

FINANCE & GENERAL PURPOSES COMMITTEE
MINUTES OF MEETING HELD ON WEDNESDAY 10 June 2020 1700 HRS, USING 'TEAMS'

Present:

Mr Steve Johnson (Chair)
Mr Jon Sendell
Councillor Judith Grajewski
Dr Jan Edrich (Chief Executive and Principal)

In attendance:

Mr Paul Cox, Chief Executive and Principal (Designate)
Mr Kevin Jones, Vice Principal (Funding, Finance and Management Information)
Mr Darren Coventry, Vice-Principal (Commercial and Customer Services)
Dr Chris Davis, Clerk to the Board (minutes)

F.08.20 GOVERNORS' MEETING TIME WITHOUT SMT

F.09.20 COMMITTEE MATTERS

i Apologies

There were no apologies.

ii Declaration of interests

There were declarations of interest declared by Councillor Judith Grajewski with regards to item F.12.20 i and her position as a member of the Solent LEP. There were no other declarations of interest, financial or otherwise declared.

iii Minutes of last meeting

The minutes of the meeting held on 14 February 2020 were agreed as a true record of the meeting and signed by the Chair.

iv Matters arising

F.5.20, i; Risk Management (Review F&GP items on the Risk Register and Risk Reduction Plan) Dr Edrich reported that this action was still on going and would be picked up in the QIP in the Autumn.

F.5.20, i; Risk Management (Review F&GP items on the Risk Register and Risk Reduction Plan) Mr Jones said that the target dates and Risk owners where the job titles have changed) was a long-term action on him and was still on going.

All other actions had been completed.

There were no other matters arising from the previous minutes.

F.10.20 GOVERNORS' MONTHLY REPORT (April 2020)

i Financial aspects

Mr Jones commented that this report reflects the current exceptional reporting period as the College works through the Covid-19 pandemic. The forecast deficit for April was unmoved from the previous month at £146k, but includes a drop in income and expenditure savings not known until February or March of this year, post restructuring.

He was pleased to report that salary costs were significantly down on the budget and also savings in the non-salary area, helping to offset the drop in income and keep close to break-even.

He referred to the table in the report provided data, which indicated that the surplus deficit year-to-date was ahead of the budget year-to-date and worth noting.

The one big addition in this report was the reporting of daily cashflow, this he said was quite significant as in previous reports the cash position had only been captured at the end of the month. The lowest point in the month is actually the day before the payment arrives from the ESFA around the 20th of the month; so although the 31st of the month shows a position, the position gets worse before it gets better. There was a need he said to understand when the lowest point at any one time was reached, because there needed to be enough cash to deal with lowest low point.

He said March 2021 indicated a low point of the cash going out and the team will be working on enhanced reporting to provide a more sophisticated report on the cashflow forecasting in the months going forward. This is key as it is a requirement of the bank loan agreement that the College has this detailed level of forecasting going forward.

The final page in the report provided a conclusion on the issues being focused on during May and into June:

- retaining income, ensuring that the College maximises the income that can be returned in-year
- reducing expenditure
- it is important that any surplus must not slip any further, because of the bank covenants

The Chair raised a concern over the situation regarding the gross debt to EBITDA, which he felt was the potentially the closest to being breached.

Mr Jones said this was because the College was forecasting a deficit, it would be very tight, but everyone was trying hard to improve this situation.

The Chair congratulating the Vice Principal (Funding, Finance and Management Information) for the excellent progress made on the financial reporting in the Governors' Monthly report, he said it provided clarity and understanding for those who did not fully understand the complexities of the financial position.

He also drew Governors' attention to the very useful graph, which illustrated the College's cashflow situation, a topic, which has become very worrying for most colleges. He wished to thank Mr Jones' on behalf of the Board for his outstanding contribution in providing this much-needed data.

Governors received the Financial aspects of the Governors' Monthly report for April 2020.

ii Matters arising

There were no further matters arising in the April 2020 Governors monthly report not covered elsewhere in the agenda.

F.11.20 TO RECEIVE

i COVID-19 update

Wellbeing, welfare

Mr Cox provided a presentation that had previously been produced in the same format summarising the key areas regarding the welfare, wellbeing and safeguarding of College staff and learners so far during the Covid-19 pandemic.

Sadly he had to report that one member of staff had recently lost his life to COVID-19. He confirmed that support had been provided to the man's wife who was also a member of staff at the College and to all those seeking support at this very distressing time. Mr Cox confirmed that the colleague had not been on College premises since lockdown.

In terms of the self-reporting of staff and learners who have been self-isolating, based on those with symptoms and those without symptoms, the current position is that no staff members are hospitalised (he reported that the colleague who had been hospitalised is now recovering at home), and there are two colleagues self-isolating.

