

**FINANCE & GENERAL PURPOSES COMMITTEE**  
**MINUTES OF MEETING HELD ON WEDNESDAY 23 June 2021, 1700 HRS, USING 'TEAMS'**

**Present:**

Mr Steve Johnson (Chair)  
Mr Jon Sendell  
Mr Colin O'Donoghue  
Mrs Sophie Annett  
Mr Rupert Goodman  
Mr Paul Cox (Chief Executive and Principal)

**In attendance:**

Mr Kevin Jones, Vice Principal (Funding, Finance and Management Information)  
Mr Peter Joddrell, Deputy Principal (Curriculum and Digital)  
Mr Chris Davis OBE (Clerk)

**F.09.21 GOVERNORS' MEETING TIME WITHOUT SMT**

**F.10.21 COMMITTEE MATTERS**

**i Apologies**

There were no apologies.

**ii Declaration of interests**

There were no declarations of interest, financial or otherwise declared.

**iii Minutes of last meeting**

The minutes of the meeting held on 24 February 2021 were agreed as a true record of the meeting and signed by the Chair.

**iv Matters arising**

F.04.21, v; The Clerk reported that the Working from Home and Home Working Policy had been completed and was with the HR Manager. He would ensure that the policy is communicated via email with the Committee to note.

All other actions had been completed.

There were no other matters arising from the previous minutes.

**F.11.21 GOVERNORS' MONTHLY REPORT (May 2021)**

**i Financial aspects**

Mr Johnson began by saying that he was disappointed that the May accounts had not been distributed prior to the meeting. He said that he had been through the April accounts in fine detail and now was faced with a set of accounts which he had not seen. It was he said important to inform the Committee prior to the meeting that another set of accounts would be reviewed, this would avoid wasting valuable time.

Mr Jones apologised but said that he was keen for the Committee to review the most recent set of accounts, which were submitted per timetable this month, with the circulation date falling after the distribution of F&GP papers and the meeting itself.

Mr Jones provided the Committee with the headlines from the May accounts. He reported that the deficit from the forecast had moved to the negative based on the changes identified in the month; in April we were reporting £300k deficit, which has now been moved up to a £458k deficit. The income has fallen by £408k and the expenditure has dropped by £250k.

The grant funding has been revised down by £165k in the month.

He referred to the uncertainty of performance of some of the Subcontractors as the College gets towards the year-end and the need to forecast down. The accounts included quite a few adjustments in terms of income for May; the University of Portsmouth which is still significantly up on budget for the year, had been adjusted for late withdrawals, other income line movements were offset by expenditure reductions, and could be some further saving on expenditure against these income reductions.

Expenditure movements included a reduction of subcontractor activity in line with the income movements. Pay costs kept the same this month, as the in-month target savings have been achieved based on the pay costs tracker report.

In terms of cash flow, the report shows a tighter position this month compared to last month, due to deal with ESFA on the repayment of subcontractor impropriety issue, it had been agreed for the repayment to be in two stages, however after some confusion with ESFA the payment agreed for in May 2022 was actually scheduled for March 2022(in their financial year). The first payment collection is now scheduled for July 2021

The Capital works and spend are still ongoing, with a significant share of the FE Capital Allocation now spent.

Mr Jones asked the Committee to note that the balance sheet provisions are to be reviewed at year-end in light of the recent subcontractor situations.

The Financial Health score is at 150, comfortably within the range of 'requires improvement', but the aim is to get back to 'good'.

The loan covenants are to be tested are all fine.

He reported that the College Financial Forecast and Return (CFFR) now enables the College to provide a lot more power in producing statistics, including for the FE Commissioner's benchmarks.

Mr Johnson concluded by saying that he is really pleased with the progress and evolution of the report, it was now far better and presented a lasting legacy to everyone concerned with its improvement.

Governors received the Financial aspects of the Governors' Monthly report for May 2021.

## **ii Matters arising**

Mr Cox said that the May report would follow on from the work carried out at the Board Training Event in May; he needed to draw attention to the inclusion of a sensitive report from the Counter Terrorism and Prevent department, which follows on from the safeguarding pages in the report. The report contains information which summarises counter terrorism and prevent risks for the region. The report is dated January – December 2020 (the latest version) and is the first time Governors have seen this.

There were no further matters arising in the Governors monthly report not covered elsewhere in the agenda.

