid-19; and on Black Lives Matter. The staff profile across all levels is very much in line with the student cohort and local community. There is, however, the need to ensure that at governance level, the profile is in line with the student and local community profile. The Governance & Search Committee is keeping this under constant review.

40. To facilitate on-going monitoring, It was **AGREED** for the Human Resource KPIs to be incorporated into the Data Dashboard for review at each meeting, as well as receiving the annual HR report.

41. As the report provided governors with key information it was **AGREED** to make the report available for information purposes at the December Corporation meeting.

42. It was **RESOLVED** to note the HR Report.

APPROVAL OF PLANNED SUBCONTRACTED PROVISION.

43. The Committee received a report (Paper 11) on subcontracted provision, proposing for approval the planned subcontracting arrangements for 2020/21 and approving the College's '*Subcontracting Policy 2020/21*'.

44. In accordance with ESFA funding rules, the College is required to retain written evidence that the Members of the Corporation:

- Have agreed the College's Policy for subcontracting, which must be reviewed annually;
- Are satisfied that all subcontracting meets the College's strategic aims and enhances the quality of the learner offer, and
- Have determined that all subcontractors are of high quality and low risk.

45. Proposed subcontracting arrangements for 2020/21 continue to be with Gurdwara (14 years with the College) and Strive (6 years with the College). No other subcontractors are proposed. The report outlined their respective financial performance and achievement rates. The Committee agreed with the assessment of the Executive that both subcontractors are of a high quality and present a low risk to the College in terms of achievement rates and performance against contract. It was therefore **RESOLVED** to approve the proposed subcontracting arrangements for 2020-21.

46. It was confirmed no changes have been made to the '*Subcontracting Policy*' that was approved by the Committee this time last year. It was **AGREED** to make the policy available to the Chair for review, and to authorise both the Chair and Principal to sign the policy on behalf of the Corporation.

47. As the subcontracting provision had already commenced, with approval for 2020-21 provision being sought retrospectively after the start of the academic year, it was **AGREED** for the subcontracting policy and planned subcontracting provision to be subject to review and approval at the summer term meeting prior the start of the new academic year.

RISK MANAGEMENT/RISK REGISTER

48. The College report '*Risk Register*' was received highlighting the areas of focus relevant to the Committee (Paper 12). 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.

49. 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.

50. No new risks were identified for inclusion in the Risk Register. It was noted that the score

against two risks have been increased in response to the impact of Covid-19, these being:

- Risk 19: HE recruitment and income
- Risk 47: Commercial income

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

ANY OTHER BUSINESS

52. It was confirmed to the Committee that future Management Accounts will contain a section on bursary funding activities.

53. There was no other business.

DATE OF NEXT MEETING

54. The next scheduled meeting is Wednesday 03 March 2021 @ 1800.

The meeting closed at 19.00.

Signed: _____ Date: _____
(Chair)

SUMMARY ACTION LIST

MIN	ACTION	REVIEW DATE
6	H&S KPIs - it was agreed to go 'live', and to present the first draft for the Committee to review at the spring meeting	3/3/21
29	Further Education Capital Allocation (FECA) - to receive a progress update at the next meeting	3/3/21
35	Possible Discretionary Pay award 2020/21 - to further review this at the spring and summer term meeting of the Committee.	3/3/21 & 16/6/21
40	HR KPIs to be incorporated into the Data Dashboard	3/3/21
41	To make available to the Corporation meeting the HR Report	3/3/21
46	<i>Subcontracting Policy</i> - to make the policy available to the Chair for review, and to authorise both the Chair and Principal to sign the policy on behalf of the Corporation.	3/3/21
47	The subcontracting policy and planned subcontracting provision to be subject to approval at the summer term meeting prior the start of the academic year from September.	16/6/21