As at the 2 June 2020, the College has no vulnerable learners self-isolating as a result of COVID-19, however this is based on self-reporting and may not be entirely accurate.

Mr Cox said that he felt this was an improving 'picture' based on the information the College was receiving.

Safeguarding

Mr Cox drew attention to the three tables, which covered the three periods since the lock down period began.

He drew the Committee's attention to the high number of Learners of Greatest Concern, which he said was higher than normal. He informed the Committee that contact had had to be made with the Police concerning one matter, which is now being followed through the correct channels.

He said the College continues to monitor a high level of vulnerable learners through a very thorough and comprehensive process.

He concluded by reporting on the returns required by Hampshire County Council (HCC) which refer to the last two weeks before the May half term break. The College had been in a position to report that weekly contact had been made with 100% of the HCC identified vulnerable learners (a total of 149 learners, 147 16-19 year olds, (approximately 12-16% of the total 16-19 cohort) and two apprentices). He felt that Governors should be comforted by the knowledge that this weekly contact is taking place and that any concerns are shared with staff who take the necessary action in response.

Mr Cox reported that the College had undergone an Ofsted review of e-learning and the feedback was very positive with the inspector specifically commenting on the competence and resilience of learners and the prevalence of mental health concerns was below what he had discovered on other reviews.

Apprenticeships

Mr Coventry asked Governors to understand that the College continues to work on actuals.

He drew Governors' attention to fact that the number of learners being furloughed had stabilised since his last updates.

The area looked at in terms of the number of students focused on ECTA, The slide provided the following details as of the 1 June 2020:

- 678, number of live apprenticeships
- 385 (-13), those that have been furloughed
- 363 (+45), those engaged on e-learning
- 25 (+11), agreed breaks in learning
- 8 (+4), job losses due to COVID-19
- 11, withdrawals

The second slide looked at the Apprenticeship numbers:

- Throughout the period of COVID-19, 49 Apprentices funded by the College have lost their employment and had been completely withdrawn

- 93 learners have been put on an agreed break in learning due to:
 - Lost employment and the College is seeking alternative employment
 - Remain employed, furloughed by the employer but not actively engaging in any type of e-learning
- Learners moving from furlough to employment due to rise in July as restrictions are relaxed
- ECTA in 2018/19 had 112 learners withdraw from their apprenticeships, yet in 2019/20 this currently sits at 52 (24 On ILR, further 28 to be processed)

Slide three looked at calculating the full financial impact on the College:

- 142 learners are in the process of suspending the monthly on programme payments for:
 - Subcontracted, 142 learners at £156 per month = £23k
 - ECTA, 142 learners at £345 per month = £49k
- ECTA 16-18 finances have only decreased by £2k between March and April

At the end of June a list of learners that we know have been withdrawn and been placed on an Agreed Break in Learning will be pulled from financial remittance and a manual total will be collected on the impact for 2019/20 and 2020/21.

The next slide then focused on the situation regarding apprenticeship applications:

- The College only has 8 employers advertising for apprentices compared to 51 a year ago
- National Apprenticeships vacancies are down by 75%
- Within 20 miles of Eastleigh there are only 162 current apprenticeship vacancies
- Only 8 plumbing vacancies advertised in England, the closest being 100 miles away
- The College Employer Relationship Manager is canvassing 20 of the largest employers of apprenticeships to understand their plans for the future
- ECTA and BDU teams are reviewing these applications and start the process of matching them with employers

Challenges that are a result of COVID-19 only:

- Learners who have completed e-learning and need the practical element of their apprenticeship assessing
- Finding employment for learners that have lost their employment; have the desire to continue, are engaging in e-learning, however the College can only claim funding for 4 weeks before withdrawal/Agreed Break in Learning
- Financial impact of learners that have a planned end date pre-31 July
- Impact on resources
- Working with learners where only the 'Completion' payment is left to claim
- Adapted Assessments under the End Point Assessment for Apprenticeship standards
- Claiming Framework certificates with electronic certificates

The next slide focused on End Point Assessments (EPA):

- 2019/20, 273 EPAs due by the end of July 2020
- 54 ECTA
- 18 Assessment Centre
- 201 Subcontractors

Update, Only 2 learners out of the 273 outstanding EPAs remain an issue where the learner is unable to take an EPA as the rewarding organisation (City and Guilds) has yet to finalise the adapted assessment criteria.

Mr Coventry then went onto talk about employer feedback, which he said will become a standing report to the SMT in the future. The report identified employer feedback on the recruitment of apprentices for 2020/21.

