



AGENDA
REFERENCE

A

CORPORATION/COMMITTEE PAPER

Finance and General Purposes Committee

7 October 2020

<i>TITLE</i>	Minutes of the previous meeting held on 1 July 2020
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<i>PURPOSE</i>	To receive, agree and approve the minutes of the previous meeting held on 1 July 2020
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<i>RECOMMENDATION</i>	Governors are requested to note the minutes and agree their accuracy
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<i>No. of pages in main paper</i>	7
<i>Appendices/Annexes</i>	None
<i>Financial Implications</i>	None
<i>Risk Implications</i>	Failure to follow agreed and proper practices
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MINUTES OF A MEETING OF THE BOARD OF LEICESTER COLLEGE CORPORATION:

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 1 JULY 2020



(Meeting held online via MS Teams)

Present:	Danielle Gillett (Chair) Verity Hancock Brigitte Heller	Chan Kataria Jonathan Kerry Caroline Tote
In Attendance:	Louise Hazel Shabir Ismail Rod Wood	Director of Governance and Policy Deputy Principal/CEO Director of HR

1 DECLARATION OF INTERESTS

- 1.1 Verity Hancock, Shabir Ismail and Louise Hazel declared an interest in item 12 Senior Post Holder Remuneration.

2 APOLOGIES FOR ABSENCE

- 2.1 Apologies for absence were received from Tim Gray.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

- 3.1 The minutes of the meeting held on 6 May 2020 were received and agreed.
- 3.2 As a matter arising it was noted that the £200k approved previously was for student laptops. Another order for staff laptops would be placed shortly.

4 COVID-19 UPDATE

- 4.1 The Principal gave an update on the implications of COVID-19 and the College closure. The following points were highlighted.
- 4.1.1 The College has opened successfully on 24 June to a limited number of students who needed to complete assessments. Students had behaved well and this had gone smoothly.
 - 4.1.2 The College was now closed again following the announcement of the local lockdown in Leicester. It would have to remain shut for at least two weeks.
 - 4.1.3 This further closure was very disappointing and would have a significant impact. There were still hundreds of assessments which could not now be completed and would have to be done in September.

This would be difficult as staff could not simultaneously teach two cohorts of students; resourcing in terms of both staff and facilities would be difficult. The ESFA had been asked about additional resource. A huge amount of work was continuing to plan for September.

4.2 Governors **commented** that:

4.2.1 **There were additional funds available to the City Council; the College should consider approaching the Council at a senior level to see what support might be available.** This would be done.

4.2.2 **The Chief Executive of the local Clinical Commissioning Groups might also be able to advise on support for mental health.** This would also be considered. Discussion had taken place at the Safeguarding Committee earlier in the day about accessing additional support for low income families and mental health issues.

4.3 **Governors noted the update and acknowledged how disappointing the further lockdown was, and the additional hard and exhausting work that would still be needed.**

5 FINANCE REPORT (PERIOD 10) AND SUMMER TERM REFORECAST

5.1 The Deputy Principal presented finance report (period 10) and summer term reforecast. The following points were highlighted.

5.1.1 The Period 10 accounts represented the College's performance following two months of the closure of College's campuses and reflected the financial position at 31 May.

5.1.2 The year to date result was an operating surplus after restructuring costs of £1,753k compared to the budgeted surplus of £1,652k

5.1.3 Income from the AEB appeared to have been dropping off since April. As there was no reconciliation for 2019/20, the College's allocation for the year was secure although there was a small risk that the College might fall below the 97% threshold. However, the College had been on track to exceed its allocation (108%) beyond the fundable 103% with plans to recruit more ESOL students and further work with Job Centre Plus consistent with the previous year.

5.1.4 Apprenticeship income had also fallen behind target. The predicted income at the spring reforecast was £5.0 million against an original budget of £5.5 million. However, the review undertaken as part of the summer reforecast indicated that income could fall by a further £200k although this was felt to be a prudent assumption.

5.1.5 Overall HE income was forecast to be below target by a further £112k but there would be savings in partner costs.

5.1.6 A summer reforecast has been undertaken. Overall the expected total comprehensive Income after restructuring costs had increased by £102k to £602k.

5.1.7 The College continued to meet its bank covenants and maintain its financial health as 'Good' after undertaking the summer reforecast.

- 5.1.8 In the short to medium term, the College had reasonable cash balances for the end of the academic year. Based on the planning assumptions for 2020/21 the College would face some pressure on cashflow in March 2021 and March 2022 when the profile from the Agency declined. However, capital decisions would also have an impact.
- 5.1.9 The total income loss as a result of COVID-19 and the College closure was £1,948k. Pay and non-pay savings would offset this creating a net negative impact of £441k before the furlough claim. Additional costs associated with preparing the College for re-opening were in the region of £155k.
- 5.1.10 If COVID-19 had not happened, it was expected that the College would have been close to achieving a £1million surplus.

