

**EASTLEIGH COLLEGE BOARD  
FINANCE AND GENERAL PURPOSES COMMITTEE**

**MINUTES OF MEETING HELD ON WEDNESDAY 14 FEBRUARY 2020, 1700hrs,  
IN ROOM A018**

**Present:**

Mr Steve Johnson (Chair)  
Mr Jonathan Sendell  
Councillor Judith Grajewski  
Mrs Mairead Taylor  
Dr Jan Edrich (Chief Executive and Principal)

**In attendance:**

Mr Ryan Sarll	Finance Controller
Mr Paul Cox	Vice Principal Curriculum and Quality
Dr Chris Davis OBE	Clerk to the Board (minutes)
Mr Kevin Jones	Vice Principal (Funding, Finance and Management Information) designate

**F.01.20 GOVERNORS' MEETING TIME WITHOUT SMT**

The Chair welcomed Mr Kevin Jones the newly appointed Vice Principal (Funding, Finance and Management Information) to his first meeting of the Finance and General Purposes Committee. He made Governors aware that Mr Jones would not take up his appointment until the 2 March 2020.

Members of the Committee introduced themselves to Mr Jones.

**F.02.20 COMMITTEE MATTERS**

**i Apologies**

No apologies were received.

**ii Declaration of interests**

Councillor Grajewski wished to declare an interest in item 5, I; Risk Management (Review F&GP items on the Risk Register) as a member of the Solent Local Enterprise Partnership.

**iii Minutes of last meeting**

The minutes of the meeting held on 5 December 2019 were agreed and signed as a true record.

**iv Matters arising**

F.28.19, i; it was declared that this action is still on going.

F.30.19, ii; it was declared that this item had been postponed as an agenda item at the February meeting. It was felt that Mr Jones (on taking up his appointment in March) would wish to review the Financial Regulations and Procedures before bringing them for review by the F&GP Committee. This item is on going.

F.31.19, iii;

- I. The changes to 'on going' target dates had been completed.
- II. The College does not measure its carbon footprint.

Mrs Taylor made Governors aware of details of a Sustainability forum that Natwest Bank are hosting on 28 February 2020 at Marwell Zoo and invited anyone wishing to be involved to contact her.

Dr Edrich asked Mrs Taylor to email her with the details so that she could arrange for someone from Eastleigh College to be present.

### **Changes in Funding data from R12 to R14 (2018/19 Financial Statements)**

Dr Edrich explained that at the Finance & General Purposes Committee on 5 December 2019, members requested detail of the learner transactions impacting the funding claim that were processed in the two months from the financial year end (July) to the final data return (October). These returns are R12 on 6 August 2019 and R14 on 17 October 2019.

She said that there were 8,797 funding claim changes totalling a gross change value of £2,498,959 and added a net value of £2,046,557 to the funding claim. The key question is why was that so different from the forecasted income for that period; the figure that informed the forecasted outturn in the management accounts in July.

The total value of all learner withdrawals and transfers in this period was £226,201. As previously reported, there were a significant amount of withdrawals, particularly from sub-contractor PDT, where the College was not confident that there were sufficient records of learner progress to claim, and from apprentices where their employer had not paid the 5% contribution.

She went on to explain that the anticipated contribution from the achievement of learners is forecasted on an historic profile. Overall apprenticeship achievements in 2018/19 were 67% down from 71% the year before. In addition, the College extended end dates of some learners into the year 2019/20, deferring their achievement-funding claim (£135k).

She made Governors aware that the anticipated learner enrolments in the last few months of the year rely on accurate forecasts of activity. Although monthly contract reviews take place, she said it was more difficult to predict how many sub-contractors will deliver to contract in periods of change. These predictions are adjusted up and down throughout the year in the forecasts in the accounts but in this year, sub-contractors over-delivered on the adult education budget and under-performed on recruitment of apprenticeships.

She said there were other adjustments to the accounts, independent of the funding claim. For example, the correction of an error in accounting for incentive payments totalling £200k, and a further list of minor adjustments by the auditors as itemised in the audit report.

She concluded by saying that there was nothing new to add to the summary already provided to Governors during the Autumn term committee meetings:

- The financial year closed on 31 July 2019 and the learner data continues to be processed until Period 14 in October 2019.
- There are always changes to the data, but it is rarely materially significant. However this year, there were further significant unpredicted changes that impacted the financial performance:-
  - Apprenticeship withdrawals from PDT (sub-contractor).
  - Deletion of the funding for apprentices on the ILR because the employer contribution (5%) was not collected.
  - Anticipated achievement rolled into 2019/20.
  - Correction of an error accounting for incentive payments.
  - Other withdrawals received after R12

Mr Johnson said he sat down with Dr Edrich to go through the spread sheet and was content that the information was correct. As a financial auditor and accountant of many years standing he had found it difficult to fully understand, but suffice to say he was satisfied with the information provided.

Dr Edrich responded by saying that the College is able to control the costs but has difficulty in pinning down the income, because so much of it is variable. This is something that will be brought up in conversation with the ESFA in the coming weeks.

