

**Minutes of a Meeting of  
the Finance and General Purposes Committee  
on Monday 18 March 2019 at 5.30pm at Richard Huish College**

**Committee Governors in Attendance:** Jonathan Langdon (Chair), David Tomaney (Vice-chair), John Abbott (Principal), Guy Adams (part) and Karuna Tharmananthar.

**Also in Attendance:** Xanne Blythe (Clerk to the Corporation) and Paul Lonsdale (Vice Principal - Finance).

**Apologies:** Duncan Alexander

**FGP 27**     **Declarations of Interest (agenda item 2)**  
There were no declaration of interests for any agenda item.

**FGP 28**     **Minutes of the Meeting of the Previous Committee (agenda item 3)**  
**RESOLVED:** that the Finance and General Purposes Committee minutes dated 28 January 2019 be agreed and signed as a true record.

**FGP 29**     **Matters Arising Report 2018-19 and Dispute Trigger Mechanisms (agenda item 4 and 6)**

Updates on outstanding items raised in previous meetings were discussed:

- It was noted that the College Financial Forecast for 2020-21 had been included with the February 2019 Management Accounts Report.
- Oak House, out of the designated ten twin rooms, six rooms were not suitable for dual occupancy due to a health and safety issue with low rooflines and head space. The Corporation had agreed, at a meeting dated 24 September 2018, to pursue a potential claim against the architect and developer. Discussion ensued on the number of rooms to be remedied during the Easter holiday period, and the financial implications for the College, in relation to single room versus twin room occupancy. There were two rooms that would never be fit for purpose for twin occupancy and recourse needed to be made for rent reduction for these two beds and an adjustment for loss of profit. The formal dispute trigger mechanisms were discussed and the Committee requested a written report rather than a verbal update to be submitted to the next Committee meeting on 7 May 2019 for greater clarity and informed decision making.
- Somerset Centre for Integrated Learning (SCIL) - Governors were updated on the current RHT situation for the SCIL building.
- The RHC Head of Apprenticeships had been appointed and would start from April 2019, the new appointee was fully aware of the role's expectations and challenges.

**RESOLVED:**

1. that the Matters Arising report for 2018-19 be noted, and
2. that a written report be submitted to the next F&GP Committee meeting on 7 May 2019 for clarity on the dispute trigger mechanisms for Oak House.

PLO

**FGP 30**     **Financial Reports (agenda item 5)**

**(a) Management Accounts – January / February 2019 & Mid-Year Estimate (Period 7)**

The Committee considered the management accounts for period seven of the financial year and the performance ratios for 2018/19. As this report also included the mid-year estimate detailed

appendices for income and expenditure were included. The mid-year estimates would be used as the reference budget for future management reports. As at the end of February 2019 the College was showing a favourable bottom line variance to budget of £35K with a longer term prediction of circa £100K deficit, as detailed in the latest forecast for 2018-19.

In response to detailed questions and challenge, further information and clarification was provided on the following:

- Depreciation charges, in line with our Financial Statement Auditor's expectations had been reduced in year to reflect the increase in life expectancy of the College's newer buildings to 60 years. Discussion centred on the treatment of depreciation charges and its reinstatement for other years and the impact on the balance sheet.
- Apprenticeship income forecasts across the various grant lines had been reduced by £119K compared to the base budget. The mid-year estimate included an assumption of a further £130K of additional new activity between February and the year-end. The apprenticeship team had some recent success in securing new business at Musgrove Park Hospital that would improve the adult levy income receipts. Apprenticeship income was still the biggest risk in achieving the projected year-end position.
- The Apprenticeship team had been under review with clear roles and responsibilities for both assessors and the recruitment team. Clear targets had been set for starts across the standards and frameworks where there was currently assessor capacity to deliver more. Discussion centred on whether there was adequate resource and capacity to deliver the required apprenticeship income stream. The recently recruited Head of Apprenticeships had workforce development experience.
- A significant amount of work had been undertaken on the apprenticeship costing, accountability and delivery models with greater analysis for informed decision-making. Level 3 and 4 were planned to start in June 2019, a Level 7 for the Association of Chartered Certified Accountants (ACCA) was being explored, the College would need to be partnered with an HE provider to develop new HE provision linked to Teacher and Teaching support careers through the Degree Apprenticeship programme.
- The Committee Chair reiterated that the College was currently wholly reliant on two income streams -international students and apprenticeships to achieve a balanced budget.
- There had been a discussion at national level on a requirement to change the rules around the apprenticeship levy payment for 2019-20 due to a potential fund overspend by levy-paying employers, with potentially no surplus to fund apprenticeships with non-levy paying employers.
- The sustainability of the sector was highlighted and the pressing case for Further Education funding in the 2019 Spending Review, scheduled for later this year.

