

Minutes of a meeting of Finance & Estates Committee Held at the College at 4pm on 21 September 2020

Present: Max Craft (joined at 4.45pm), Robin Dickens (left at 5pm), Tim Mason & Paul Quigley (Chair).

Apologies: None

In Attendance: Denise Cheng-Carter Interim Chief Finance Officer
Martin Doel Interim Chair of Corporation
Craig Minter Director Employer & Commercial Services
Paola Schweitzer Clerk to the Corporation
Penny Wycherley Interim Principal

M i n u t e s

1 – Standing Items

27 Apologies for Absence

There were no apologies for absence.

28 Membership

There were no membership issues.

29 Declarations of Interest

Robin declared an interest in that the company where he worked, Lambert Smith Hampton, acted as valuers for the Northarbour estate. Paola **Agreed** to resend his Declaration of Interest form to ensure the information was up to date.

30 Minutes

The minutes and confidential minutes of the meeting held on 23 June 2020 were **Agreed** as a correct record and will be signed by the Chair.

2 – Matters for Discussion & Decision

31 Covid-19 update with particular reference to College finance

Recruitment was looking promising despite Covid-19, with approximately 100 extra 16-18 years students and 165 apprentices already/in the process of signing up (against a target of 167). A January intake was built into the curriculum plan. Penny noted that 80% of the College's provision fell within the city's defined skills priority areas; an exceptionally high figure demonstrating the College was meeting local skills needs. In response to a question, Penny stated that the Tower contractors had worked hard to finish their work early so that classrooms could be brought back into use to support the College's social distancing requirements.

32 Finance & Estates Risk Register

Penny presented the Finance & Estates risk register (paper 2697/20/F&E) noting that there hadn't been any significant changes to the risks identified. She noted that the College had a separate Covid-19 risk register. Risks included poor management of cashflow, major failure/misuse of IT systems and weak financial management. Members **Noted** the Finance & Estates Risk Register.

33 Management Accounts 2019/20 (paper 2698/20/F&E)

Denise presented management accounts for the twelve months ending 31 July 2020. The College Group (comprising Highbury College, Highbury College Apprenticeships (Birmingham) Limited and its share of the Saudi Arabian Joint Venture) was reporting a deficit of £308k compared with the year's budgeted surplus of £49k. This was after the dividend income of £1,368k relating to the Saudi Joint Venture. The accounts would be subject to a year-end financial statement audit shortly and Denise would advise the Committee accordingly. ~~QAn~~other key points included:

- 16-18 years: Actual learner numbers 1299 against an allocation of 1238. This over delivery had not impacted on this year's financial outturn (due to the lagged funding model). The allocation for 2020/21 was 1300.
- 19+ years: Latest ESFA guidance indicated there would be no clawback unless delivery was significantly below allocation. The College was over 80% ~~over-of~~ allocation so did not envisage being subject to clawback.
- Apprenticeships: Both 16-18 and 19+ income had ended the year below the revised forecast by £164k.
- JV Saudi: Total income of £1,481k.
- Operating deficit as a percentage of income -1.7%, against revised forecast of -5.3%.
- Cash days in hand: 26 days against forecast of 13 days
- Assessment of the financial health grade of the College, based on this year-end outturn, *Requires Improvement*.

There was a discussion about the £350k bad debts that were unrecoverable and had been written off. Denise stated that some of these debts were from individual students and dated back several years. Paul noted that this was a large sum of money and suggested the financial regulations be updated to ensure the same situation couldn't happen again. Denise confirmed that the College was tightening its debt collection procedures and making changes for example to collect payment over a shorter timeframe and before a student's course ended. Members **Noted** the management accounts 2019/20.

34 Budget for 2020/21 (paper 2699/20/F&E)

The report outlined the financial assumptions on which the 2020/21 budget had been prepared and focused on income generation and cost reduction. It reflected the College's strategic objectives and had been set on challenging but achievable targets. It would require close monitoring, tracking and risk management and would be reforecast in period 4, 6 and above. Key points to note were:

- Aim of achieving operating deficit of £59k
- Operating deficit as a percentage of income – 0.4%
- Pay as a % of income: 64.4%
- Non pay as a % of income: 42.0%
- Net current liability: -£1,340k
- Cash days in hand: 13

- Bank covenants could be met with repayment of Handelsbanken loan (June 2021)

Denise had checked this budget with most budget holders and had not had any negative feedback to date, with all welcoming the opportunity to own their budget. In future, the accounts would be presented alongside the budget so that it would be possible to see the contribution (or otherwise) of each area of College activity. Paul noted that the concerns he expressed in July had been resolved and that he was pleased with how the budget had been put together. The budget had already been submitted to the ESFA but had subsequently been updated. The Committee **Agreed** to ~~ratify~~ ~~rectify~~ Chair's action on the approval and submission of the budget to the ESFA for 2020/21.

35 Review of Financial Regulations

Denise presented the annual review of financial regulations (paper 2700/20/F&E). Various updates had been made including changed job titles within the College (e.g. changing Group Finance Director to Chief Finance Officer and College Accountant to Head of Finance), updated Committee Terms of Reference and inclusion of ~~P~~Principal, CFO and budget holders/other staff responsibilities.

Members agreed with the updates and **Agreed** to recommend the revised Financial Regulations to Corporation for approval.

36 Subcontracting Report

Denise presented paper 2701/20/F&E outlining the current position of subcontracting within the College. At present there were two subcontractors: Pompey in the Community and Everything Training Company and there was likely to be a subcontract with the NHS in 2020/21. Members noted that there was not College strategy on subcontracting (the ESFA did not require such a policy) but this was under review. After a brief discussion, members **Agreed** to recommend to Corporation the following subcontractors for 2020/21: Pompey in the Community and the NHS.

37 Annual Report on Insurance paper 2702/20/F&E

Denise presented the College's insurance portfolio which, under the College's Financial Regulations, needed to be considered and approved annually by the Committee. The College was part of the Hampshire Colleges Consortium for Insurance, a group of 10 Hampshire FE colleges, which had policies with Zurich Municipal. Policies were due to expire on 31 July 2021 and all areas including those not currently covered, would be reviewed. Denise would also shortly review outstanding claims with Zurich. Governors supported this review. One governor asked about the possibility of getting Covid-19 insurance, but another didn't believe such cover was now available.

Denise proposed that governors' liability be increased to £10m, at an additional cost of £1.5k excluding tax and governors supported this proposal, particularly in light of the Northarbour lease. Paul clarified that governors would not be covered if they were deliberately negligent. Governors **Approved** the College's insurance portfolio and the proposal that governors' liability be increased to £10m.

Minutes 38 and 39 were confidential.

The meeting ended 5.15pm

