

MINUTES OF THE FINANCE & RESOURCES COMMITTEE MEETING HELD ON 19th JUNE 2024 AT 4:30PM AT THE KINGSWAY CAMPUS

| | | |
|-----------------------|---|---|
| Present: | Mary Murphy Chris Sikorski Susan Smith Stephen Young | Principal Staff Governor External Governor External Governor |
| In Attendance: | Julie Holland Gordon Holmes Julia Withersby Catherine Shaw | Deputy Principal (Finance & Resources) Head of Finance and Estates Head of HR Clerk to the Governors |

1. APOLOGIES FOR ABSENCE

Apologies for absence were received and accepted for Neil McGrath (External Governor) and Ben Barton (Assistant Principal).

2. DECLARATION OF INTERESTS

None.

3. MINUTES

3.1 To approve the minutes of the previous meeting held on 6th March 2024 (previously circulated)

The Committee reviewed the minutes from the previous meeting.

Resolved - That the minutes of the meeting held on 6th March 2024 be **approved** as a correct record.

3.2 To review the action log and to consider any matters arising from the minutes (previously circulated)

The action log was reviewed.

Resolved - The Committee **noted** that action points were either completed or in progress for completion.

4. FINANCE AND RESOURCES UPDATE

4.1 Human Resources (previously circulated)

The Head of HR presented this report and highlighted the following aspects including key performance indicators, as appropriate:

- Overall absence rates had decreased compared to this point in time last year; decreasing to 3.82% compared to 4.37% in 2022/2023.

- The gender pay gap for March 2023 showed the College to be broadly in line with comparator organisations.
- The Employee Health & Wellbeing Strategy continued to be a key priority with the launch of an Employee Assistance Programme. Mental Health First Aid Refresher training had also taken place. During the recent Ofsted inspection, it was pleasing to report that the Inspectors were highly complimentary regarding the support provided to staff and the culture of support and challenge at the College.

A discussion took place. In response to a question raised, the Head of HR confirmed that quarterly reports were produced in respect of the Employee Assistance Programme which could be used to monitor how frequently it was being accessed.

Resolved: The Committee **noted** the contents of the report.

The Head of HR was thanked for her report and she left the meeting.

4.2 **Management Accounts to 30th April 2024** *(previously circulated)*

The Deputy Principal (F&R) highlighted the following key aspects from the Management Accounts:

- The actual operating surplus was higher than planned by £597k. This was due to favourable variances on Income, Pay and Non-Pay expenditure. The Committee were directed to the full Income and Expenditure Statement (Appendix 1).
- Cash balances had remained positive and stood at £30,154k which was higher than forecast. The favourable variance was predominantly due to increasing apprenticeship income and interest earned on bank balances.
- Annual capital expenditure to date was £3,129k.
- Student Numbers and Funding – the College was on track to achieve the main funding targets. A growth request had been granted by the Liverpool City Region (LCR) relating to an increase in Adult funding.
- The College remained in outstanding financial health, as independently confirmed by the Education and Skills Funding Agency (ESFA).

A discussion took place with a focus on the potential tipping point relating to the reserves position. The Principal referred to the current building projects in progress and associated expenditure, some of which was derived from reserves. Property Consultants were being procured to assist with a Property Strategy review. The Deputy Principal (F&R) also advised that a Reserves Policy was to be recommended for approval at the next meeting, in compliance with requirements contained within the College Financial Handbook published by the ESFA.

Resolved: The Committee **noted** the contents of the report.

4.3 **Three Year Financial Forecast including budget 2024/2025** *(previously circulated)*

The Deputy Principal (F&R) advised that the report provided an update to the Financial Plan agreed in July 2023 and submitted to the ESFA. She highlighted the following aspects of the report:

- The plan had been prepared against a volatile backdrop of political uncertainty, rising costs, recruitment and retention of staff and significant curriculum changes,

including the move to T levels and the defunding of tried and trusted qualifications.

- The change to assumptions throughout the period of the Plan were detailed in section 5. The operating surplus in 2023/24 was forecast to be £1.745m (£1.498m agreed in July 2023).
- The forecasts on income were more favourable (+£2.941m in 2023/24) than projected in July 2023 following uplifts in funding rates for 16-18 learners. Rising interest rates had led to an increase in interest received on bank balances. Achieving the adult budget remained challenging, given the all-year nature of its recruitment and mitigation had been included for clawback should tolerance levels change.
- The College's capital programme: £26.3m over four years consisted of £16m from college reserves and £10.3m by grant.
- A stringent sensitivity analysis had taken place. Contingencies had been built into the planning process to ensure the College had the flexibility to respond to any rapid and demanding changes that may take place.
- The modelling process in respect of key ratios was addressed
- It was confirmed that the financial health of the College was outstanding and forecast to remain so until at least 2026/2027.

A discussion took place with questions being asked and responded to in connection with the modelling process.

Resolved: The Committee **noted** the report and **recommended approval** of the three-year financial forecast, including the budget for 2024/2025 to the Board.

4.4 **Financial Regulations 2024/2025** (*previously circulated*)

The proposed amendments were considered by the Committee which largely derived from the publication of the College Financial Handbook and Managing Public Money.

Resolved: The Committee **recommended** to the Board that the Financial Regulations 2024/2025 be approved.

