

Present:

Sophie Annett (Chair)
Colin O'Donoghue (Teams)
Rupert Goodman
Simon Winkworth

In attendance:

Kevin Jones, Vice Principal (Funding, Finance and Management Information)
Fiona Chalk (Interim Governance Professional) (Teams)
Mickiela Blake, (HR Manager)
Pete Jodrell, Deputy Principal

F.35.22 Governors' meeting time without SMT

Governors introduced themselves, detailing their areas of expertise.

COMMITTEE MATTERS

F.36.22 Apologies

Paul Cox

F.37.22 Declaration of interest

Governors are reminded that it is their duty to declare an interest, financial or otherwise, in any item on the agenda
There were no declarations of interest.

F.38.22 Minutes of last meeting

The minutes of last meeting held on 22nd June 2022, were approved as a correct record of the meeting

F.39.22 Matters arising

There were no matter arising.

GOVERNORS' MONTHLY REPORT

F.40.22 Financial aspects – management accounts July & September

The college is intent on meeting requirements to reduce subcontracting as is expected by the ESFA, but the college has permission from ESFA to do more subcontracting than the minimum level for this year. The college will need to get on a trajectory so that it is under that threshold for next year.
Hence the revised the budget and the college is looking to do slightly better than the budget in the forecast. Pay costs are tracking slightly below the budget for this point in the year, which is a good start as it means that the college is already

making savings and on a trajectory where we should be able to deliver savings within that forecast. The loan interest rates have risen and continued to rise since the budget was set. The September accounts show that we were expecting to reach covenants earlier than anticipated because the income is slightly slower than originally thought, and the covenants have been breached this month. There are a lot of factors in play at the moment regarding financial risk. Pensions took a hit with the mini budget, so the college may need to increase its contributions. However, if the decision is made by the ONS to reclassify the sector into the public sector, we would be derisked because the insolvency regime would be removed effectively.

Governors asked:

What the implications are of breached covenants. In theory, the bank could ask for the loan back, but because we've been in communication with them throughout and we have a bank waiver letter. The conversation is ongoing with the bank, and the college is chasing income as quickly as it can, but in the reality that the college which used to hold significant cash in advance which it then passed on to subcontractors, is now effectively doing quite a lot of his business funded in arrears.

If the trend in increased interest rates continues, is going to materially impact the college, or is the bigger risk the cash flow and managing the covenant. There will be some sympathy from the banks if covenants are put at risk because of increased rates. It's not material as the budget provides for some movement for this.

With regards to the covenant, is there potential for renegotiating or extending the terms of the current loan with Lloyds and the covenants attached to that i.e., whether they would relax that cash covenant?

Going forwards, the college does not have as big a shopping list for capital items, so therefore can hold on to more cash, which helps us build the cash position back up, reducing the risk to bank covenants. Because of the weaker cash position, when the college is applying for things like ESFA funding where they ask for match funding, we've got strong case not to put in as much cash match funding as others would, which helps this position.

F.41.22 Matters arising

Governors expressed concern regarding the FD's capacity given the amount of time and effort he will potentially have to invest in merger discussions, particularly financial modelling around capital program etc. Has there been any?

There are conversations going on between the colleges and merger work streams have been set up. Some of the requests arising from those meetings are challenging, for example on the legal due diligence and the final version of the cost-curriculum for 2023. At present, all 3 colleges are working together, and staff can delegate as necessary, but there is a risk of staff having to take their eyes off the day job to meet merger demands. The bigger piece of work may come post-merger when integration of systems takes place.

TO REVIEW

- F.42.22 Review Financial Statements 21-22**
See confidential minutes
- F.43.22 Review final capital spend**
See confidential minutes
- F.44.22 Review college banking and assurance arrangements**
See confidential minutes
- F.45.22 Loan Renewal options**
See confidential minutes
- F.46.22 Franchising and sub-contracted provision annual report 21-22**
See confidential minutes
- F.47.22 ISA 540 accounting estimates**
See confidential minutes
- F.48.22 Devolution and online learning impact**
See confidential minutes
- F.49.22 Update on the implementation of flexible work, holiday and pay**
See confidential minutes

TO RECOMMEND/APPROVE

- F.50.22 Leave procedure**
Governors noted the updates as a result of moving away from term time working to be open for delivery for 51 weeks of the year, alongside holiday and sickness leave reviews.
ACTION: The committee resolved to approve this procedure.
- F.51.22 Disciplinary Procedure for Senior Postholders**
The update is to clarify the procedure if there was a safeguarding concern raised against senior post holder, the designated safeguarding lead as well as the Chair of Governors would need to be notified and included in the process.
ACTION: The committee resolved to recommend this procedure to the Board for approval.
- F.52.22 Sub-contractor working strategy**
Action: The committee resolved to recommend this strategy to the Board for approval.

F.53.22 Recommend tuition fee guidance and fee level proposals

See confidential minutes

F.54.22 Travel Plan 22-27

Governors note that this was previously a condition of funding and lodged with Eastleigh Borough Council. It has been updated and shows changes since 2015. Examples include reduced staffing, so car parking is not an issue; on public transport, there is a risk that smaller bus companies could go bust, and trains aren't so reliable since covid so potentially, learners can't get to the college. That makes it a lot harder for to recruit learners; there is a need for more secure storage for bikes and motorbikes, as there have been thefts on site, and there is an emerging issue around electric scooters. Electric vehicle charging has been installed and the college has disbanded its of fleet of cars, in line with sustainability goals.

F.55.22 Property Strategy

Governors noted that in the context of merger and bids for additional funding, this is an important document. The previous one was produced in 2020. The latest FE Capital transformational fund is likely to be announced shortly for projects that improve building condition and sustainable practices, and an up-to-date property strategy will be required for that. A condition survey is being undertaken to support this work.

Action: Governors to submit comments to KJ after the meeting as the paper was not included in the pack.

TO RECEIVE

F.56.22 Health & Safety Annual Report 21-22

Governors noted the actions that have been put in place by new H&S manager. Governors questioned:

Management's level of confidence on fire protection and firestopping work following installation of boilers etc. This has been recognised and will be part of the condition survey and incorporated as part of a wider review.

Whether the water testing is based on risk assessments. Management confirmed that a preventative regime is in place based on water risk assessments.

Governors agreed it was a thorough report.

TO CONSIDER

Confidential items

The committee agreed the following items:

Item 4 – Financial reporting, and 5.4 – Tuition Fees

Date of next meeting

8th March 2023 commencing at 1700 hrs