He summarised the report by articulating that the September enrolment could potentially be affected by employers concerned about their future revenue, with the prospect that many employers will wait until the Autumn to ascertain whether they wish to take on new apprentices post COVID-19.

The next slide then looked at calculating the full financial impact on the College with comparators over a three year period:

- Number of new enrolments, 2018/19, 388 (value of learners £1,169,045)
- Number of new enrolments, 2019/20, 310 (value of learners £1,139,989)
- Forecast Number of new enrolments, 2020/21, 150 (reduction of income of £640k)

Mr Coventry concluded by looking at how the College could potentially optimise the Adult Education Budget and ways of achieving growth:

- direct delivery
- functional skills college delivery
- Adult Community Learning settings for maths and English and Pre-employment
- reduce National delivery, procure delivery in Portsmouth
- managed services
- review of fees structure and charges

Councillor Grajewski asked whether an increase in the fees structure would impact on the College's reputational standing.

Mr Coventry reiterated that the annual fees set by the College were in the public domain and was not something he felt would be picked up by the National or local press, it was more likely to be scrutinized up by the sector press.

Dr Edrich said that the College's response to the ESFA consultation picked up the need for more freedom on fees and the need for a quality kite mark for the good providers. The cost of delivery had increased and although an increase in fees was a potential risk, there was nothing to lose during this last year of freedom.

Councillor Grajewski understood the situation, however she felt it was how the story of fee increase was communicated.

Financial impact

Mr Jones reported that since the management accounts went out in the Governors' Monthly report there had not been much movement.

He did confirm that the work on College House had been instructed and will take place in due course.

- Short courses especially with regards to the professional courses (gas assessment centre) £46k a month (some mitigation)
- MOT centre; hair and beauty is closed
- Full cost provision up to £20k losses
- East Avenue Restaurant closed (neutral impact)
- Leisure and evening courses

The present update is that it has moved from £110k to £114k before the impact of apprentices.

Additional expenditure:

- 160 new chrome books

Governors received the COVID-19 update.

ii Provider Contracts Amendments 2019/20, April 2020

Mr Coventry said the amendments made to the Provider Contracts Amendments 2019/20, April 2020 were detailed within the report and very self-explanatory, he asked for any for any questions.

There were no further questions from Governors.

Governors received the Provider Contracts Amendments 2019/20, April 2020.

F.12.20 TO REVIEW

i Revenue & Capital Budget 2020/21 and financial plan (for approval by the Board)

Mr Jones provided a summary of the report, which sets out the SMT's proposed Budget for 2020/21. He went on to explain the process and travel of the budget, highlighting that following the proposals discussed at this meeting, the SMT will further progress the agreed direction based on College strategy and Committees decisions. The SMT will then seek Board approval of the proposed budget at the beginning of July before then submitting the approved 2020/21 budget to the Education & Skills Funding Agency (ESFA) by the required deadline of 31 July 2020, together with the final 2021/22 financial forecast as in previous years.

He said that Version 1 of the budget is based on the College Business Plan as approved by the Board on 6 May and includes the latest detail for income and expenditure, but still reflects the pre Covid-19 planned position for apprenticeships. This, he said, is a break-even budget, forecasting a small surplus of £28k before FRS102.

One area of uncertainty remains over the apprenticeships:

Version 1 of the budget for 2020/21 assumes the position based on our existing numbers and our planned recruitment based on the past years and the new College Business Plan. He also made Governors aware that Version 1 only achieves 'requires improvement' in the financial health category and doesn't achieve the EBITDA target.

Mr Jones felt that it was appropriate considering the uncertainty over the apprenticeship situation to insert a second version of the budget.

Version 2 is revised to introduce more realistic assumptions for apprenticeship numbers based on latest Covid-19 guidance and projections for demand for 2020/21 in the projected economic environment and applied to the College's projected activity.

The basic assumptions applied to Version 2 are:

- Carry-in apprentices (all categories): 80% continue, 20% withdrawn (based on an estimate of how many employers may make apprentices redundant as the COVID-19 pandemic continues into 2020/21)
- New starts (all categories): 50% of previously projected numbers (based on current sector statistics and the College's own application trends)
- Sub-contract costs (applies to carry-in apprentices through sub-contractors) reduced by 20% of total.

The basic contribution of these adjustments he said result in a sizable forecast year-end deficit of £1.13m. He felt this was a realistic impact of reduced apprenticeship funding.

He made it very clear that the Budget is being continually refined and honed as new data becomes available.

Mr Jones then shared a slide, which defined the 12 income strands, and provided a top-level overview depicting the sensitivities of income stability for 2020/21.

He said the slide showed that an encouraging factor was the number of green headings and the number of substantial areas of amber, indicating strong income potential. The big concern and unknown is of course around future apprenticeship funding.