### **Lloyds Bank Loan Agreement**

Dr Edrich explained that the enclosed letter from Lloyds Bank dated the 14 January 2020 was the formal explanation of the facilities constituted by the offer of facilities made by Lloyds Bank plc and technical agreement of the terms of the loan.

Governors received the Lloyds Bank Loan Agreement letter dated 14 January 2020.

### **Barclays Loan**

Dr Edrich verbally explained what was going to happen with the Barclays Bank loan (£82k), which had been brought up at the Board meeting on the 29 January 2020.

She reported that the College had agreed with Barclays to make two payments during 2020 to pay off the loan.

- First payment in April 2020
- Second payment in July 2020

The loan would therefore be settled before the end of the financial year.

Dr Edrich said the cash flow allows the College to do this.

There were no matters arising from the minutes of the meeting held on 5 December 2019.

## **F.03.20 GOVERNORS' MONTHLY REPORT** (up dated Income and Expenditure Account as of 31 January 2020)

Mr Sarll tabled a copy of the latest Income and Expenditure Account as of 31 January 2020.

### **i Financial aspects**

Mr Sarll reported an actual deficit of £1,030k reported as of the 31 January 2020, this was mainly due to timings around grant funding, which was not particularly unusual for this time of year. Also the College is yet to see the saving effect of the latest staff restructure. With regards to the forecast there had been a couple of changes since the December monthly report, which now included a reduction of non-Levy of income of just over a £100k counteracted by an increase in full cost income of £110k.

He drew Governors attention to the Operating Expenses line, which was showing an actual positive variance of £114k; the forecast variance has now been reduced by £150k as a result

In terms of the cash situation, the Barclays Bank loan redemption of £82k had been taken into account for the year end and the Age Grants Balance of about £85k noted to the financial statements 2018/19, is being paid to the ESFA and will no longer exist at the year end. Year-end forecasted cash position remains around £2.8m.

He concluded by saying that this still returns the College to an ESFA 'Good' Financial Health rating.

Mr Cox commented that behind the positives there is a reality that there were still some unknowns and assumptions, which make up this I&E account. There is still no Levy allocation from April 2020 and there will be changes to the non-Levy apprenticeship system. Whilst currently forecasting 'good' this may be challenging by year end.

### **ii Matters arising**

There were no further questions raised.

Governors noted the Financial aspects and matters arising from the tabled Income and Expenditure Account as of 31 January 2020.

#### **F.04.20 TO RECEIVE**

**(Confidential item)**

- i Franchise and partnership provision – annual report 2018-2019**  
(See confidential addendum)

Governors received the Franchise and partnership provision – annual report 2018-2019.

**(End of Confidential item)**

- ii Eastleigh College Ltd – interim report**

The Clerk made Governors aware that Eastleigh College Ltd is a Limited company solely owned by Eastleigh College to run the MOT testing centre. This interim report covered the period of August 2018 until July 2019. The company continues to operate efficiently and the figures show that it is performing very much to the same levels as in previous years.

Governors received the Eastleigh College Ltd – interim report.

- iii Partnership Working Contract Values 2019/20 (previously approved and signed January 2020)**

Mr Sarll said that this report provided the adjustments up and down and there were no salient issues to raise at this time.

Governors received the Partnership Working Contract Values 2019/20 (previously approved and signed January 2020).

#### **F.05.20 TO REVIEW**

- i Risk Management (Review F&GP items on the Risk Register and Risk Reduction Plan)**

Dr Edrich reported that the Risk Management Board had robustly reviewed the Risk Register and Risk Reduction Plan on the 22 January 2020.

Mrs Grajewski asked whether there were more risks requiring risk reduction.

Dr Edrich confirmed that there were indeed more Risks where the Risk scoring had increased.

The Chair asked for the following amendments:

- Risk 2.5, Inadequate management of cashflow, the Safeguards and Control needed to reflect the new ESFA Financial Modelling “at least 24 months”.
- He felt that Section 8, Risks Related to Partnership Working gave a rather pessimistic and harsh mood to the risks, with the ESFA consultation paper recently communicated, it may result in the dropping of some of the weaker partners and remaining with fewer but more able partners, this may allow for a reduction of this section.

Dr Edrich felt this was a timely debate; having spoken with the AoC there was a feeling that if the planned consultation comes to fruition there may well be a need to reduce the number of providers (eliminating the weaker providers) or at the very least producing a list of ‘trusted’ providers who are better resourced with proven expertise.

Mr Cox made Governors aware that the counter argument to a ‘preferred’ list of contractors is that if you are limited to 10% cap of sub- contracting of funding agencies monies, the 20% cap for management fees with a depreciating infrastructure to manage it has had to shrink to live within its means. The risks would proportionately stay because

the College's ability to provide the necessary infrastructure to manage the providers has diminished at the same time.

The Chair felt that the Risk Reduction Plan needed to be a 'live' document and therefore the Target Dates needed to reflect this by being 'smart'. There was he said a need for the register to include specific items (which on the whole he felt it did) with specific target dates.

Dr Edrich said that there had been a conversation about how Risk Management is linked to the College Quality Improvement Plan (QIP) and how it could be further aligned. She said in many cases the risks do drop through to actions in the QIP, which is monitored by the management team.

