

## MINUTES OF FINANCE & RESOURCES COMMITTEE MEETING HELD REMOTELY VIA MICROSOFT TEAMS ON 1<sup>ST</sup> DECEMBER 2021

|                       |                 |   |
|-----------------------|-----------------|---|
| <b>Present:</b>       | Neil McGrath    | External                                    |
|                       | Mary Murphy     | Principal                                   |
|                       | Chris Sikorski  | Staff                                       |
|                       | Susan Smith     | External (Chair)                            |
|                       | Wesley Rourke   | External                                    |
| <b>In Attendance:</b> | Ben Barton      | Deputy Head of Cronton Campus (Observer)    |
|                       | Julie Holland   | Deputy Principal (Finance & Resources)      |
|                       | Gordon Holmes   | Head of Finance & Estates (minutes 1 to 46) |
|                       | Lesley Venables | Clerk to the Governors                      |
|                       | Julia Withersby | Head of Human Resources (minutes 1 to 19)   |

### PART ONE

#### APOLOGIES

1 There were no apologies for absence.

#### DECLARATIONS OF INTEREST

2 A declaration of interest was received from Wesley Rourke in respect of any matters pertaining to Halton Borough Council.

#### APPOINTMENT OF CHAIR

3 **Resolved -** That Susan Smith be appointed as Chair for the 2021/2022 academic year

#### MINUTES

4 **Resolved -** That the minutes of the meeting held on 23<sup>rd</sup> June 2021 be approved as a correct record and signed by the Chair

#### MATTERS ARISING

5 Governors received a report on progress against the actions identified at the previous meeting. It was noted that all of these were either being implemented, had been completed or were featured on the agenda.

6 Under minute 101, the Head of Human Resources reported that the College was encouraging male members of staff to consider joining the well-being team, where this fitted with their existing job role. Alternative strategies would be considered if this did not prove successful.

7 The Committee was advised that the College's 'mean' gender pay gap compared favourably to other local organisations and that the College was exactly mid-way in terms of its median gender pay level. Staffing profiles were similar across public sector institutions, with females tending to comprise the majority of lower graded jobs. This was a systemic feature of UK workplaces and was not confined to the College.

## **FINANCE & RESOURCES UPDATE**

### **Human Resources Annual Report 2020/2021**

8 The Head of Human Resources report that the overall sickness absence level for 2020/2021 was 2.91%, compared to 3.26% in 2019/2020 and against the national benchmark of 3%. The reduction in absence levels was partly a result of staff being able to work from home and having greater flexibility in their attendance patterns, due to the College's arrangements for dealing with the COVID-19 pandemic.

9 Staff turnover had declined from 12.2% in 2019/2020 to 8.4% in 2020/2021 including those who had accepted redundancy and staff whose contracts had not been renewed. This was considerably less than the Association of Colleges figure for the FE sector of 18.2%. Most individuals had left the College to pursue career progression opportunities and it was noted that the reduction this year was attributable to there being fewer external vacancies and the impact of COVID-19.

10 The Committee enquired whether the recent improvement in the national and local job market had impacted on recruitment and salary levels. The Head of HR responded that the College continued to receive a high level of interest in any advertised vacancies. Terms and conditions were in line with or exceeded other colleges and the pay award given to staff meant that the College remained competitive. However, the situation was kept under review by senior management.

11 A total of 42 staff had left the College in 2020/2021. The majority of these had resigned (33), 4 staff had not had their fixed term contracts renewed, 2 had retired, with a further 3 members of staff having been dismissed due to unsatisfactory performance.

12 Teaching staff utilisation was 98.2% compared to 98.4% in 2019/2020. This had remained consistent across all departments, with each member of teaching staff undertaking 850 contact hours. The proportion of hours taught by College employed staff remained high at 98.5%, reducing the College's dependence on agency workers.

13 There continued to be an appropriate emphasis on performance management of staff throughout the year, with supportive measures and continuing professional development to assist in raising levels of teaching and learning even further.

14 The Committee was informed that probationary periods of employment were robustly monitored with a high level of support given to new staff. In 2020/2021, 2 staff received close scrutiny of their performance following initial concerns. Four staff had had their probationary periods extended, two of whom had now successfully completed, one individual had left the College and the remaining staff member was still on an extension due to absence.

15 The Head of HR reported that the well-being activities implemented 2020/2021 continued to have a positive impact on staff morale and had created a vibrant college community. Although there was no plan to reintroduce the daily newsletter that had been

circulated during the lockdowns, regular emails were sent to all staff, highlighting issues such as health and safety issues and well-being activities

16 Governors were advised that 94.6% of staff had declared themselves as 'White British', with a further 4.6% from other backgrounds and 0.8% choosing not to be categorised. The proportion of BAME staff exceeded that of the local population, which was 2.5% (based on the 2011 Census). Regular audits of the College's recruitment and HR processes were undertaken to ensure that these were unbiased and effective.