5.2 Governors asked a number of **questions** including:

- 5.2.1 **Where the £1 million surplus would have come from.** This would have been from additional income through the AEB (£300k) and Apprenticeships (£200k) and not having to pay out for adaptations of the estate.
- 5.2.2 **It was requested that this detail be set out in the accounts.** Agreed.
- 5.2.3 **It would be important to evidence that the furlough claim was legitimate and what the position would have been without the claim.** This would be included; internal audit would be looking at the furlough claim.
- 5.2.4 **The position for this year did not look too pessimistic but next year would be a concern.** Agreed; although it had been a challenging year, the team was strong and knew how to deal with sudden challenges. Next year was concerning. Recruitment for AEB, HE and apprenticeships was hard to judge; it was not clear how people would behave and whether the College would be able to accommodate them. It would be important to plan for different scenarios.
- 5.2.5 **Joblessness might well increase and so this might be an opportunity for the College?** Colleges would be more important than ever to people and local communities; the College would need to be alert to any opportunities.

5.3 **Governors noted the finance report (Period 10) and agreed to recommend the summer term reforecast to Corporation for approval.**

6 DRAFT BUDGET AND FINANCIAL PLAN 2020/21

- 6.1 The Deputy Principal presented draft Budget for 2020/21 and Financial Plan for 2021/22. The following points were highlighted.
 - 6.1.1 The financial plan for 2020/21 to 2021/22 reflected the funding allocation for 2020/21 and the potential impact of COVID-19. The sensitivity analysis highlighted the key stress points that would impact

- on the College's bank covenants, financial health and cashflow.
- 6.1.2 The Agency required the budget for 2020/21 to be submitted by 31 July 2020 and would be requesting an updated submission by the end of November 2020 following recruitment for 2020/21.
 - 6.1.3 The budget set out a planned £0.5 million deficit based on the assumptions.
 - 6.1.4 The financial objectives included achievement of Good financial health but under the plan, the College would move into Requires Improvement although with a high point score of 170 points. It was therefore highlighted that in achieving the budget, the College would not meet all of its financial objectives.
 - 6.1.5 The first rounds of curriculum planning had taken place but subsequent planning had been delayed by lockdown and the extent of work needed by curriculum areas to complete the grading and assessment process.
 - 6.1.6 The assumptions included reductions in income for AEB (10%), apprenticeships reduced to £4.6 million, HE and fees (10%). No AEB subcontracting was included.
 - 6.1.7 Pay awards and the pay progression were included although these might need to be reviewed depending on the efficiencies required.
 - 6.1.8 Even with a £0.5 million deficit, bank covenants would be met. A credit revolving facility was being explored. The T level capital project had been submitted although the financial implications had not been included in the plan; once the outcome of this was known and the financial implications confirmed, the Corporation would need to make final decision on whether to proceed.
 - 6.1.9 The stress tests applied to the budget were described. If the overall budget deficit position moved from £500k to £1 million, then the College would breach one of its bank covenants. However, action would be taken before this position was reached.

6.2 Governors asked a number of **questions** including:

- 6.2.1 **Was it necessary to approve any changes to the financial objectives?** It was suggested that no changes be made as the original objectives should still be the aspiration and a longer term view was needed. **Governors noted that this was a sensible approach and the original objectives should be retained.**
- 6.2.2 **Whether the College had invested sufficiently up to now to confirm that objective had been met.** The College had continued to invest year on year prioritising health and safety and statutory requirements and ensuring the quality of the student experience.
- 6.2.3 **Would achieving the pay savings deal with the problem and was it possible to achieve the necessary savings in time.** At the moment it was hard to judge income levels and whether efficiencies would be needed. Non-pay savings were easier because budgets could be held back at the start of the year. There were options around pay; if there were a complete collapse of recruitment in particularly areas, restructures or focussed efficiency programmes might be needed or a combination of both pay and restructures might be

needed.

- 6.2.4 **It was good to hear of all the work that had been undertaken and that at prompt action would be taken before the College found itself approaching declining financial health. Was there any scope for positives in the budget?** There was the potential for growth in 16-18s although the benefit would not be seen in this year. There might be opportunities to work with Jobcentre Plus.

- 6.2.5 **How the College's position compared to other colleges?** Anecdotally, other colleges were also concerned about 2020/21. Land-based colleges were in a worse position for 2019/20. Those that subcontracted apprenticeships or had high commercial income were also concerned. AoC would be commissioning benchmarking.

