

PRESENT:

Jacqui Chatwood (Chair), Clare Russell (Principal), Marc Balshaw, Simon Carrier, Ken Lee, Gary Hall, Peter Zak, Warren Middleton

IN ATTENDANCE:

Janet Ivill (Director of Finance), David Sharrock (Director of Estates & Facilities), Fatema Hussein (Head of Governance),

Meeting Commenced: 6.00pm

Meeting Closed: 8.10pm

Attendance: 100%

1. APOLOGIES

There were no apologies to receive.

Clare Russell was formally welcomed to her first Finance Committee meeting as Principal.

2. DECLARATIONS OF INTEREST

Governors / Members were invited to declare any direct, indirect, pecuniary, personal or prejudicial interest relating to any item on the agenda for the meeting

Gary Hall declared an interest in Item 9.

Marc Balshaw declared that his employer Grant Thornton had been appointed as External Auditor for Preston's College, but he would not have any involvement with this work.

3. MINUTES OF THE MEETING HELD ON 22ND JUNE 2020

3.1 Approval

Agreed: that the minutes are approved as a correct record and authorised for publication

3.2 Matters Arising from the Minutes

The action progress log was reviewed, and it was noted that most actions from the last meeting had been implemented or were included on the agenda for discussion.

Financial Regulations Review

The Head of Governance advised the Committee that:

- It may be appropriate to amend the limit where Board approval was required for additional capital expenditure, to £100,000, as the Principal could approve any variation up to that amount
- The £250,000 limit for approving any new aspect of business, or proposed establishment of a company or joint venture, was lowered from £250,000 to £100,000

RESOLVED:

The Committee approved the proposed amendments to the Financial regulations

ACTION:

Director of Finance to update

Treasury Management Policy

The Committee considered the proposed amendment to the Treasury Management policy.

The Chair stated that it was important to have some flexibility to ensure that the College was not over exposed to risk.

RESOLVED:

Governors approved the amendment to the Treasury Management policy

4. MONTHLY MANAGEMENT ACCOUNTS TO 30TH SEPTEMBER 2020

The Director of Finance presented the report for the month ending 30th September 2020 and the following points were noted:

- College was expecting to end the financial year on a break-even position
- The criteria for Good Financial health would be met
- Cash balances were positive and remained above liquidity thresholds for the forecast period (to 31 July 2023)
The ABC performance indicators were showing the 16-18 outcome to be below target, and this was due to the adverse variances in Catering and Transport, both of which were fully allocated to the 16-18 programme
- Premises running costs were expected to exceed budget by at least £160,000, including energy costs and cleaning/COVID safe consumables

Governor Questions

Q. Had the budget been based on 25% new Apprenticeship starts?

A. It was confirmed that it had

Q. Did the projected surplus include the use of contingencies?

A. This was included in the forecast

Q. How did transport costs compare to the original budget forecast?

A. Bus income was £100,000 below target and as there had been a low take up of bus passes and rebates had to be offered to some students due to the blended learning timetable for A Level students

RESOLVED:

That the management accounts be received and noted.

4.1 Catering Financial Outlook

The following update was provided by the Director of Finance:

- Catering income had been highlighted as high risk in the 2020/21 financial forecasts due to the impact of Covid
- A deficit of £146,000 was anticipated for the 2020/21 academic year, and was £99,000 less than the 'risk value' of £245,000 included in the budget plans
- Staff remained on furlough in August, returning to normal working conditions from 1st September
- A job retention payment of £36,000 is payable if all staff remain employed until January 2021
- 5 members of staff had agreed to temporarily transfer to the cleaning team
- A further substantial closure to the College campus would cause the deficit to increase by c.£7,500 per week
- Management had agreed not to undertake a formal re-organisation at this stage

Governor Questions

Q. Had any calculation been undertaken on staff that could be furloughed under the new arrangements?

A. This had not been done yet but the proportion of staff that could be furloughed would be lower as free College meals would still need to be provided to eligible students

Q. Had there been a reduction in income in the staff lounge?

A. The staff lounge was currently closed

Q. Was there a way of avoiding food waste and making use of excess food by providing a service to the Community?

A. Any excess food was distributed to students who were independent livers at the end of each week

The Committee agreed that there was a need to mitigate the cost impact in the short term and that a more pro-active approach needed to be taken.

