

PRESENT:

Jacqui Chatwood (Chair), Simon Partington, 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), Clare Russell (Principal Designate), Fatema Hussein (Head of Governance), Pauline Odulinski (Observer)

Meeting Commenced: 6.00pm

Meeting Closed: 8.15pm

Attendance: 100%

1. APOLOGIES

Pauline Odulinski was welcomed and introduced to the meeting.

Clare Russell was welcomed to the meeting as Principal Designate.

Ken Lee had advised that he may be delayed.

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

There were no declarations made.

3. MINUTES OF THE MEETING HELD ON 16TH MARCH 2020

3.1 Approval of the Minutes

Agreed that: the minutes are signed 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.

Monthly Cash Flow Forecast

The Committee had noted that the cash balance had fallen below the £3 million target in March. However, this was due to the seasonality of payments and had been discussed at the last Finance Committee meeting.

The Chair requested that the Financial Regulations review was included on the agenda for the November meeting.

ACTION:

Finance Director / Head of Governance

4. MONTHLY MANAGEMENT ACCOUNTS TO 31 MAY 2020

The Director of Finance presented the report for the month ending 31 May 2020 and the following points were noted:

- College was forecasting a year-end surplus of £180,000
- There was a £500,000 overall shortfall in income
- Good financial health status would be maintained with no concerns regarding liquidity or cash flow

Governor Questions

Q. How confident was management that the predicted level of savings could be achieved?

A. College was comfortable that this target could be met and there was some additional flexibility within the budget to achieve this

Q. Had the income received from the furlough scheme been included in the accounts?

A. £66,000 had been received as at the end of May and had been included within the management accounts

Q. What had been the impact of transport costs on the budget?

A. A saving of £232,000 had been made against the contract, but £285,000 had been paid in refunds to students resulting in a net cost of £53,000 to the College. Negotiations were underway for next year and a contract variation notice had been issued to the bus companies last week. The College was unlikely to achieve a similar level of savings next year

Q. Had the break clauses in the contract been reviewed?

A. Legal advice had been sought and received in relation to the contract

Q. What would the £200,000 discretionary spend on Covid costs be used for?

A. This was primarily for IT resources to enable staff to work from home on a more permanent basis

4.1 ESFA Letter

The Committee received and noted the letter from the ESFA which confirmed the College's "Good" financial health rating for the 2018/19 financial year

5. BANK COVENANTS UPDATE

The Director of Finance reported that:

- A request to vary the Barclays bank covenant from 1.75 to 1 had been submitted on 21 May
- Formal approval was being awaited but College was optimistic that Barclays would agree to the variation
- The external auditors had agreed that they would accept email confirmation from the bank for the preparation of the year-end accounts
- The variation would also require Board approval
- College was hoping to receive the decision by the end of June

Governor Questions

Q. Could supplier payments be temporarily withheld if the variation was not approved?

A. College would need to hold back £350,000 in order to meet the existing covenant

Q. Had consideration been given to deferring VAT payments to aid with meeting the covenant?

A. This had been discussed but College did not have a large VAT bill

ACTION:

Finance Director to keep Committee informed of progress with the application

6. REVIEW OF MONTHLY CASH FLOW PARAMETERS

It was noted that a review had been undertaken and information on this included within the Treasury Management policy.

The Committee agreed to discuss this under Item 8.2

7. 2020 / 2021 BUDGET & FINANCIAL PLANNING

The Director of Finance presented the 2020/2021 budget and financial planning assumptions and explained that:

- The budget had been presented in a slightly different format due to a change in ESFA reporting requirements
- A surplus of £100,000 was forecast for the next financial year
- Due to the current situation re Covid, it would not be possible to meet the road map targets
- A £633,000 deficit in income was forecast for the next year with H.E. income the biggest risk
- Apprenticeship income was forecast to reduce by 50%
- The proposed budget would ensure that Good financial status was maintained
- The risk to catering income was high due to a lower number of students on campus at any one time
- There was no provision for a pay award as it would be dependent on enrolments in September
- A contingency provision of £500,000 had been included
- Transport costs were high risk due to the uncertainty of the take up rate for the bus service
- £949,000 of income could be at risk next year
- £1million had been allocated to capital spend which was mostly IT related
- £100,000 had been allocated to other miscellaneous capital, which would include other premises related costs.
- A breakdown of curriculum costs and course contribution had been provided in the budget papers
- English and Modern Foreign languages were the lowest contributing courses due to small class sizes

The Committee thanked the Finance Director for the comprehensive information that had been submitted on the draft budget.

Governor Questions

Q. What was the College's assumption regarding the length of time that apprenticeship income would dip for?

A. It had been assumed that new starts would be 50% lower than pre Covid but that this would recover in the second half of the year

Q. Had redundancies been considered?

A. They had not been ruled out but College wanted to see if the situation recovered

Q. What was the rationale for continuing with courses that had a low contribution?

A. The decision was related to the strategic objectives of the College and whether it met the needs of the local community. The College had decided to offer the Foundation Studies and skills course as there was no other substantive provision in the area, despite it being very high cost. However, College had previously discontinued individual courses if there was insufficient demand and alternatives were available to students in the local area

Q. At what point would the College frustrate the contract with the bus company?

A. Legal advice had been sought concerning the contract. It was a fixed term contract of three years and there would be no tie in after next year

Q. What was the College doing to lobby the Government to offer additional support with regard to the risks re Covid?

A. The Sixth Form Colleges Association had been doing this on behalf of Colleges

Q. Should a pay award have been included in the budget?

A. This was the first time that a pay award had not been proposed and was due to the uncertainty that the College faced at the present time. However, no reductions in head count had been planned for next year

Q. Had any funding been allocated for additional safety equipment within the budget?

A. College would require additional PPE and sanitisation equipment and this had been included within the additional £100,000

Q. Was College being overoptimistic regarding apprenticeship income in light of the current economic climate and the impact that Covid was likely to have on the economy?

