

**Minutes of a Meeting of
the Finance and General Purposes Committee
on Monday 7 May 2019 at 5.30pm at Richard Huish College**

Committee Governors in Attendance: Jonathan Langdon (Chair), David Tomaney (Vice-chair), Anthony Smith, John Abbott (Principal) and Karuna Tharmananthar.

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

Apologies: Duncan Alexander and Guy Adams.

The Chair welcomed new Governor Anthony Smith to his first Committee meeting.

FGP 36 **Declarations of Interest (agenda item 2)**

Jonathan Langdon declared an interest under agenda item 5.2 'RHC Condition Improvement Fund Update' for Redwood building in connection with his role as a RHC Foundation Trustee.

FGP 37 **Minutes of the Meeting of the Previous Committee (agenda item 3)**

RESOLVED: that the Finance and General Purposes Committee minutes dated 18 March 2019 be agreed and signed as a true record.

FGP 38 **Matters Arising Report 2018-19 (agenda item 4)**

Updates on outstanding items raised in previous meetings were discussed and it was noted that the 2019-20 budget would be brought to this Committee in June for the Corporation to approve on 1 July 2019.

FGP 39 **Financial Reports (agenda item 5)**

(a) RHC Management Accounts – March 2019 (Period 8)

The Committee considered the management accounts for period eight of the financial year and the performance ratios for 2018/19. The mid-year forecast was now being used for comparison against actual performance. As at the end of March 2019 the College was showing a small £8K positive variance to forecast.

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

- Performance ratios as at March 2019 were discussed, creditor days stood at 61 (24 higher than the previous month) reflecting a slowing down of payments in line with core grant receipts profile.
- A new corporate credit card system had been introduced to further improve the cash flow management in relation to creditor payments.
- Debtor days were broadly in line with the previous month. Cash in hand days had improved by two days from the February report, the ComFund investment remained at £750K.
- Based on current predictions the financial year would end with an improved current ratio of just above 1:1, a slightly improved EBITDA of £414K, and a slightly higher borrowing to income ratio of 17.27%.
- The total borrowing as a percentage of income was 17%, this was good compared to some other colleges with a borrowing of 40%.
- The staff cost to income percentage was highlighted and further benchmarking with partner

sixth forms was required, in relation to their staffing, to understand why the percentage was above the sector average. The compounding impact of pay awards and increments was discussed and was included for budgeting purposes – more work was required on the impact of staff pay costs going forward.

- Income was £6K adverse variance to the mid-year forecast profile, with a £3K reduction in outturn forecast compared to the mid-year forecast.
- The grant being paid by the DfE to offset the increased TPS employer contributions would be included in the April management accounts.
- Apprenticeship income forecasts remained in line with the mid-year forecast (£846K). This was the biggest risk in terms of income, the College was reliant on an improvement in the timely success levels target, retaining apprentices and making sure they achieved on-time was a priority for the delivery team over the coming months. To hit target circa £30K of funding was required from starts between April and July and this was deemed achievable. The Apprenticeship Manager had been appointed to target these areas for the greatest impact.
- The Chair reminded the meeting that this year had been scheduled as a financially difficult year, context was provided for the new Governor with an explanation of the anticipated uplift in demographics from 2020 onwards.
- The international student income forecast had been reduced by £5K to £540K to allow for the impact of withdrawn students.
- Income from shared service delivery had been reduced by £15K, although service charges were currently under review which could see this increase move back up to forecast levels.
- There was a positive indication that international student admissions for September 2019 could be improved this year.

(b) RHC Building Condition Improvement Fund (BCIF) Bid 2019 Update

The College had resubmitted the BCIF bid for 2019-20 in line with the criteria for condition only, the College was one of only twelve Colleges that had been successful with the BCIF bid. The £655K BCIF grant [**Information on the College's financial contribution to the project has been exempted under Section 43 (2) of the Freedom of Information Act 2000.** This paragraph was redacted due to a commercially sensitive information exemption, to be reviewed in 12 months] would be spent on refurbishing the windows and façade at the front of the College along with some internal changes in this area. The scope of work would be established and work was scheduled to start over the summer period – the meeting noted that the VAT for the refurbishment project could not be recovered and the College would need to make this contribution.

The Corporation would be asked to approve the BCIF bid funding and delegate authority to the Finance and General Purposes Committee, such that the Committee could make decisions on behalf of the Corporation, provided that the total projected costs did not exceed those originally approved by the Corporation.

(c) RHC Financial Regulations – Annual Review

The updated Financial Regulations would be circulated for consideration at the next Committee meeting in June 2019.

RESOLVED:

1. that the RHC management accounts for March 2019 be noted,
2. that the RHC CIF bid plus College contribution [**Information on the College's financial contribution to the project has been exempted under Section 43 (2) of the Freedom of Information Act 2000.** This paragraph was redacted due to a commercially sensitive information exemption, to be reviewed in 12 months]
3. be recommended for Corporation approval, and that the Corporation delegate the authority to the Finance and General Purposes Committee to make decisions on the bid, provided that the total projected costs did not exceed those originally approved by the Corporation,
4. that the Financial Regulations 2019 annual review be deferred to the next Committee

PLO

meeting dated 10 June 2019.

FGP 40 Dispute Trigger Mechanisms for Oak House (agenda item 6)

A report had not been circulated prior to the Committee meeting, as previously requested. Lengthy discussion ensued on the dispute trigger mechanisms and it was agreed to provide a written report in advance of the next Committee meeting for a fully informed recommendation to be made to the Corporation for a decision. The written paper should set out the key principles, the options with realistic timescales and the costs involved to include the solicitor's legal advice.