- 6.3 **Governors agreed to recommend the draft Budget and Financial Plan 2020/21 to Corporation for approval.**

7 SUBCONTRACTING AND TENDERING POLICY

- 7.1 The Deputy Principal presented the Subcontracting and Tendering Policy. The following points were highlighted.

- 7.1.1 The policy had been amended following legal advice. There were no major changes.
- 7.1.2 The intention was not to subcontract any AEB provision. There was likely to be some HE subcontracted provision although this was being reduced.
- 7.1.3 Further guidance had been published today by the ESFA confirming the tighter rules and restrictions around subcontracting.

- 7.2 **Governors approved the Subcontracting and Tendering Policy.**

8 HR PERFORMANCE INDICATORS

- 8.1 The Director of HR gave a verbal update on HR performance indicators. The following points were raised.

- 8.1.1 Trend data would normally be produced and considered by the Committee but given the exceptional times, it was felt that the information might be atypical and skew the data.
- 8.1.2 There had been 12 resignations in the last three months compared to 24 in the previous period. There had been a spike in dismissals with four in the last three weeks. Some key retirements were expected including managers. The new ways of working might result in some retirements being brought forward. Overall, turnover was low but it would remain difficult to recruit to some posts.
- 8.1.3 Sickiness rates had reduced; this was likely to be because people were not reporting absence. There had been a small number of absences through COVID-19; one person was in hospital.

- 8.2 Governors asked a number of **questions** including:

- 8.2.1 **Given the high proportion of BAME staff and students whether there was any intelligence about how people had been affected.** There was nothing significant. Some people had been ill with COVID-19 including BAME staff. BAME staff were a concern and this was a major area of discussion with the unions. Managers would be speaking to all those members of staff returning to work and where people were, or felt they were at higher risk, an individual risk assessment would be undertaken for them. Over 200 staff had returned during phase 1 of the re-opening and 25 individual risk assessments had been undertaken.
- 8.2.2 **How many staff had been affected by COVID-19?** This was hard to gauge because of the wide range of symptoms; 12 were known to have been ill, more had continued to work from home and were not badly affected.

8.3 **Governors noted the report on HR performance indicators.**

9 BAD DEBT WRITE-OFF

- 9.1 The Deputy Principal presented a paper requesting authority to write-off debts that were considered uncollectable. The following points were highlighted:
- 9.1.1 The debt had been chased as far as possible and was now considered to be uncollectable.
- 9.1.2 The cumulative total of bad debt write-off for the year to date was £22,435.16.
- 9.1.3 The College had taken a sympathetic approach during the lockdown period as individuals were facing more financial pressures. It was likely that more requests for bad debt write-offs might come forward to future meetings.
- 9.2 **Governors considered the paper and agreed to approve the write-off of uncollectable debts totalling £1,736.74.**

10 COMMITTEE WORKPLAN

- 10.1 The Director of Governance and Policy presented the Committee workplan for 2020/21.
- 10.2 **Governors approved the Committee workplan for 2020/21.**

11 COMMITTEE SELF ASSESSMENT

- 11.1 The Director of Governance and Policy reminded governors that the Committee and Corporation self-assessment surveys would be circulated shortly and asked governors to complete the surveys.

Verity Hancock, Shabir Ismail and Louise Hazel left the meeting

12 SENIOR POSTHOLDER REMUNERATION

12.1 The Director of HR presented the draft annual report on senior post holder remuneration. The following points were highlighted.

12.1.1 Salary changes had been discussed by F&GP and then agreed by Corporation in December 2019.

12.1.2 The multiple of the College average salary in respect of the Principal's salary remained exactly the same as last year.

12.2 **Governors agreed to recommend the annual report on senior post holder remuneration to Corporation for approval.**

12.3 The Director of HR presented the senior post holder salary framework. The following points were highlighted.

12.3.1 No changes were proposed to the framework from the previous year.

12.4 In response to a **question** about how the contribution of senior post holders to the performance of the College was measured and their performance against targets and objectives, the Chair of governors outlined appraisal process.

12.5 **Governors agreed to recommend the senior pay salary framework to Corporation for approval.**

13 DATES OF NEXT MEETINGS

- 7 October 2020
- 3 December 2020
- 3 March 2021
- 5 May 2021
- 23 June 2021

14 ANY OTHER BUSINESS

14.1 The Director of HR presented a report on a recent settlement of an Employment Tribunal claim from an employee. The College had agreed to a judicial mediation which took place on 18 June with an Employment Judge from the Employment Tribunals service mediating. The claim was settled taking into account the potential costs of pursuing the case through a Tribunal. In response to **questions** about what lessons could be learned it was suggested that although all procedures had been properly followed, prompt action might have been helpful.

14.2 The Chair noted that this would be Rod Wood's last committee meeting. He was thanked for this contribution to the College and wished well in his retirement.