

**EASTLEIGH COLLEGE BOARD
FINANCE & GENERAL PURPOSES COMMITTEE
MINUTES OF MEETING HELD ON WEDNESDAY 19 NOVEMBER 2014, 1700 HRS,
THE RED CARPET RESTAURANT**

Present:

Mr Paul Quigley (Chair)
Mr Steve Johnson
Miss Shirley Nellthorpe

In attendance:

Mr Rob Jarvis	Finance Director
Mr Nick Sabin	Finance Manager
Mrs Katy Quinn	Deputy Chief Executive (Teaching and Learning)
Dr Chris Davis	Clerk to the Board (minutes)

F.16.14 GOVERNORS' MEETING TIME WITHOUT SMT

F.17.14 COMMITTEE MATTERS

i Apologies

Apologies were received from Dr Jan Edrich.

ii Declaration of interests

There were no declarations of interests made by those present, financial or otherwise, in any item on the agenda.

iii Minutes of last meeting

The minutes of the meeting held on 18 June 2014 were agreed and signed.

iv Matters arising

As requested at the previous meeting Mr Jarvis updated the Committee on progress against the critical success factors in the budget. The College forecast outturn staff costs were 67% of income compared to a budget of 66%. ECTA 16-18 apprenticeships delivery is likely to slightly exceed the budget of £880k. ECTA 19+ apprenticeships are however expected to be under budget by £250k, which will be moved to the partnership. Assessment Centre income at the end of October (month 3) was £717k against a full year budget of £1.75m, the forecast outturn remains in line with Budget at £1.75m.

v Review operation of Committee

The Clerk highlighted the fact that the Chief Executive's title had now been changed to Chief Executive and Principal and that the Committee's terms of reference would now need to be altered to reflect this change.

It was agreed

To recommend the operation, including the terms of reference, for Finance & General Purposes Committee to the Board for approval.

Action: PQ/ChD

F.18.14 GOVERNORS' MONTHLY REPORT

i Financial aspects

Mr Jarvis reported on the College's results to date. The forecast year-end outturn Historic Cost Surplus was now £152k. SFA income at the end of October (month 2) was an estimate because of difficulties with the new SFA FIS software. This situation has however now been resolved and a set of management accounts being produced for November will be based on actual SFA funding utilisation. Mr Jarvis stated that the College's current cash and short term investment balance was £4m and that the forecast closing cash position for the year is £2.5m. Mr Jarvis emphasised the need to meet our income targets if the College is to achieve a surplus,

Mr Johnson raised an issue regarding reporting a process of 'opportunities and vulnerabilities' (O&Vs). Although the College has a very good risk system, which identifies risks in business, it does not have an equivalent process to identify opportunities to improve the financial performance, which he said was standard practise in the business world. Mr Jarvis confirmed that the College is always extremely proactive in identifying new business opportunities, which could benefit the financial performance of the College. Mr Johnson understood this but felt that the opportunities being explored should be reported to Governors. Mr Jarvis said that he was happy to comment in the management accounts on exactly what opportunities were being pursued.

Action: RJ

ii Safeguarding updates

Governors noted that a small number of 19+ applicants had been rejected due to potential safeguarding issues. Mr Jarvis also made Governors aware that one student had been refused a place because of a criminal conviction disclosure with regard to safeguarding concerns.

Mr Jarvis also stated that the FE sector would with almost immediate effect be required to have in place robust procedures for preventing the radicalization amongst the student population. The College is developing a procedure from the advice and guidance currently available.

Mrs Nellthorpe mentioned a recent conference she had been to which discussed the new common Ofsted inspection framework, which now has the area of safeguarding being inspected separately in light of the 'Trojan Horse' outcomes in Birmingham. There will be an expectation that Governors would need to have a real understanding of safeguarding within the College.

iii Equality and diversity updates

Mr Jarvis reported that at the start of the year a tremendous emphasis had been placed on imbedding good classroom working practices, which included recognising diversity within the College and establishing ground rules for new learners.

In terms of the performance data for students of different diverse origins, which is currently being analysed, this will go to the Standards Committee and then to the full Board for approval. Mrs Quinn reported that generally different groups of learners perform equally well across the College. There are however small pockets of BME groups who are struggling. There are relatively small numbers involved, which can distort the data, however there is further work needed to understand why these groups are perhaps not performing as well as others. Some of these issues are within partner provision and may not be truly representative of the other groups within the College.

Governors noted the Financial aspects, Safeguarding and Equality and Diversity updates in the Governors' Monthly Report, August/September 2014.

F.19.14 PROPERTY STRATEGY UPDATE

i College House Project – Outturn

Mr Sabin reported that the completed new build at College House is very impressive. From

a financial point a view it was completed on time and on budget with a final outturn of £649k. The facilities will be ready for use in January 2015.

