

GOVERNORS FINANCE & RESOURCES COMMITTEE

Tuesday 22nd September 2020 at 5.30pm

Remote, via online video conference

MINUTES – PART ONE

PRESENT:

Mr M Belfour, Foundation Governor, Chair
Mr J Opara, Foundation Governor, Vice Chair (from 5.40pm)
Mr C Garvey, Foundation Governor
Mrs K Taylor, Foundation Governor (from 5.50pm)
Mr G Thompson, Principal
Ms R Clark, Staff Governor (Teaching)

IN ATTENDANCE:

Mrs M Searle, Head of Finance
Mrs S Plumb, Senior Business Manager
Mr C Graham, Associate Principal (observing)
Mrs E Lewis, Clerk to the Governors

The meeting was opened by Mr Belfour at 5.31pm. It was quorate throughout and all participants could see / hear each other.

1. **Opening Prayer:** offered by Mr Thompson included petitions for the repose of the soul of former foundation governor, Denis Quin and for successful ongoing treatment for Fr Gerry O'Shaughnessy, former foundation governor.
2. **Apologies:** Mrs Taylor for anticipated late arrival
3. **Welcome to Mr Thompson, Principal, as member of committee.** Mr Thompson was duly welcomed.
4. **Declaration of interests:** there were none
5. **Minutes of F&RC meeting held on 23rd June 2020:** Minutes of Part One previously circulated 30th June 2020, and included in the papers for the meeting, were agreed to be a true and accurate record and were duly agreed for signing by Mr Belfour in due course.
6. **Matters Arising:** other than agenda items:
 - 6.1. **College Collaboration Fund (CCF) update:** Mr Thompson had advised the full Governing Body of two bids being submitted to the fund in July 2020. He announced that the college had not been successful and explained that of the twenty grants made, most had been awarded to General FE Colleges.
 - 6.2. **Rateable value review (college):** Mrs Searle reported a net gain of £13k after fees as the result of a successful review of the rateable value of Nightingale Nursery going as far back as was allowed to 2013 – 2014. She said the Nursery would now have charitable relief. Mrs Searle said that the rateable value of the College was still being looked at. She advised there was a big backlog of review claims and her view was that it was correctly valued.
 - 6.3. **Summary of committee effectiveness questionnaire:** Was noted from a summary of three responses in the papers to confirm that the committee was operating well within appropriate, up to date terms of reference.
7. **Actions outstanding from previous meetings:** There were none.
8. **Accommodation & Premises, project reports & plans:** Mrs Plumb introduced the "Capital Projects, Accommodation and Premises – Update for 'F&R Committee' Tuesday 22nd September 2020" report which had been included in the papers.

Mrs Plumb confirmed that the college bid to the 2020 / 2021 CIF¹ had not been successful. She had requested feedback to support future bids and commented that it was mainly Primary Schools that had been successful. Mrs Plumb said that consideration was being given to engaging the services of a professional bid writer as applications were highly competitive.

Mrs Plumb reviewed the range of Covid-19 adaptations that had been implemented as identified through the College Covid-19 Risk Assessment and others that were under consideration. The committee acknowledged that considerable changes had been made. Mrs Plumb confirmed that the temperature testing thermo-camera was operational and coping well with the larger number of arrivals at college. Mr Thompson added that a consignment of single desks had been delivered to minimise the sharing of desks by students.

[Mr Opara joined the meeting]

Mrs Plumb updated the committee with a summary of the Drake & Kannemeyer Condition of Estate Survey 20/21 and work arising which had been completed under the Annual Plan of Works (APW). She noted that an allowance had been made in the plan for new turnstiles to be fitted in October 2020.

Mr Thompson referred to the replacement of the entry turnstiles which was in the APW budget agreed with the committee on 23rd June 2020. He explained that despite being just over 3 years old a number of issues had arisen which were difficult to rectify due to a lack of parts and service support following the manufacturer's withdrawal from the UK. He said that discussions commenced in the spring term 2020 about the possibility of replacing the turnstiles (which had originally been funded with a CIF grant) but lockdown had interrupted the normal procedures in place. He advised that a third party, specialist company, Electra-Locks Ltd, had been engaged during the covid lockdown to source prices for the work, but received interest from only two of the companies invited to quote for supply and installation of replacement turnstiles on the existing footprint. Other companies had declined to visit the site or quote for the work during lockdown.

Mr Thompson said the quotes were about £39k excl VAT. Electra-Locks would undertake the project management and technical integration including relocation of the Paxton access control equipment from the existing turnstiles to the Estates Office for an approximate fee of £9k excl VAT. The work was, therefore, priced within budget.