17 A total of 17.1% of staff had declared a disability or long-term health issues, for which appropriate support was provided. This had increased in comparison to last year, mainly due to more staff declaring health conditions under the requirements of the College's COVID-19 arrangements.

18 The College's age profile aligned closely to that of other local colleges. The proportions of female and male staff remained similar to 2019/2020 (65.3% and 34.7% respectively).

19 Discussion took place on the gap between work-based and resident earnings in the Borough, on which management advised that the majority of staff in the lower and middle quartiles tended to live locally and were mainly female, which was replicated across other public sector bodies.

**Julia Withersby left the meeting at this point.**

### **Annual Health & Safety Report**

20 The Deputy Principal (Finance & Resources) presented the Annual Health & Safety Report for 2020/2021.

21 A total number 74 minor injuries had occurred, compared to 73 for 2019/2020 and against a background of significant growth in learner numbers and major capital works across the College's sites. There were no discernible trends in the accident figures, either by department or campus. All accidents were investigated to determine whether any changes were necessary to the College's processes and procedures. Management felt that the relatively low number of accidents was attributable to improved awareness of safety issues and the high level of staff training undertaken.

22 There had been 38 'near misses' or 'incidents' recorded, which had been categorised into 4 main areas: damaged/faulty fixtures and fittings; electrical/lighting faults; trip hazards and damaged/faulty plumbing fixtures. There had been no RIDDOR reportable incidents.

23 Governors were informed that staff had worked hard to comply with any changes to the guidelines relating to COVID-19. A robust risk management process was in place, together with comprehensive training and advice for staff, which reflected the latest documents issued by the Government and Public Health England.

24 The Deputy Principal provided detailed information on the training and awareness-raising events that had taken place in 2020/2021, including first aid training for staff and students.

25 The College was on a heightened security alert due to the recent terrorism incident in Liverpool. Procedures had been updated to include the latest Government guidance and measures such as checking of ID badges had been tightened.

26 A revised Health & Safety Policy was presented, which would require Board approval.

27 **Resolved -** That the Board **be RECOMMENDED** to approve the revised Health & Safety Policy for 2021/2022

### **Environmental Sustainability Annual Report 2020/2021**

28 Governors received for information the Environmental Sustainability Annual Report for 2020/2021.

29 Under the Streamlined Energy and Carbon Reporting Regulations 2018, further education colleges were advised to report on their energy emissions in their annual financial statements, commencing in 2021/2022. For 2020/2021, the College had generated 0.10 metric tonnes CO<sub>2e</sub> per student, compared to 0.14 in 2019/2020.

30 The Committee was advised of the energy saving measures that had been introduced, such as a more efficient heating system at the Kingsway Campus.

31 The College had adopted the Association of College's Climate Change Roadmap, which required it to aim to achieve a 50% reduction in its carbon footprint by 2025 and to be carbon neutral by 2030. Currently, it had graded itself as 'emerging' on the AoC scale.

32 Governors questioned whether this was achievable in practice and the likely higher cost of compliance. The Deputy Principal reported that this was an aspiration at this stage and that a full analysis of the cost of achieving the target was underway, including the financial implications. It was noted that most of the measures introduced so far related to improving efficiency as opposed to reducing costs and this would continue to be the College's strategy, with resources focused on areas that could make the most significant impact.

### **Management Accounts – September 2021**

33 The Deputy Principal presented for information the management accounts to 30<sup>th</sup> September 2021.

34 The actual underlying operating surplus of £1.9m was slightly higher than the original forecast (£1.878m). There were slight favourable variances on pay (£1K) and non-pay expenditure (£52K). A full income and expenditure statement was provided to the Committee.

35 Cash balances remained positive and the actual position at the end of September stood at £19,267k compared to £18,858k in July 2021. This variance was mainly due to teaching and partnership spend only beginning in September.

36 The year-end current ratio was 2.96 and cash days in hand were 208. Projected cash flows remained well within the bank's covenant limits.

37 Staff vacancies continued to be closely monitored and the College's current staffing complement was 387.23 full-time equivalents compared to a target of 374.93 FTEs. Overall pay expenditure for College staff was in line with the agreed budget.

38 Governors noted that all financial targets had been met and that the ESFA calculation of performance meant that the College continued to be graded as 'Outstanding' in terms of financial health. This was a considerable achievement, given the difficulties being experienced by some FE colleges and against the background of the COVID-19 pandemic and the associated future uncertainty.

39 The Committee also received for information the ESFA's Good Practice Guide on Management Accounts, which had been published recently. The Deputy Principal would be reviewing the current format and content of the management accounts to identify any areas for improvement. Governors asked that the section on capital expenditure should include information on commitments, as well as budgeted and actual amounts.