\*\* At this point Guy Adams left the meeting for another appointment\*\*

#### **(b) RHC Budget 2019-20 and Draft Financial Forecast 2020-2024**

A draft budget and forecast summary income and expenditure was provided for 2019-2024 as requested by the Committee at its previous meeting. The VP-F advised Governors that the report was still very much a draft position but gave a good indication from a financial performance perspective for 2020 – 2024.

At the current time the College was predicting a deficit £225K greater than the current year in the College 2019/20 draft budget (£350K deficit), as indicated in the table within the report. In the same year where the College would lose its HE income there was also a loss in 16-18 core ESFA income due to a lower 16-19 recruitment. In the same year the international student income was also under threat due to increasing competition.

The reality was that without a rise in the £4K FT rate for our 16-18 activity the College could not afford the inflationary pressures on costs, particularly pay when just over 70% of expenditure was in staff salaries.

In response to detailed questions and challenge, the following points were raised:

- (a) A table forecasted a deficit for each year from 2018-19 to 2022-23. A surplus was forecasted in 2023-24 (pre FRS 102 LGPS).
- (b) The College's financial position improved in line with predicted demographic increases in 16-18 students and the international market. The reality was that without a rise in the £4K FT rate for our 16-18 activity the College could not afford the inflationary pressures on its costs, particularly pay.
- (c) The impact of the draft deficits on our cash position had not yet been fully tested. The likelihood was that the College would need an overdraft facility at various pinch points. It was noted that banks were more reluctant to provide for term debt (long term loans) due to the College Insolvency Regime. Cash flow management over the next three years would be a priority for the finance team.
- (d) The cash position restricted any future capex cash investment beyond an amount of £125K.
- (e) The College was fortunate not to have suffered from the significant downward swings in 16-18 recruitment witnessed elsewhere locally. Unfortunately, there had been movement in HE and International recruitment to the extent that the former was unlikely to yield any income in 2019/20 and the latter would most certainly be lower than where we would like it to be, for next year at least.
- (f) A table in the report summarised predictions for student enrolments using the 2017 SCC school demographic data. The data was queried as it was out of kilter with previous reports, figures excluded projected student numbers from planned housing developments in the area and only included actual student numbers in feeder schools – the VP-F agreed to check the data with SCC.
- (g) The Government had agreed to fund the increase in Teacher Pension Scheme (TPS) employer contributions until July 2020, thereafter there was no certainty of support. It was very clear that public sector pay cost pressure was driving expectations within the college sector.
- (h) The key assumptions around staff pay and ESFA 16-18 student funding were explained. There was some indication that the current £4K standard rate for a full time 16-18 year old could be increased. A second table used the same recruitment assumptions but £4300 as the rate. The impact of this increase alone would resolve the deficit positions from 2020/21 onwards.
- (i) The cost of moving to a linear A-level delivery model across the College had now stabilised, however it was noted that early linearisation providers were affected financially by the retention status.
- (j) The College had improvement assumptions around the retention factor, which had dipped in 2017/18 (and therefore negatively impacting the 2019 funding settlement).
- (k) Homestay costs had reduced this year and were likely to reduce still further in 2019 before increasing again the following year in line with recruitment predictions.
- (l) Oak House was now in its second full year of operation, changes to the overall service delivery had led to staff cost increases. International recruitment was difficult to predict due to the increase in competition. Further research work was needed on looking at other countries to diversify the risk. The meeting discussed employing a person to reside in Hong Kong to maximise recruitment face to face with agents and parents.
- (m) Peer benchmarking had indicated that other providers were already facing greater deficits 12 months ahead of the College, as international students and apprenticeship had provided the College with additional income streams.
- (n) The College was compliant with its banking covenant.
- (o) Discussion ensued around adding capacity to the apprenticeship team to generate sufficient additional income. Apprenticeship delivery to levy employers, particularly public sector based, was moving towards a more collaborative procurement by tender approach. Reputation and the quality of delivery were important to attract new and repeat business.