The Chair requested that the Director of Finance provided a briefing paper for Governors on mitigating actions and how the situation was to be managed.

ACTION:

Director of Finance

The Chair suggested that one option was for service delivery companies to provide catering in future and suggested that a working group was set up by management to consider the different offers / catering models.

5. STAFF PAY AWARD

Discussed under Reserved Business.

6. AUDIT FINDINGS REPORT

The Committee considered and noted the report.

7. FINANCIAL STATEMENTS AND REGULARITY AUDIT

7.1 Representation Letter 2019/2020

The Committee reviewed the letter and **Agreed** that, insofar as it relates to the Committee's remit, the Representation Letter be agreed for formal presentation to the Corporation for signing.

8. REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2020

The Director of Finance presented the Report and Financial Statements for the year ended 31 July 2020, and the following matters were brought to the Committee's attention:

- The College had achieved a small budget surplus for 2019/20, with a final outturn of £52,000
- The year end results met the ESFA criteria for "Good" financial health
- One actual audit adjustment was made following the RSM audit process
- Two minor control points had been highlighted in the RSM management letter
- The LGPS pension deficit, as reported through FRS102 pension disclosures, had increased by £8.5m in the year
- Whilst raised as a concern, it should be noted that FRS102 pension costs were excluded from bank covenant compliance calculations

Governor Questions

Q. Did any additional action need to be taken as a result of the increased deficit?

A. Not at the present time as this was not considered by the ESFA when determining College financial health

RESOLVED:

The Committee agreed:

- To confirm to the Corporation Board their opinion that the College is, and continues to be, a 'going concern'
- That the Report and Financial Statements for the year ended 31 July 2020 were endorsed for approval by the Corporation Board

9. INSURANCES

The Director of Finance presented the report and it was noted that the insurance contract had been awarded to Zurich Insurance Plc in August 2019, for a three- year agreement, with the option to extend for a further two years if agreed. Some claims had been made in the last academic year in relation to trip cancellations.

Governors suggested that College investigated whether the financial impact of Covid was covered within the business interruption element of the policy and if there was a possibility of a reduction in insurance premiums due to less occupancy on the campus.

ACTION:

Director of Finance to investigate

10. 10 YEAR FACILITIES PLAN

The Director of Estates & Facilities presented the plan and explained that:

- The financial outlook for the foreseeable future restricted the College's ability to progress some projects
- Decisions regarding property development were often made in a relatively small timeframe, as they were dependent upon external funding opportunities and associated deadlines
- Growth in capacity was not anticipated in the next 10 years, unless some substantial external grant funding was provided specifically for a demographic need

Governors commented that the plan needed to be reviewed again in view of the current circumstances and it may be useful to have projects in hand which could be implemented quickly should external funding become available.

The Director of Estates & Facilities advised that in some cases, a substantial financial investment was required in order to ensure that projects were ready.

RESOLVED:

The Committee noted the report and recommended that the property strategy was discussed further at the January strategy meeting

11. AOC FINANCE MASTERCLASSES

The Head of Governance reported that several Governors had expressed an interest in attending the masterclasses and a decision would need to be made on which members attended specific sessions.

RESOLVED:

Following a discussion, it was agreed that this was delegated to the Chair of the Board, Chair of Finance and Head of Governance

12. RISK REGISTER OCTOBER 2020

The Director of Finance presented the Risk Register October 2020 and the risk register updates and it was noted that over 60% of the risks were finance related.

Governor Questions

Q. What additional safeguards had been put in place to prevent cyber-attacks?

A. Advice and recommendations from JISC had been taken up and new firewalls had been installed to improve the cyber security level

Q. Had the medium to long term impact of Covid been recognised on the risk register?

A. It had been included on the register

A Governor suggested that any penetration testing included remote / home working

ACTION:

Director of Facilities

13. ANNUAL SUSTAINABILITY REPORT 2018/2019

The Director of Estates & Facilities presented the annual report on sustainability. The report contained summary data on energy and water consumption and waste and re-cycling volumes over the period.