Mrs Quinn said that she was immensely impressed with the facilities at College house and that a great deal of thought now needed to go into exploring how the College was to utilize the facilities and develop opportunities on the site.

Mr Quigley asked if there were significant income generation opportunities available. Mr Jarvis reported that there were and that the College hoped to attract more students with learning difficulties, together with NEETS from the Winchester area. There was also an opportunity for more full cost work. Mrs Quinn said that in the long term there was a need to grow the College's reputation in this area and liaise more closely with Hampshire County Council. In the short term it will need more time to identify the full potential of the facilities available.

Governors noted the College House Study Centre Project Outturn.

ii Refectory Roof and Refurbishment Project – Outturn

Mr Sabin reported that the new Refectory Roof and refurbishment project was completed on time and within the budget of £823k.

Governors noted the Refectory Roof and Refurbishment Project - Outturn.

iii Major Redevelopment Project – Update

Mr Jarvis reported that a full business case for the Government Local Growth Fund Grant had been submitted to the Solent LEP on the 14 November 2014 and will be considered in detail prior to final grant confirmation. There will be a meeting with the LEP in early December and it is hoped that final grant confirmation will be received in January 2015. Mr Jarvis went onto say that he had formally approached four banks as to their willingness to tender for funding. Of the four, two banks Barclays and Lloyds have responded positively.

A presentation to EBC's local area committee is taking place on the 25 November 2014. (Post meeting note: The Local Area Committee were very supportive of the College's plans. The College is now targeting the EBC planning Committee meeting scheduled for the beginning of March with an outline planning application covering all elements of the Redevelopment Project)

Mr Jarvis stated that a professional property valuation of both the Desborough and Cranbury sites had been carried out placing a conservative total valuation of £1.35m on the two sites.

Mr Jarvis went on to report that Robson Low Francis has been appointed as cost managers and Richard Hopkinson Architects have been appointed to support the College in finalising the planning application. Gleeds have been appointed Health and Safety Co-ordinators.

Mr Johnson asked what the time scale was for getting the loans in place. Mr Jarvis said that the College would tender for a loan as soon as the College gets final grant approval in January 2015.

Governors noted progress on the Major Redevelopment Project.

F.20.14 TO APPROVE

i Whistleblowing Procedure

Mr Jarvis informed the meeting that there had been only minor amendments to the Whistleblowing procedure, to improve clarity.

Mr Johnson had concerns that the procedure would bring about a big imposition on the Clerk with regard to making decisions regarding an employees concerns or complaint. Mr

Jarvis stated that in reality the Clerk was free to seek support from SMT members if he felt it necessary. Mr Jarvis said that perhaps the wording needed to be strengthened to reflect this in the procedure.

Action: RJ

Governors approved the amended Whistleblowing Procedure.

ii Parental Care and Statutory Flexible Working Procedure

Mr Jarvis reported that the procedure had been amended due to changes in legislation. A lengthy discussion followed exploring the changes to the legislation and the Colleges procedural updates.

Mr Johnson brought the Committee's attention to two points. He thought that the document was 'heavy going' and suggested that a summary table ought to be produced. After discussion the Committee decided not to pursue this as producing a summary could leave important legal advice out.

Mr Johnson made the committee aware that items 4.3 and 4.5 of the procedure were duplicated and needed amending. Mr Jarvis said that he would amend this.

Action: RJ

Governors approved the Parental Care and Statutory Flexible Working Procedure.

iii College Banking and Insurance Arrangements.

Mr Jarvis recommended that the existing banking arrangements should continue as the agreement with Barclays bank provides that the College does not pay bank charges, (with the exception of some specific matters which incur a small fee). Governors concurred with this recommendation.

Mr Sabin advised that the College's insurances are arranged via a Hampshire college consortium. The previous contract ended in July 2014 and the consortium appointed an independent advisor Risk2Value to manage tendering to appoint a broker and insurers for 2014/15. Of the four of the CPC Framework providers only ZMI offered a stand-alone service, scoring highly in policy cover whilst also providing a considerable saving in terms of premium. Consequently ZMI were chosen and all insurable risks are placed with them under a three year agreement. Premiums represent a £7k saving on the previous year.

Mr Sabin pointed out that the College had previously decided not to take out any Terrorism insurance due to premium of levels and the feeling that the risk was low. The quote this year for Terrorism cover has come in at £6.5k and he felt that with the terrorism risk level arguably increasing that this may be something the committee would need to reconsider. Mr Quigley suggested that the committee take this matter to the full Board for their opinion and approval. All members of the Committee agreed this suggestion.

Action: ChD

- a) Governors approved the continuation of the College's banking arrangements.
- b) Governors approved the continuation of the College's Insurance arrangements (subject to taking the issue of taking out Terrorism cover to the Full Board for decision).
- c) Governors reviewed the schedule of insurance.