### **Property Update**

40 The Head of Finance & Estates presented a progress report on the capital projects being undertaken by the College using grants from the Liverpool City Region Combined Authority and supplemented from its own resources. All projects were proceeding in line with the agreed timetable and budgets.

41 Installation of an additional land drain to the rear of the theatre had stopped water ingress to the rear wall. Investigations and work continued with the architects and main contractors to resolve the residual underfloor issues to allow the completion of the remaining building works.

42 As part of the sale contract, the College had received an overage payment of £94K from the housing developer which had purchased the former Runcorn Campus.

43 A monitoring report was provided on all 5 projects undertaken as part of the Liverpool City Region's Strategic Investment Fund and the ESFA's Further Education Capital Fund. All grants had now been spent and these projects completed, with the exception of the Health & Well-being Building at the Cronton Campus.

44 The application to the FE Capital Transformation Fund for 2 separate bids (Green Energy Hub and over-cladding of the Kingsway main building) had now reached stage 2 of the process. The projects now required a higher level of contribution from the College, as approved at the last Board meeting, with overall expenditure of £10.4m. It was anticipated that the ESFA would notify all colleges of the outcome of their bids in February 2022. In the interim, the College was aiming to submit both bids for planning approval by Halton Borough Council in December 2021.

45 Governors questioned the increase in costs of the Green Energy Hub by £1.5m. The Head of Finance & Estates advised that this was due to the revised size of the building. Initially, the project was for a 4 storey structure that was separated from the main campus building. Phase 2 of the project was due to include a second staircase and a lift structure and it had been felt to be more efficient to connect the Hub to the main building, increasing the physical footprint and, therefore, the costs. Management was confident that the total project could still be delivered within the revised budget that had been approved by the Board in October 2021.

46 It was noted that the bid to the ESFA's Post 16 Capacity Fund had not been successful.

**Gordon Holmes left the meeting at this point.**

### **Partnership Provision Update 2021/2022**

47 The Principal provided an update on partnership provision contracts for 2020/2021.

48 The ESFA had recently issued updated guidance for boards and senior management on sub-contracting, which was intended to strengthen the level of oversight within the FE

sector. Governors noted that the College was fully compliant with the funding rules (as evidenced through various audits during the year).

49 Currently, reports were provided to the Committee and to the Board three times a year. However, the guidance required this to take place on a quarterly basis, as a minimum. It was proposed that a short summary of performance would be provided to the Board between the scheduled updates to the Finance & Resources Committee.

50 All partners had responded well to the pandemic in 2020/2021 and had continued to offer high quality provision including complying with the COVID-19 guidelines and providing additional student support. The national benchmarks and College achievement rates had been exceeded by three organisations. The exception was Power in Partnership, where there had been a reduction in Functional Skills achievements due to the pandemic, with online delivery available but students had been unable to attend the centre to take their examinations.

51 The overall percentage of partnership provision compared to total College income remained at 2.4%, well within the 5% threshold recommended by the ESFA. New guidelines required that all providers restrict the volumes of subcontracting to 25% by 2022/2023. The figures for 2020/2021 were: 5.4% of 16-18 provision, 15.4% of Adult Education Budget devolved to the Liverpool City Region and 29.1% for AEB non-devolved (ie ESFA). Management reported that plans were in place to reduce the Adult Education Budget Non-Devolved contracts to a more appropriate level, so that the College would be fully compliant by 2022/2023.

52 The College's sub-contracting provision had been audited by KPMG in 2020/2021 and confirmed that it complied with the ESFA funding rules. One recommendation had been made as a result of the audit relating to ensuring that credit rating checks were consistently applied as part of the due diligence process and this would be implemented for 2021/2022.

53 Governors noted the respective quality assurance ratings for each provider and the underlying reasons for these. Crosby Training was graded as 'Amber/Red', due to students being referred by Job Centres but failing to attend the training. This was due to attendance being non-mandatory and apprehension about COVID-19. The provider was confident that the situation would improve and was working with Job Centre Plus to raise its profile and convert referrals to actual attendances. The LCR had reduced Crosby Training's contract by £30k to reflect concerns about volumes and its ability to recover from the slow start. Its performance was being monitored closely.

54 The Committee was reminded that in July 2021 the Board had approved initial proposals for delivery in 2021/2022. These volumes had now been confirmed, with the exception of Crosby Training whose contract would be reduced by £30k (as outlined above). All proposed partners had met the College's quality checks and due diligence requirements. Allocations for the Adult Education Budget had also been agreed in principle with the Liverpool City Region Combined Authority.