He then drew Governors' attention to the two closing cash positions for each version using graphs.

The Committee were then made aware of the mitigating actions which Mr Jones said should be taken now:

- Reduce salary costs for 2020/21 by a further £100k from Jan 2021, full year saving £200k in 2021/22
- Reduce capital spend in 2020/21 to essentials unless additional external funds available (assume reduces from £700k to £500k)
- Identify a further 1% saving on non-salary spend (excluding costs of sub-contracting) delivers just £30k savings
- Grow other core income streams in 2021/22 through curriculum planning (unknown at this stage)

Mr Jones then shared a slide, which gave the closing cash position showing the impact of Version 2 with immediate mitigations taken.

Mr Jones believed that with careful action now and with careful planning and working closely with the banks and the funders, the College should be able to negotiate a journey through the cash position and loan agreements; there is he said enough lead-time to have clarity where the College is headed, what we are doing about it to effectively demonstrate good solid financial management during a period of crisis.

The Chair thanked Mr Jones but questioned the need for more cuts if the Government intervened and provided financial support and the College was not in a position to pick up the new demand.

Mr Jones said that no decision would be made about further salary cuts until October to enable reflection about where the College is at that particular time.

Dr Edrich said that there were two points to note:

- 16-18 year olds will have to go somewhere if they don't get apprenticeships
- the Government might provide financial support directly to the employers with very little control of distribution of that finance

Mr Cox asked whether Governors were comfortable to allow the budget being prepared for the Board meeting in July to include the apprenticeship income assumptions.

Governors agreed to this proposal.

The Committee also agreed to the phasing of potential cuts and factoring in of mitigation actions, tracked against the downside of apprenticeships, to be reviewed once a better understanding of the 2020/21 recruitment position was known. The committee agreed that removing delivery capacity now would result in the College not being able to respond to potential growth or demand that may arise in the coming months. The committee agreed to the SMT planned approach to review the 2020/21 income and

expenditure position again on Thursday 1 October from which detailed in year actions would follow to achieve the best possible financial outcome for the College during these unprecedented times.

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

Mr Jones provided a summary of proposed changes to be made to the Financial Regulations and Procedures (Regulations) to update the version previously approved by the Board on 18 September 2019.

The updates in this version largely reflected changes to staff titles and roles following the recent organisational restructure. There have also been a number of procedural changes to reflect the new organisational structure.

The College is also in the process of updating its HR and Payroll system and its Finance database. As these systems will not be fully operational until after August 2020, this set of proposed changes to the Regulations should be seen as stage 1 of 2, with a further set of proposed updates of the Regulations to be presented to Governors in the Autumn 2020.

Mr Jones took the Committee through the relative amendments to the regulations.

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

F.13.20 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 reviewed and approved the Health and Safety Policy.

ii Leave Procedure

Dr Edrich reported that the procedure had received a standard update

Governors' approved the Leave Procedure.

iii Data Protection Policy

Mr Jones reported that the policy had received tracked edits and had been generally updated. There had been no major changes to the policy.

Councillor Grajewski requested that names identifying car owners on College car passes should be removed.

The Committee agreed to this proposal.

Mr Coventry said he would take this as an action on him.

ACTION: DC

Governors' approved the Data Protection Policy.

iv Personal Relationships Policy and Guidance

Dr Edrich said there were no major changes to discuss.

Governors approved Personal Relationships Policy and Guidance

v Remuneration and Reward Policy

Dr Edrich made Governors aware that the wording had been tightened around the pay structure with reference to the gender pay gap. This she said provided more clarity and were good changes.

Governors' approved the Remuneration and Reward Policy.

vi Staff Development and Performance Management Policy

Mr Cox reported that minor changes had been made to the policy reflecting the College's structural changes, the probation faze and the significant increase in training. He said the language had moved on and provided more clarity.

Governors' approved the Staff Development and Performance Management Policy.

vii Proposed Sub-Contracting Arrangements for 2020/21

Mr Coventry outlined the proposed maximum Sub-contracting values for 2020/21. He wished to highlight two amendments to the proposed arrangements:

- Within the Adult Education Budget (AEB) the provider PTD Ltd has had it's contract status amended from 'new activity' to 'completions only'.
- Within the Trainee budgets the contract value for Learning and Skills Solutions will reduce by a £100k, because this work will now be carried out in the College.

The other two points he wished to clarify were the contingency funds within the AEB and the Greater London Authority (GLA). (The AEB is inline with the managed services and the GLA is set a side to do with performance management).

Governors' approved the Proposed Sub-Contracting Arrangements for 2020/21.

F.14.20 DATE OF NEXT MEETING

Wednesday 18 November 2020 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.