Mr Thompson reminded the committee that the turnstiles were central to the safety and security of students and staff and the most practical time for the installation would be the October half term holiday.

Mr Thompson advised that he had realised that, whilst the quotes fell within the agreed £50k (excl VAT) budget, the £25k (excl VAT) threshold for going out to tender, required under the college financial regulations, had not been observed – a dilemma he had raised with Mr Belfour in advance of the meeting.

Mr Belfour replied that, in considering the situation under the approved financial regulations (which clarified that amounts were exclusive of VAT) he had concluded that this committee should discuss an appropriate way forward. He noted that the financial regulations gave the F&R Committee the right to vary the tender limits for capital projects.

Mr Belfour sought the views of the committee. Ms Clark emphasised that in addition to the price it was important to make sure the company would stay around and commented that three years was a very short life for the existing system. Mrs Plumb confirmed that Electra-Locks and both the suppliers were UK companies, therefore the same situation was not expected to arise.

It was noted that the two quotations were similar in value. The preferred company was offering a 12-month warranty and staff training and overall was a better fit. Mr Belfour asked if their installations had been seen in other colleges.

ACTION: Mrs Plumb undertook to seek testimonials.

Mr Opara said he agreed that the college had to have the turnstiles. He noted that three quotes should have been obtained but contractors were reluctant to visit and quotes. Mr Belfour was assured that more than two companies had been invited to quote via Electra-locks. It was

¹ Condition Improvement Fund (ESFA)

acknowledged that the college had gone through a process of trying to obtain a number of quotes to get a meaningful comparison and affirmed that best practice would be to go to tender and also to follow European regulations where applicable.

[Mrs Taylor joined the meeting – Mr Belfourd gave her a resume of the discussion underway] Mr Garvey expressed his agreement. Mrs Taylor asked what the comeback would be for not sticking to the financial regulations in these circumstances. Mr Belfourd said that as long as there was a record of the process and no-one had any connections that would be regarded as a conflict of interest or decision making for personal gain it would be considered that best practice was being applied, and with proper consideration in difficult times, following documented budgetary agreement at the June 2020 meeting.

The proposal to exceptionally vary the financial regulations tender process, accept the preferred quotation from, and award the contract to, EA Group (UK) Ltd for supply and installation and to engage Electra-locks for project management and technical integration was unanimously agreed.

ACTION: Mr Thompson would obtain the actual quotations for circulation to the committee via the Clerk.²

Mrs Plumb resumed her report . She advised that the college insurers, Hettle and Andrews had conducted an interim Health & Safety audit in Autumn 2019 with a follow up scheduled for this autumn which had been overtaken by a thorough on site risk assessment audit of College specific Covid-19 measures. Mrs Plumb reported a satisfactory outcome with no major adjustments needed. Feedback had confirmed that the procedures and plans in place were some of the best the auditors had seen. Mrs Plumb commended the Estates team who, she said, had worked tirelessly towards getting the building open after lockdown and for the new term. She confirmed to Ms Clark that the visit had taken place whilst the college was in operation.

ACTION: Mrs Plumb to share the report with the committee, via the Clerk, once received..

The Annual Plan of Works updated at September 2020 was appended to the report and colour coded to show work completed and in progress with costs against budget. Mrs Plumb reported that all the work recommended by Drake and Kannemeyer and key compliance works had been prioritised and completed.

9. Financial:

9.1. **Financial Regulations:** Mrs Searle presented the updated Financial Regulations and Travel & Subsistence Policy with a summary of the revisions for 2020 - 2021 which had been included in the papers for the meeting. Review of the updates had been deferred from the summer term meeting. Mrs Searle explained the changes. She confirmed that all financial limits are set exclusive of VAT. The committee considered whether the limits were still reasonable and unanimously concluded that, to continue to be cautious with public money, they should be left as they are. It was clarified that, in the updated arrangements for opening of tenders, the three people to be present would be the Clerk to the Governors; a governor (could be a staff governor) and a member of staff not involved in the tender process. Mrs Searle highlighted changes to facilitate more use of electronic authorisation. Mrs Plumb was advised that the financial regulations would still apply to covid-specific contingency expenditure requiring a quick decision.

Mr Belfourd asked whether the mileage rates in the Travel & Subsistence policy were in line with HM Revenue & Customs amounts – this was confirmed by Mrs Searle.