## **F.12.21 TO RECEIVE**

### **i ESFA Financial Health assessment (to include Finance Dashboard 2021)**

Mr Jones summarised the document from ESFA, which is based on information the College has submitted to ESFA, as well as including historic data to capture trends throughout the rest of the sector.

During the period covered the dashboard shows the significant impact of the withdrawal from subcontracting and captures the picture nationally.

The College's debt level is now not 'low' within the sector, it is regarded as 'above average'.

Staffing costs are still high, and the FE Commissioner's DA picked this up with the College.

Mr Cox put the debt level into context, he said that with the restructuring funds that have been spent on merging colleges, many of those mergers had included righting off debts; the formation of larger groups through merger has also reduced the income to debt level.

He said the College debt figure is more nuanced than the report elucidates from where it sits in the sector.

Mr Jones said the College's loan position produces 80 points, which provides a significant share of the current financial health score.

Governors received the ESFA Financial Health assessment (to include Finance Dashboard 2021).

**(Confidential item)**

- ii Subcontracting Management Response – Second Update**  
(See Confidential addendum).

**(End of Confidential item)**

#### **F.13.21 TO REVIEW**

- i Revenue & Capital Budget 2021/22 and three-year financial plan (for approval by the Board) - to include budget framework and scenarios from the governor training event**

Mr Jones informed the Committee that this paper will travel on to Board, with a statement of comprehensive income, balance sheet and a cash flow statement, which he shared a draft version with the committee on screen.

He said this document would be fine-tuned for another week before it goes to the Board and the detailed workings will continue to be reviewed until the end of July when it goes to ESFA.

The budgetary challenges have already been discussed in respect of scenarios 1 – 6 at the Board Training Event and the following committee cycle.

The paper introduces in terms of the 'story' Scenario 7, the most likely scenario to take the College through into next year, backed up by a costed curriculum plan, staff establishment, non-salary budgets and the capital plan that feed into the budget plan.

The College is looking at a budget next year that moves away from subcontracting, recovery from COVID-19, the loss of the GLA grant, consolidating staffing and the College changing its processes and activities. A need to focus on the new College strategy by increasing more direct delivery which will need resourcing. 2021/22 will be the most challenging year of the move to the new strategy.

The SMT are proposing that scenario 7 is the route to take, forecasting a deficit of £409k approximately, which is similar to the forecast the College has been working on in the present year. Effectively standing still financially but working harder to achieve this.

Mr Jones summarised the key points:

- Similar to where we are at present (£400k deficit), with upside potential to be on the positive side of that.
- We do have a cash-flow challenge in March 2023, dropping below the redline for the minimum cash covenant, unlike March 2022 and March 24 where the graph shows touching the line, but can be handled through careful cash management
- 2022/23 potential to get to a small surplus position
- 2023/24 potential to consolidate that surplus position
- Demonstrates strategic direction

Mr Jones reassured the Committee that the budget workings are being continually developed to identify opportunity.

Mr O'Donoghue said that new income generation is critical in the next couple of years with a 10-12% increase over the next 2-3 years, excluding subcontracting.

This reflects the 3% of growth KPI. Majority of growth coming through the 16-19 year-old demography, which will increase the demand. Apprenticeship direct delivery ambition to grow back to historic levels.

Mr Sendell agreed with Mr O'Donoghue's point that income is the key factor in all of this.

Mr Johnson summarised by saying that this was a good balanced budget, some risk with prudence and the College has steered a fair path down the middle. To get to a good scenario in 2022/23 would be a fine achievement. He thanked the team for all their hard work in putting the budget together.

Governors recommended the Revenue & Capital Budget 2021/22 and three-year financial plan to the Board for approval.

## **ii Financial Regulations & Procedures (for approval by the Board)**

Mr Jones explained that the changes made to the first part of the document referred to job title changes or terminology.

The changes in the second part of the document reflected changes to expenditure procedure, purchase orders, and moving away from cash.

Mrs Annett asked a question about article 10.3, "The Contracts Team will rigorously check all learner records submitted to the College", she thought that 10% needed to be looked at rather than all learner records.

Mr Cox clarified the difference between audit and the contracts loading the learner enrolments.

Mrs Annett felt that this might be worth making it clearer, it could be read that the audit will be all learner records and only 10% of signatures are required to be checked.