F.21.14 TO RECEIVE

i Sub-Contractor Working Strategy (previously Partnership Working Strategy) (for approval by the Board)

Mr Jarvis said that some of the wording in the strategy has been updated to more accurately reflect the activities undertaken by the College's sub-contractor operation.

The Governors reviewed the Sub-Contractor Working Strategy and recommended to the Board for approval.

ii Sub-Contractor Contract Values

Mr Jarvis reported that the contract values currently approved are about to be reviewed

because we have transferred more allocation from internal delivery to the partnership. The College has also received a small up-lift in our allocation from the SFA. The updated schedule will be available for the full Board meeting on the 10 December 2014.

Mr Johnson requested that the original budgets should be included within the report.

Action: RJ

Governors noted the 2014/15 Contract Values.

iii SFA Response to College Financial Plan 2014 – 16

Mr Jarvis stated that it is an SFA requirement that he inform Governors of the SFA's comments on the College's financial plans. The letter from the SFA of the 1 October 2014 concluded that the appropriate assessment grade is 'Satisfactory' for 2013/14 actual financial outturn and 'Good' for 2014/15 (the current budget year). He went on to say that the SFA now requires the College to submit its latest management accounts and cash flow forecast monthly.

Governors noted the SFA Response to the College Financial Plan 2014 - 16.

iv Financial Statements for 2013/14

The Financial Statements were provided for Governors in the agenda papers in their entirety. Mr Jarvis drew Governors' attention to the summary report and focused on the operating deficit of £621k. He commented that the deficit was incurred after charging £290k for restructuring costs and £137k for exceptional refinancing costs. The underlying deficit was therefore £194k. Mr Jarvis commented that action had been taken to address the deficit situation going forward, with support staff costs having been reduced by in excess of £600k per annum and by teaching staff contact hours being increased from 800hrs to 850hrs.

Mr Jarvis went on to explain that capital expenditure (net of grants) of only £399k, appeared low, but was due to the timing grant income and the fact that the College had two significant building projects on site in the summer which straddled the year end. Long term loans at the year-end totalled £3.8m, this comprised the Lloyds loan that financed the previous major redevelopment project together with a small £250k Barclays loan for the construction of E Block.

Mr Johnson made the committee aware of several points; the first being that there was a date error at the top of column 4 on page 44, the financial statements summary report. Mr Johnson also pointed out that no comparative year figures had been provided in the summary report. Mr Jarvis said he would ensure that these points were amended.

Mr Johnson queried that total Funding Body Grant Income, Note 2 of the Financial Statements, did not tie up with the College's EFA & SFA funding total, as described in the narrative of the Operating & Financial Review as 'the College's main source of income'. Mr Sabin explained that the difference was the £76k received from HEFCE. Mr Jarvis agreed to include the HEFCE funding in the major sources of income note.

Mr Johnson asked whether the auditors had changed the wording in their Independent Auditors statements that appear within the College's Financial Statements. There was referral to an engagement letter, but no such letter appeared with the agenda. Mr Johnson therefore felt it was difficult to understand what they were reporting on. Mr Jarvis agreed to check and query this with Baker Tilly. Post meeting note: Baker Tilly have increased reliance on referral to the engagement letter in their Independent Auditors statements, therefore in future engagement letters will be included with Committee papers.

A review of the list of Governors declared in the Financial Statements for 2013/14 was also required as an action against the Clerk.

Action: NS/ChD

Governors recommended the Financial Statement for 2013/14 to the Board for consideration and approval, subject to the above actions being carried out.

v Capital Expenditure Review

Mr Sabin reported that gross capital expenditure for 2013/14 was £1.272m. Major works undertaken in the period included: the completion of the Learning Centre Roof & Refurbishment Project, The Refectory Roof & Replacement Project and College House Study Centre. The latter two projects were ongoing at the year end. Overall net capital expenditure in the year after grant received amounted to £399k.

Mr Quigley made an observation regarding the estimated annual depreciation figures, asking what time spans these depreciation figures were based on. Mr Sabin made the committee aware that the figure was based on the College's depreciation policy.

Governors noted the position regarding the Capital Expenditure Review.

F.22.14 DATE OF NEXT MEETING

Wednesday 4 March 2015 commencing at 1700 hrs

Governors' Monthly Report – financial aspects, safeguarding & E&D updates
Franchise and partnership provision - annual report 2013-14
Review of tuition fee guidance (for approval by the Board) & fee level proposals
Eastleigh College Ltd – interim report
Support Services SAR outcomes and improvement plan
Review Risk Reduction Plan
Review Finance & General Purposes' items on Risk Register
Sub-contractor contract values
Review Financial Regulations & Procedures (for approval by the Board)
Employee Involvement Policy

There being no further business, the meeting closed at 1820 hrs.