The Financial Regulations 2020 – 2021 and the Travel and Subsistence Policy 2020 – 2021 were unanimously approved for recommendation to the Governing Body via email written resolution for immediate adoption³.

² The quotes with summary spreadsheet were circulated to the committee as agreed with an update from Mr Thompson advising that it was the cheaper of the two quotes (from EA Group (UK) Ltd) that was being accepted.

³ Governing Body majority in favour confirmed 1st October 2020

- 9.2. **Preliminary end of year position (2019 – 20) from Monthly Commentary and Accounts, July 2020.** It was confirmed that the July 2020 accounts with commentary and cashflow, and including the trading subsidiary, had been distributed by email to all governors on 17th September 2020 and showed the preliminary, un-audited, end of year position.

Mr Belfour reviewed the accounts and explained that page 5 of the commentary reported an operating deficit of £89,179 compared to a budgeted operating deficit of £267,162 qualified with a list of items which were not included. The statutory deficit amounted to £2,269, 593 including an actuarial loss of £1,468,000.

Mrs Searle described the reconciliation from budgeted deficit to actual deficit set out on page 6 and explained the impact of the significant FRS102 adjustments including actuarial loss on the account for this year. She advised that the financial statements and regularity audits would commence in two weeks.

Mr Belfour emphasised the importance of monitoring the Cashflow.

The commentary noted that the trading subsidiary, SFX Corporate Services Ltd had generated a net profit for the year of £51,124 (pre-audit).

- 9.3. **Funding - Financial update report.** Mrs Searle introduced the “Funding / Financial Projections (for Finance & Resources Committee 22/09/2020)” report which had been included in the papers for the meeting. The committee noted the changes in accounting methodology and updates to the figures since the June meeting. Mrs Searle explained the variances between the actual and predicted end of year position due to extra severance payments and the impact of Covid-19 and college closure / reopening. LPFA was acknowledged to be the biggest adjustment causing a difference of £51k more in operational deficit. Mr Belfour said that the two bottom lines show that actual expenditure was much less. Mrs Searle was satisfied with the reconciliation.

- 9.4. **Feedback from ESFA meeting, 8th Sept 2020:** Mr Belfour recounted the follow up meeting which had been held remotely and delayed from the original expected August date and was part of the early intervention triggered by the *Requires Improvement* financial health grade in the financial plan for 2019 – 2020 and (arising from the review in June 2020) for 2020 - 2021. Mr Belfour had attended with Mr Thompson and Mrs Searle. There had been three attendees from the ESFA territorial team. Mr Belfour referred to AoC⁴ briefing on the National Audit Office report on college finances circulated to all governors earlier in the day which confirmed that there were a number of colleges with financial problems.

Mr Belfour said that minutes were awaited but the meeting had reviewed, with apparent satisfaction, student recruitment; the impact of Covid and how the “right to light” donation from the Diocese had been spent. The monthly management accounts for July 2020 would be shared with the team who had been reminded that the monthly commentary, accounts and cashflow position were routinely circulated to each governor so that all were aware of the finances and could monitor whether plans such as agreed reduction in staff costs were having the expected impact.

The committee noted that student recruitment was, so far, better compared to the previous year. Mr Thompson reported a current roll of 1342 against the target of 1160 with the caveat that the count on the census date of 22nd October 2020 would be used for calculating lagged funding. He explained the ways in which enrolment had been different this year and why he estimated this could be 1280. Mr Thompson advised that if the number settled at 50 over target an application would be made to the ESFA for additional funding. Ms Clark asked how many students the college would normally lose in this period. Mr Thompson said that it would be about 100 but in recent years enrolment had actively continued throughout September but had already halted for this year

- 9.5. **Financial return July 2020:** It was confirmed that the return had been duly signed off by the Principal as Accounting Officer and had been filed with the ESFA by the due date of 31st July 2020. The summary triangulated with the financial update discussed at item 9.3.

⁴ Association of Colleges

- 9.6. **Covid contingency expenditure:** Mr Belfourd confirmed with Mrs Searle and Mr Thompson that covid-related expenditure was being tracked. Mrs Searle reported invoiced expenditure so far of £42k which included £16k estates costs (for consumables, eg PPE, tape, marking tape, sneeze screens) and £26k on capital items including the thermo-camera (£7,700) and resurfacing of the rear car park. She said no staffing costs were included but anticipated some to come to cover staff who were self-isolating. The single desk tables had been delivered but not yet invoiced and that cost was to be added.