RESOLVED: that a written report on the dispute trigger mechanisms for Oak House be submitted to the Committee meeting dated 10 June 2019.

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FGP 41 ESFA College Financial Dashboard and KPIs published March 2019/ESFA College Financial Health Grade for 2017-18 (agenda item 7)

The ESFA's approach to assessing the financial health of colleges was set out in the Financial Planning Handbook. In accordance with this approach, the report concluded that the College's financial health grade for 2017-18, based on the College's financial plan submitted in July 2018, based on the outturn forecast was '**Good**'.

The Chair reminded the Committee of the ESFA's Early Intervention letter (dated 9 November 2018) in line with their published policy, informing the College that it had met one or more triggers for early intervention. There had been a significant decline (20%) in the College's financial health score over three years. The projected financial health score was a weak 'satisfactory', the total score for the current ratio plus the earnings before interest, taxes, depreciation, and amortisation (EBITDA) was lower. This assessment was based on the College's financial plan submitted to the ESFA in July 2018. The ESFA had decided that at present no action would be taken in respect of this assessment. The College's financial situation would be monitored and the ESFA would confirm their approach following the submission of future financial plans and records. Once the College's return was submitted in July 2019 with the deficit budget an intervention trigger could be reached. It was noted that the potential intervention could be moderated if targets for 16-18 admissions were reached in line with the current demographics.

Discussion centred on the individual student funding tariff, the delayed government's spending review and the impact on the College's finances. The Committee discussed running some forecasting scenarios and what the worst case scenario would look like – merging with a FE establishment or aligning the College with the school sector and converting to an academy.

The ESFA had reviewed the College's audited 2017-18 financial statements, financial statements management letter, and the annual report of the audit committee and had not identified any significant financial control concerns from this 2017-18 review.

The ESFA's FE Directorate Territorial Team would write separately to those colleges whose financial health or financial control assessment had hit any of the Agency's early intervention or formal intervention triggers or where there were other matters to highlight.

A financial dashboard published in March 2019 was included and had been compiled from the information sent to the ESFA by colleges. It incorporated various key performance indicators measured against both target benchmarks and benchmarks achieved in the sector for performance challenge.

Governors noted that the sixth form College's staff costs were running higher than the national average. This may have included the staff costs for the Trust before charging out. The Principal advised that the data had potentially included a number of sixth form colleges that had since

converted to academies and care should be taken with direct comparisons.

RESOLVED: that the ESFA College financial dashboard be noted and that the College Financial Health Grade of 'Good' be noted for 2017-18.

FGP 42 RHC Health and Safety Report (agenda item 8)

(a) Health and Safety Committee Monitoring Report dated 29 April 2019

The College's Health and Safety Committee notes dated 29 April 2019 would be circulated to the Committee meeting dated 10 June 2019.

(b) RHC Estates Health and Safety Annual Report 2017-18

(c) RHC Health and Safety Policy Review 2019-20

There had been no changes since the last review of the policy. Arrangements at the College for students' disabilities were covered.

RESOLVED:

1. that the College's Health and Safety Committee notes dated 29 April 2019 be circulated to the Committee meeting dated 10 June 2019,
2. that the RHC Estates Health and Safety Annual Report 2017-18 be noted,
3. that the RHC Health and Safety Policy 2019-20 be recommended for Corporation approval.

Clerk

FGP 43 AoC Code of Good Governance for English Colleges (agenda item 9)

The AoC Code of Good Governance for English Colleges (AoC Code) was introduced in March 2015 and was adopted by the Corporation on 6 July 2015. The AoC Code had recently been amended (Jan 2019), to reflect the Remuneration of Senior Post Holders (sections 9.9 and 9.10) which introduced a Colleges Senior Post Holder Remuneration Code.

The Code of Good Governance for English Colleges was intended to help governing boards meet and exceed basic governance requirements. A compliance checklist had been produced by the Clerk against the Code for a systematic approach to good governance and governors agreed to use this document as the annual governance self-assessment. The document would be circulated to all Committees for their input.

RESOLVED: that the Code of Good Governance for English Colleges compliance checklist for 2018-19 be noted and recommended for use as the annual Corporation governance self-assessment.

FGP 44 F&GP Committee's Terms of Reference Annual Review (agenda item 10)

A summary of policy approvals had been included under each Committee's terms of reference to streamline some of the policy delegation to Committees. It was agreed that the statement on exercise of discretionary function in connection with the LG Pension Scheme was no longer a requirement. Oak House reporting in Committees' terms of reference fell under the current terms of reference and further refinement was not required.

RESOLVED: that the Finance & General Purposes Committee's Terms of Reference be recommended for Corporation approval on 1 July 2019.

FGP 45 Committee Meeting dates for 2019-20 (agenda item 11)

It was agreed to convene the joint Audit Committee and Finance & General Committee meeting on

11 November 2019 at 8.30am to avoid a direct clash with a College event.

RESOLVED: that the Finance & General Committee calendar of meetings be agreed for 2019-20.

FGP 46 AoB – Items for next Committee Meeting dated 10 June 2019 (agenda item 12)

- Management accounts for April 2019
- Base Budget for 2019-20 and budget forecast for 2020-21
- Fees Policy 2019-20
- Written report on the clarity on the dispute trigger mechanisms for Oak House.
- RHC Health and Safety Committee minutes dated 29 April 2019
- RHC Financial Regulations Annual Review.

With no further business the meeting concluded at 7.30pm

The minutes were agreed and signed

Chair.....

Date.....