55 Final reconciliation payments were proposed for contracts in 2020/2021.

- 56 **Resolved -**
- 1 That the updated ESFA's requirements on partnership governance and reporting processes be noted, including additional monitoring reports to the Board.
  - 2 That the Board **be RECOMMENDED** to approve final reconciliation payments to all partners for 2020/2021
  - 3 That the reduction in Crosby Training's LCR contract for

2021/2022 be noted

## FINANCIAL STATEMENTS 2020/2021

57 The Deputy Principal presented the Financial Statements for 2020/2021. The underlying operating surplus of £3,895k was in line with forecast (£3,895k as reported in the July 2021 management accounts) prior to the inclusion of pension costs (£1,084k). After accounting for these adjustments, the surplus for the year was £2,811k (before an actuarial pension loss of £975k) compared to a surplus of £2,086k in 2019/2020.

58 During 2020/2021 the College had received £2,682k in grant income, increased its turnover by £2,877k (from the original budget) and reduced non-pay expenditure by £384k mainly as a result of the timing of summer-works and the impact of COVID-19.

59 The external auditors had made no recommendations during the financial statements audit and had given unqualified opinions on both the regularity and financial statements audits.

60 The College's total borrowings had decreased by £1,141k over the year as a result of having no further loans and repayments of £1,141k. Cash balances remained high (£17,320k) and were within the level required by the bank covenants.

61 The College's financial health was graded by the ESFA as "Outstanding".

62 The Deputy Principal reported that the Financial Statements would need to be submitted to the ESFA by the 31<sup>st</sup> December 2021, once they had been approved by the Board and signed by the Chair and the Principal.

63 A full sensitivity analysis of the College's income sources had been undertaken as part of the preparation of the financial statements, together with robust testing of the College's going concern status (as required by the latest guidance). This was included in the Financial Plan that had been submitted to the ESFA in November 2021.

64 Governors acknowledged the environment within which the College was operating, with a high proportion of FE colleges in serious financial difficulty, not all of which could be attributed to the COVID-19 pandemic.

65 **Resolved -** That, subject to some minor amendments, the Board **be RECOMMENDED** to approve the Financial Statements for 2020/2021, subject to any further amendments.

## BARCLAYS BANK LETTERS OF VARIATION

66 The Deputy Principal presented two Letters of Variation relating to the College's loans with Barclays Bank.

67 Governors were advised that the College's loan agreements used the LIBOR rate (London Interbank Offered Rate) to calculate the interest rates on its current loans. The Financial Conduct Authority had announced in March 2021 that the LIBOR rate would cease to be used for this purpose from 31st December 2021. The College's loans will, therefore, move to the Bank of England base rate.

68 Barclays had issued two letters that varied the terms of the two LIBOR linked loans accordingly. The letters required Board approval and the signatories on the two letters (Principal and Deputy Principal) must be approved and signed off by the Chair.

69 **Resolved -** That the Board **be RECOMMENDED** to approve the draft Letters of Variation

## **POLICIES**

70 Governors received updated versions of policies on Trips & Visits and Higher Education Compensation. The Deputy Principal reported that there were no significant amendments to bring to the Committee's attention.

71 **Resolved -** That the Board **be RECOMMENDED** to approve the following policies:

Trips & Visits (subject to further amendments around COVID-19 arrangements)

Higher Education Compensation

## **AMENDMENT TO FINANCIAL REGULATIONS**

72 The Clerk presented a proposed amendment to the College's Financial Regulations relating to Gifts and Hospitality, which was designed to strengthen existing procedures and to provide clarity to staff and governors when making any declarations.

73 **Resolved -** That the Board **be RECOMMENDED** to approve the amendment to the Financial Regulations

## **COMMITTEE'S SELF-EVALUATION 2020/2021**

74 The Clerk presented a draft of the Committee's Self-Evaluation of its performance in 2020/2021, which was then discussed by governors.

75 **Resolved -** That the Committee's Self-Evaluation for 2020/2021 be approved

## **ITEMS TO BE REPORTED TO THE BOARD**

76 The Chair summarised the key points that would be reported to the full Board at its meeting on 13<sup>th</sup> December 2021:

- Comprehensive reports received on human resources, health & safety/COVID-19, environmental sustainability and property issues
- Performance against the partnership provision contracts for 2020/2021 and 2021/2022 was noted, together with revised governance processes for future reporting. Final reconciliation payments for 2020/2021 were recommended for approval by the Board.
- Financial Statements for 2020/2021 were recommended for approval by the Board
- Management accounts to September 2021 were noted
- Policies on Trips & Visits, Higher Education and Health & Safety were recommended for approval by the Board
- Amendment to Financial Regulations on Gifts & Hospitality was recommended for approval

## **DATE OF NEXT MEETING**

9<sup>th</sup> March 2022, 5.00 p.m.

Signed:   
Chair of Finance & Resources Committee

Date: 10/07/2022