Mr Opara enquired whether it was a fixed budget or tracking of costs against the £100k contingency fund agreed with governors to facilitate management of the available amount remaining. Mr Thompson confirmed that all costs were being monitored. He explained that whilst the big unknown was staffing costs, a plan was in place whereby a teacher who was self-isolating but not unwell would continue to teach remotely from home to minimise the need for agency cover.

Mr Belfourd agreed that the point being made by Mr Opara was pertinent explaining that the sign-off of the financial plan had required covid costs to be identifiable and future returns, waiting in the wings, would likely have separate lines for covid. Mrs Searle explained the mechanics of coding costs so that the pattern and level of outgoings could be seen, and predictions made.

Mr Belfourd asked whether the £100k allowance on the financial plan would be enough to cover the costs. Mr Thompson said that quite a lot of the costs were upfront including replacing the tarmac of the car park and the desks. Following discussion, it was agreed that the argument for including the car park work in the covid-specific schedule could not be justified. The full cost (+£12k variance from budget) of replacing rather than repairing the car park tarmac surface would therefore be removed from the covid-specific schedule and returned to the APW costs.

ACTION: Mrs Searle to provide a schedule of covid-specific expenditure.

- 9.7. **Change of signatories on bank account:** Mrs Searle advised that mandates had been prepared and submitted with supporting documentation to remove Mrs Flannery as a signatory on the college bank account and to update the signatories on the SFX Corporate Services Ltd bank account – both with the Allied Irish Bank (AIB).

ACTION: Mrs Searle to chase for written confirmation of acceptance of both mandates.

10. Treasury Management:

- 10.1. **Policy:** The Treasury Management Policy 2020 – 2021 was presented for annual routine review without any changes and was approved. It would be recommended to the Governing Body for immediate adoption along with the Financial Regulations as set out in 9.1.

- 10.2. **Monitoring report:** Mrs Searle introduced the Autumn report advising that £700k invested on fixed term deposit with AIB would mature on 30th September 2020. She advised the current rates of interest on three time options. It was agreed unanimously, based on those rates and confirmation from Mrs Searle that expenditure could be covered without need of that cash, that the amount of £700k should be reinvested for a further one year (0.5%). A second amount of £389k also on deposit with AIB would mature on 5th November 2020 ahead of the next meeting of this committee. It was unanimously agreed that this should be reinvested for a further 3 months.

ACTION: Mrs Searle to reinvest the sums as agreed – she would advise the committee if the interest rate had changed on the date of reinvestment.

11. **Staff cost of living rises update:** Mr Thompson informed the committee that:

- 11.1. **Teaching staff:** Teachers had received a 2.75% increase last year. A two-year settlement had previously been rejected and the NEU were currently in negotiation, seeking an 7.5% increase for all bands. Mr Thompson confirmed that allowance for an increase of 2.5% was in the college budget.

- 11.2. **Support staff:** Support staff union had agreed a two-year deal and part two was in place for an increase of 2.5% from 1st January 2021.

12. **SFX Corporate Services Ltd:** Mrs Plumb confirmed that the Board of Directors had not met since the previous meeting of the F&R committee – the next meeting was scheduled to take place on 5th November 2020. Mrs Plumb confirmed that Mrs Flannery had resigned as a Director and that Mr Thompson had been appointed as a Director. Mr Belfour asked how income from lettings was being affected by the current covid restrictions. Mrs Plumb said capacity was re-building and was currently around 80%. She described how customers had been keen to return and were slowly restarting activities within the guidelines and with new college procedures for safe management in place. Every group had to provide a risk assessment. Mrs Plumb anticipated that a government announcement earlier in the day imposing restrictions on indoor sports could affect the earnings potential.
Procedures for the Nursery had been adapted with continuing interest from parents. Online viewings had been introduced for prospective clients whilst onsite visiting was not allowed.
13. **Risk Management:** No new or heightened risks were identified to be advised to the Audit Committee for the risk register.
14. **Any other business.**
 - 14.1. Mrs Searle advised that two more financial returns were expected for which the guidance had not yet been released. The first would be a Cashflow return with an updated commentary at the end of November to be signed off by the Accounting Officer. The second return would be due at the end of January 2021 at the same time as the revised submission date for the end of year report and accounts and it was anticipated that sign off by the full Governing Body would be required. The committee would review the timing of meetings when more details were confirmed in the guidance.
15. **Date of next meeting:** Tuesday 17th November 2020, 6pm – the first items to be taken jointly with the Audit Committee to receive the Financial Statements and Regularity Audits reports.

This part one of the meeting closed at 7.04pm and Ms Clark, Staff Governor, withdrew.

SIGNED: _____

DATE: _____