**RESOLVED:** that the draft RHC deficit budget of £350K for 2019-20 and Financial Forecast for 2020-24 be noted with further discussion around strategies. The final budget for 2019-20 would

need to be presented to the Corporation at the July 2019 meeting for approval before final ESFA submission.

**FGP 31 College Committee Health and Safety Report (agenda item 7)**

The College's Health and Safety Committee notes dated 4 March 2019 had been circulated to the Committee for comment updating Governors on the employers' health and safety checks.

The following areas were covered in particular:

- The meeting noted that 159 active employers with apprentices requiring College health and safety checks were 100% complete.
- Health and safety incidents.
- Safeguarding issues for students and staff on site after 4.40pm onwards. Gates with key pads were being installed and would be locked from 5.00pm with pass entry only. All buildings would have card swipe entry fitted for heightened security.

**RESOLVED:** that the College Committee Health and Safety report dated 4 March 2019 be noted.

**FGP 32 College Accounts Direction 2019 (agenda item 8)**

The latest College Accounts Direction issued by the ESFA were circulated with a report identifying the main changes. This version applied to all financial reporting periods commencing on or after 1 August 2018. Compliance with the accounts direction was a requirement in corporations' funding agreements with ESFA.

The Clerk advised that the Corporation would be required, in the Members' Report and end of year accounts, to state whether it had adopted the voluntary AoC Colleges' Senior Postholder Remuneration Code, as published in December 2018. The Remuneration Committee was due to review the Code at a meeting in April 2019 and make a recommendation to the Corporation in May 2019.

The Corporation had adopted the AoC Code of Good Governance for English Colleges in 2015 and this voluntary Remuneration Code formed part of the AoC Code of Good Governance in England as of December 2018. The Corporation's SPH processes and procedures were aligned with the requirements within the voluntary Remuneration Code.

**RESOLVED:**

1. that the College Accounts Direction 2019 be noted,
2. that the AoC Colleges' Senior Postholder Remuneration Code be noted, with a review being undertaken by the Remuneration Committee in April 2019 for Corporation consideration in May.

**FGP 33 DfE College Governance Guide 18 & College Insolvency Regime 29 Jan 19 (agenda item 9)**

(a) DfE College Governance Guide

A new guide published in Nov 2018 had replaced the 'College governance: a guide', published by the Department for Business, Innovation & Skills (BIS) in 2014. The guide had been circulated to all Governors in Jan 2019.

It detailed the legal, regulatory requirements and recommended practice that applied to further education (FE) and sixth-form college corporations. The guide would be discussed in more detail at the next Search and Governance Committee meeting in April 2019.

(b) FE Insolvency Governor Guidance January 2019

On 31 January 2019, the new insolvency regime for FE colleges came into force, giving legal clarity about what would happen in the event of a college entering insolvency and providing protection for

existing students. [Guidance for governors](#), published on 29 January 2019, provided technical information on the new regime, and general guidance on how to reduce the risk of insolvency through good financial management. Primarily aimed at governors, it was also for college finance directors and other senior staff. Pages 12-13 summarised governors' obligations, this was a duplication of governors' existing legal duties as charity trustees. The FE Insolvency Governor Guidance had been circulated to all Governors in January 2019 a further update was expected in April 2019 from the DfE.

**RESOLVED:** that the FE Insolvency Governor Guidance dated January 2019 be noted.

**FGP 34 Policy Review – Treasury Management Policy (agenda item 10)**

**RESOLVED:** that the Treasury Management Policy be recommended for Corporation approval on 25 March 2019.

**FGP 35 AoB – Items for next Committee Meeting dated 7 May 2019 (agenda item 11)**

- Management accounts for March 2019 (Period 8) and CIF Bid Update.
- Written report on the clarity on the dispute trigger mechanisms for Oak House.
- College Health and Safety Monitoring .
- Health and Safety Annual Report 2017-18.
- RHC Financial Regulations Annual Review.
- Calendar of Meetings 2019-20 and Committee's ToR.
- Updated guidance for governors on the new insolvency regime for further education and sixth-form Colleges available in April 2019

With no further business the meeting concluded at 7.30pm

The minutes were agreed and signed

Chair.....

Date.....