**ACTION: JE/PC/KJ**

Finally the Chair recorded the fact that some of the Target dates required updating. This also applied to Risk owners where titles have changed. This would prove to those reviewing the Risk Management of the College that it was a 'live' document, providing confidence and assurance.

**ACTION: KJ**

Mr Grajewski asked about Risk 1.3 Legal advice on alternative structure solutions being sought, had this been carried out.

Dr Edrich said it had been carried out and the update would be brought back to the Board meeting in March.

**ACTION: JE**

Governors' reviewed the Risk Management (Review F&GP items on the Risk Register and Risk Reduction Plan).

## **ii Proposed Tiered management Fee Structure change (recommended to the Board for approval)**

Dr Edrich provided background to the proposed Tiered Management Fee Structure change and said that it was something the College had been working on before the market had begun to fall away.

She reported that with the new ESFA consultation document now running, the proposal is to cap the management fees at 20%, so this now precludes this College proposal and prohibits any amendment to the management fees.

The Committee agreed that it was not feasible in the present ESFA consultation period to proceed with the proposal.

Governors' reviewed the Tiered management Fee Structure change, but did not recommend to the Board for approval.

## **F.06.20 TO APPROVE**

### **i Integrated Financial Model for Colleges**

Dr Edrich explained that the tabled report sets out the SMT's proposed Forecasts for 2019/20, 2020/21 and 2021/22. If approved, the College's Forecasts will be submitted to the ESFA by the required deadline of 28 February 2020 (from 2021 the submission will be at the end of January) using the new Integrated Financial Model for the first time. Each individual Forecast will consist of Income & Expenditure, Balance Sheet, Cashflow and ESFA Financial Health.

Mr Cox calibrated the assumptions and reminded Governors that at the 'Special' Board meeting in January 2020 the Board were taken through six scenarios of Income and expenditure at very top level.

He went on to explain that the Standards Committee (12 February 2020) went through the curriculum strategy, the market assessment and the detail behind that in terms of the targets that had been set.

Mr Cox explained that this submission is based on Scenario 3 aligned wholly with the ESFA consultation proposal on Sub-contracting and this model is known as scenario 7. So the College has profiled the Sub-contracting debt down to the levels that are currently laid out in the consultation. Therefore every assumption has an evidence-based description linked to the logic of the assumption.

Mr Sarll then took Governors through the analysis of the funding income:

#### **Funding income summary**

- ESFA 16-18 funding is paid based on an allocation; any increase or decrease in student numbers is adjusted for in the following year's allocation.
- ESFA 16-18 apprenticeship funding and adult apprenticeship funding are both paid as they are earned. AEB funding is paid on the basis of an allocation, but funds are clawed back if they are not utilised.

#### **Tuition Fees**

- Full cost provision is being targeted as a growth area
- ACL a potential growth area

Generally regarded as a 'steady ship'.

#### **Other Income**

- Increased HE activity with the University of Portsmouth has been forecast to see additional income of £250k in 2020/21 and a further £160k in 2021/22

#### **Pay cost assumptions**

- TPS employer contributions are budgeted for at the current rate of 23.68% for the three year period
- LGPS employer contributions have been confirmed to increase to 22.6% from 16.6% as of April 2020. The capital contribution has been confirmed to reduce from £219k down to £95k from April 2020, £127k from April 2021 and £159k from April 2022

#### **Non-pay cost assumptions**

- Leading into 2019/20 a College wide review of non-pay costs was undertaken and since then a further £150k has been reduced from the original budget for 2019/20
- Due to uncertainty of current economic climate an above inflation increase of 4% and 5% have been included in 2020/21 and 2021/22 respectively

The Chair asked about the assumptions regarding fixed and variable costs.

Mr Sarll confirmed that a huge amount of work had gone in to looking at fixed costs and trying to get it down if at all possible. If it is variable costs then it is a case 'is it required'.

The Chair was concerned that the College could find enough drops in the fixed costs to maintain a surplus.

Dr Edrich said there were quite a lot of software implementations going on, which increase the efficiency of the College's processing and the software licences are different to the licences that are in place at the moment. There are still efficiencies on the processing side that can be further looked at.

Governors approved the Integrated Financial Model for Colleges.

It was agreed that the Board would receive and note the Integrated Financial Model for Colleges in the same format received at the Board meeting in March.

**F.07.20 DATE OF NEXT MEETING**

**Wednesday 10 June 2020 commencing at 1700 hrs**

Governors' Monthly Report – financial aspects and matters arising

Annual pay review (for approval by the Board)

Review of revenue and capital budget for 2020-21 and three year financial forecast (for

Approval by the Board)

Health & Safety Policy– to approve

Environmental & Sustainability Strategy Action Plan

Integrated Financial Model for Colleges (to note)

Financial Regulations and Procedures

Data Protection Policy (if changed)

Proposed Sub-Contracting Arrangements for 2020-21– to approve

Partnership Working (approval of inc.or new contracts)

There being no further business, the meeting closed at 1855 hrs.