A. Apprentices that had been furloughed had been allowed to carry on training, and the drop off may be lower. The situation would be reviewed again at the end of July and a revised forecast produced.

Q. What would be the impact on the budget if Apprenticeship starts were projected to be 25% instead of 50%?

A. This would result in a break even budget

In response to a question from the Chair, Committee members confirmed that they were content with how the risks had been determined and were supportive of the assumptions that had been made.

Ken Lee joined the meeting at this point.

RESOLVED:

Following discussion and debate, the Committee agreed that it would be prudent to prepare an alternative budget scenario to take account of the anticipated economic downturn and the impact this could have on the number of Apprenticeship starts.

It was **Agreed** that the following budget scenarios were presented to the Board for consideration and approval:

- Scenario A – 50% Apprenticeship starts and a projected year-end surplus of £180,000
- Scenario B – 25% Apprenticeship starts and a break even position at the year end

ACTION:

- Finance Director to prepare two different budget scenarios to submit to the Board
- Head of Governance /Board Agenda

8. POLICIES

8.1 Fees

RESOLVED:

The Committee reviewed the minor changes that were proposed and **Agreed** that the Fees policy was recommended to the Board for approval.

ACTION:

Head of Governance / Board Agenda

8.2 Treasury Management

The Director of Finance explained that:

- The objective was to maintain adequate, but not excessive liquidity
- A minimum cash balance of £3m was considered sufficient to cover the risk to “variable” income
- This was the proposed threshold for the 2020-22 budget and forecast period with the exception of February and March where the balance could fall to £2.5 million due to seasonal fluctuations in income and payment schedules

Governor Questions

Q. How much cash did College have on deposit in any one account?

A. No more than £1million in each account even though the policy allowed for up to 50% of total cash to be held in one account

A Governor suggested that the Committee monitored the bank credit ratings to ensure that College had spread the risk evenly.

RESOLVED:

The Committee approved the Treasury Management Policy but agreed that the risk spread / credit exposure was reviewed within the next four weeks to ascertain if it was still fit for purpose.

ACTION:

- Finance Director to review current and past practice re credit exposure and report back to Committee
- Finance Director to seek Committee approval to amend the policy if necessary to do so
- Chair of Finance Committee to highlight the current credit exposure to the Board

9. 2019/20 PROCUREMENT REPORT

The Director of Finance presented the report which detailed the key procurement activities that had been undertaken in the last 12 months and the savings that had been made.

The Chair suggested that it would be useful for the Committee to be provided with a list of all suppliers with whom College had spent more than £100,000 in a single year.

ACTION:

Finance Director to include in future reports

10. RISK REGISTER MAY 2020

The Committee reviewed and noted the relevant section of the Risk Register and the risk register updates. It was noted that there were 9 high priority risks under the remit of the Finance Committee, and all were being addressed.

Governor Questions

Q. What additional measures were in place to reduce a GDPR breach now that staff were working from home?

A. Guidance was being provided via regular updates in the staff bulletin as well as the provision of online training

Q. What controls were in place to prevent the download and printing of sensitive data?

A. Staff who were logged on to the system via remote desktop were not able to download or print any information. College did not allow any data to be downloaded onto USB sticks

Governors agreed that it would be beneficial for staff to be reminded of this again.

Q. Did some of the minor risks need to be taken off if there were mitigating actions in place?

A. This could be considered

ACTION:

- Director of Finance to review risk register and remove risks where mitigating actions were in place
- Management to consider reminding staff about data security and how to prevent GDPR breaches

9. STRATEGIC PLAN 2018/19 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:

8.3 Chapter 5 – Marketing, Recruitment & Business Development

- All items were on track with no issues to highlight to the Committee.

8.4 Chapter 11- IT Services & Print Shop

- Some projects were on hold due to the availability of Capital, and this included the Wi-Fi Refresh at the Leyland campus, and the Wide-Format Print Refresh.

8.5 Chapter 12 – Health & Safety and Sustainability

- COVID-19 would affect some of the annual calculations, especially around energy usage and carbon footprint

- The boilers in the Tyndale/Ferndale building were to be replaced over the summer

9.4 Chapter 13 – Administration, Transport and Exams

- With the exception of the transport budget, all items were on track with no issues to highlight to the Committee.

9.5 Chapter 14 – Finance & Risk Management

- The financial KPI's were not on track due to the current circumstances.

9.6 Chapter 15 – Catering

- The targets for catering income would not be met due to the College closure.

11. GOVERNANCE IMPACT STATEMENT

- Discussion of 2020/21 budget and suggestion to provide an alternative budget scenario
- Consideration of Treasury Management Policy and suggestion to review the credit and risk exposure
- Suggestions that staff are reminded of GDPR requirements whilst working remotely and how to prevent data breaches
- Suggestion to review the risk register with regard to minor risks

12. DATE OF NEXT MEETING

Monday 16th November 2020 at 6.00pm

The Chair thanked Pauline Odulinski for her attendance at the meeting and looked forward to receiving her feedback.

It was noted that this was the Principal's last meeting and the Committee led by the Chair thanked him for his support and co-operation and agreed that he would be missed.

The Principal thanked all Governors and Co-opted members and stated that the College had benefitted greatly from their support, challenge and encouragement. He also thanked the Director of Finance and the Director of Facilities for all their hard work in ensuring that the Committee received all relevant information in a timely manner.