It was noted that:

- The report needed to be considered in light of the COVID-19 pandemic outbreak, as the College was substantially closed from April to August 2020
- This had affected many of the annual KPIs, often showing a dramatic improvement in many cases
- There had been underlining continual improvements towards achieving the goals for sustainability strategies and carbon footprint reduction in several areas, with continued substantial long-term investment in low carbon programmes

- The Carbon footprint had reduced by 63.32% against a 2020 target of 34% from the 2005 baseline
- Total energy usage had decreased by 16%
- There had been a decrease in total actual energy costs by £95,520 to £235,711
- The strategy was to plan for the new 2050 target of zero carbon, from baseline data
- New systems and technology would be a key driver in meeting the target

14. STUDENT COUNCIL FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2020

The Director of Finance presented the Student Council Financial Statements for the year ended 31 July 2020 in accordance with the requirements of the Articles of Government.

RESOLVED:

The Committee received and noted the Student Council Financial Statements for the year ended 31 July 2020 on behalf of the Corporation Board.

15. STRATEGIC PLAN 2019/20 MONITORING REPORTS

The Committee considered and noted the monitoring reports which set out key actions required to meet targets contained in the Strategic Plan and indicated progress to date with them.

The following points were noted:

14.1 Chapter 5 – Marketing, Recruitment & Business Development

- College had successfully managed to pivot the open evening to an online event following the announcement of further Government lockdown restrictions
- Campus tours were being offered most evenings to prospective students via a booking system and had been very well received

14.2 Chapter 11- IT Services & Print Shop

- Office 365 had been rolled out to all Teaching & Management laptops, as well as several high use student areas

14.3 Chapter 12 – Health & Safety and Sustainability

- Good progress was being made in all areas. 100 additional projects had been completed in 16 days following receipt of ESFA grant funding

The Committee thanked the Director of Estates and Facilities for the excellent work that he had undertaken in managing the completion of the additional projects.

14.4 Chapter 13 – Administration, Transport and Exams

- The Autumn term has been challenging due to COVID related absences, however, despite this, all key processes had been completed

Warren Middleton left the meeting at this point.

14.5 Chapter 14 – Finance & Risk Management

- All actions were currently on track to be achieved

- Risks in relation to the COVID pandemic continued to be monitored on a regular basis (including financial impact)

14.6 Chapter 15 – Catering

- Catering income had been impacted by the reduced number of students on campus. All other actions were on track to be completed.

16. BANK MANDATE / SIGNATURE LIST

RESOLVED:

The Committee considered and approved the revisions to the bank mandate list.

17. POLICY REVIEW

17.1 Procurement

Governors considered the amendments that were proposed to the policy and agreed that the reference to the Finance Director reviewing high value orders was removed as approval of high value orders was included within the financial regulations.

RESOLVED:

The Committee approved the Procurement policy subject to the amendments proposed.

17.2 Value for Money

The Director of Finance advised that minor changes were being proposed to the policy.

The Chair suggested that it was good practice to provide an annual Value for Money report and the Committee agreed that this was included in the policy.

ACTION:

Director of Finance

RESOLVED:

The Committee approved the Value for Money policy subject to the amendments proposed.

18. FINANCE COMMITTEE

17.1 Committee Terms of Reference

The Head of Governance proposed a minor amendment to the Terms of Reference to ensure consistency with the amended financial regulations.

RESOLVED:

The Committee approved the amendment to the Terms of Reference and agreed that they were recommended to the Board for endorsement.

17.2 Committee Performance Review

The Committee completed the self-assessment exercise the results of which would be used to assess the Committee's performance and promote continuous improvement.

18. GOVERNANCE IMPACT STATEMENT

- Amendments agreed to the Financial regulations to ensure consistency and streamline the process
- Governor advice on business interruption cover and insurance premiums
- Governor suggestions on the catering provision
- Suggestion that IT penetration testing should include remote working
- Governor guidance regarding the property strategy
- Amendments suggested to Value for Money Policy
- Approval of the bank mandate and policies ensures that Governors are fulfilling their statutory responsibilities

19. DATE OF NEXT MEETING

Monday 15th March 2021 at 6.00pm

It was noted that this was Ken Lee's last meeting. The Committee led by the Chair thanked him for his service and outstanding contribution to the work of the Board and the Finance Committee. Governors had appreciated his wisdom, insight and thoughtful suggestions and the support that he had provided to new members of the Committee.