**ACTION: KJ**

Mrs Annett also had an observation regarding pages 6 and 7 – capitalisation at £1,000k is in both schedule A, (regulation 3) and schedule B, (regulation 13), is this required in both schedules.

**ACTION: KJ**

Governors reviewed the amendments to the Financial Regulations & Procedures and recommended to the Board for approval.

## **iii College Risk Register & Individual Risk Reports**

Mr Jones said that this paper was largely to note.

He updated the Committee that the Risk Register had been to the recent Audit Committee with the individual risk reports.

There were 5 risks which focused on the work of the F&GP Committee and the individual risk reports were being reviewed for the first time by the Committee:

Risk 3, Failure to manage the college finances  
Risk 5, Failure to manage health and safety  
Risk 7, Failure to achieve learner recruitment targets  
Risk 9, Failure to recruit and retain competent and committed staff  
Risk 13, Failure to prepare for a major system outage or data breach, including cyber-attack

The individual risk reports provide the triggers consequences, controls, assurance in those controls, actions to mitigate growing risk and mitigation actions after risk events.

The individual risk reports have now gone to an extraordinary meeting of the Risk Management Board and they have reviewed all the scores, and this now completes the set-up journey for the new risk register. Future changes will be shown as tracked changes from this version.

There were no further comments regarding the risks focused on the work of the F&GP Committee.

Governors reviewed the College Risk Register & Individual Risk Reports.

#### **F.14.21 TO APPROVE**

##### **i Health and Safety Policy**

Mr Jones made Governors aware that the policy had been updated and there were no major changes.

Governors approved the Health and Safety Policy.

**(Confidential items)**

##### **ii Proposed Sub-Contracting Arrangements for 2021/22**

(See Confidential addendum).

##### **iii Subcontracting Working (approval of inc or new contracts)**

Governors approved the approved Subcontracting Working.

**(End of Confidential items)**

##### **iv Redundancy Procedure for Senior Post holders**

Mr Johnson began with a statement that confirmed that this policy only applies to the Senior Management Team (SMT), excluding the Chief Executive and Principal (as Chief Accounting Officer) and the Clerk, because these two positions cannot be made redundant; the Corporation has a statutory requirement to have these two positions in place under the 1992 Act. The policy would only be used as a mechanism to make the CEO and the Clerk redundant if Eastleigh College Corporation ceases to exist.

Mr Jones summarised the policy and informed the Committee that it had been sharpened up.

He said that the main edit referred to 3.2 and the inclusion of the Chair of the Board being added to the meeting to discuss the situation and to explore any voluntary measures.

Mr Johnson proposed that the Vice Chair of the Board should be included in the absence of Chair.

The Committee agreed to this proposal.

**ACTION: KJ**

Mr Cox proposed that Mr Goodman with his HR expertise might take some time with the HR manager and the Chair of the Board to work on subtle changes to this document to ensure that they were fit for purpose.

Mr Goodman said he was more than happy help.

**ACTION: KJ/MB/RG/JS**

Mr Cox then proposed that the policy should return after further work and amendments to be further reviewed by the Chair and Vice-Chair to bring to the Board meeting in September for approval.

**ACTION: CD**

Governors deferred the Redundancy Procedure for Senior Post holders for further work to be carried out and presented at the Board meeting in September for approval.

#### **F.15.21 GOVERNOR TRAINING EVENT FOLLOW – UP**

**(Confidential item)**

(See Confidential addendum).

**(End of Confidential item)**

#### **F.16.21 TO CONSIDER**

- i Governors agreed that agenda item 4.ii, 6.ii, 6.iii and 7 would be determined as a confidential agenda items and will be annotated as such within the minutes of the meeting.

#### **F.17.21 DATE OF NEXT MEETING**

**Wednesday 17 November 2021 commencing at 1700 hrs**

Review of operation of committee

Governors' Monthly Report – financial aspects, matters arising

Review financial statements for 2019-20 (for approval by the Board)

Review college banking and insurance arrangements

Review final capital spend

Parental Care & Statutory Flexible Working Procedure (Establishment Procedure

Appendix 2 (if changed)

Partnership working – approval of increased or new contracts

Sub-Contracting Policy (to be signed by Chair of Gobs & CE before putting on website)

There being no further business, the meeting closed at 1850 hrs.