4.5 **Health and Safety** (*previously circulated*)

The Deputy Principal presented this report and highlighted the following aspects:

- Accidents, Incidents and Near Miss Statistics February to June 2024 – the number of minor accidents had increased by five, compared to 2022/2023 data at this point in time. There had been no RIDDOR reportable incidents. The number of near misses recording during this reporting period had decreased by eleven. No patterns or trends had been identified.
- Health and Safety (H&S) Activities – following recent national incidents, staff were to receive updated training relating to (i) fire awareness and (ii) counter terrorism.

Resolved: The Committee **noted** the contents of the report.

4.6 **Property Strategy Update** (*previously circulated*)

The Head of Finance and Estates presented this update and highlighted the following key aspects from his report:

- The Health and Wellbeing Centre at Cronton had cost £8.090m. Block B (the three-storey building at the back of the site) opened in June 2023 and Block A (Sports building) was formally opened on 24th November 2023.
- Completion of the substation was the sole matter outstanding in relation to the Sports & Wellbeing Centre at Cronton. It was anticipated that this would be completed over the summer.
- The College had secured £9.38m of Further Education Transformation Capital Funding to address all areas of the College that were rated below category B. Property Consultants were being procured to prepare a condition survey, at which time it was anticipated that the Property Strategy would be updated and would include a de-carbonisation plan.
- The College continued with its maintenance plans.

To complement the written report, a visual presentation was delivered to the Committee illustrating the transformation of the Cronton campus and the current projects on-going at both the Kingsway and Cronton campuses. The Committee acknowledged the complexities and challenges relating to the scale of some of the building projects. In response to a question raised, the Head of Finance & Estates advised that minimal downtime was anticipated in connection with the replacement substations.

Governors commended the Senior Management Team (SMT) on the impressive transformation to the learning environment at the Cronton campus and the current plans for further improvements across the two campuses.

Resolved: The Committee **noted** the contents of the report

The Head of Finance and Estates was thanked for his report and he left the meeting.

4.7 **Partnership Update** *(previously circulated)*

The Committee considered the report which provided (i) a summary of partnership activity during 2023/2024, (ii) a compliance update relating to the ESFA subcontracting regulations and (iii) a request for approval to award contracts in 2024/2025 based upon supporting business cases, details of which had previously been circulated.

In the absence of the Assistant Principal, the Principal highlighted the following aspects of the report:

- The College's Ofsted Inspection in April 2024 included scrutiny of subcontracting activities at Power in Partnership. The subsequent report stated: 'The College worked collaboratively with their subcontractors to provide training for students, including for those that were the furthest from employment and education, to prepare them for work, further learning, apprenticeships and their next steps. The college assured the quality of the subcontracted provision very effectively.'
- Power in Partnership – met all recruitment targets and there continued to be a strong demand for this niche provision across the borough. The volume of learners being offered progression onto full time places at the College next year has almost doubled. The current risk rating remained at amber to enable areas for development to be addressed and practice to become embedded.
- Crosby Training – had responded to the regional skills shortage in the education sector by continuing to develop Teaching Assistant pre-employment programmes. Meeting contract volumes had remained challenging due to there

being a poor conversion rate from referrals made by Job Centres to candidates enrolling, as training continued to be a non-mandatory option for the unemployed. There had been an increase in 16-18 year olds requiring pre employment training linked to specific jobs and Crosby had exceeded its target in this respect. The current risk rating remained at amber, primarily due to concerns in meeting the ESFA/Non-Devolved contract. The subcontractor was delivering programmes with low volumes in an attempt to meet the target.

Resolved: The Committee

- (i) **Noted** the Subcontracting Regulations
- (ii) **Noted** the performance of sub-contractors to date
- (iii) **Recommended** that the Board approved continuation contracts for 2024/2025, in respect of Power in Partnership and Crosby Training; values as detailed in the respective business cases presented.

5. POLICIES

- 5.1 **Procurement Policy** (*previously circulated*)
- 5.2 **Treasury Management Policy** (*previously circulated*)
- 5.3 **Supply Chain Fees** (*previously circulated*)

The Committee reviewed the individual policies within agenda items 5.1 and 5.3 (inc), noting proposed amendments, where applicable.

Resolved: The Committee **recommended approval** of the above policies to the Board.

6. GOVERNANCE – COMMITTEE MATTERS

6.1 **College Financial Handbook** (*previously circulated*)

The Clerk advised that the ESFA had published this in March 2024 following the decision made by the Office for National Statistics (ONS) to classify the English college sector to central government from 29th November 2022. The handbook provided an overarching framework for implementation of effective financial management and other controls consistent with the College's obligations as a public-funded body. An overview of each section was provided with a particular focus on section 5.38 relating to requiring consent from the Department for Education (DfE) in the event the College proposed to make any amendments to existing private sector borrowing. As a written resolution was passed by the Board on 13th December 2023 for the college to repay a commercial loan, the Clerk advised retrospective approval may need to be sought from the DfE.

Resolved: The Committee:

- (i) **noted** the contents of the report and that the College must comply with the College Financial Handbook as a condition of its Accountability Agreement.
- (ii) **agreed** for avoidance of doubt to seek retrospective approval in respect of the loan repayment in December 2023.

6.2 **College Oversight and Intervention** (*previously circulated*)

The Clerk advised that this guidance set out ways in which the DfE would work with colleges to identify, at an early stage, any financial and quality issues that might hinder success. It also signposted the support and advice available from the DfE, ESFA and Further Education Commissioner (FEC). It included information regarding the FE

insolvency regime and the statutory powers the Secretary of State for Education can use to intervene in colleges.

Resolved: The Committee **noted** the report.

6.3 **ESFA Financial Dashboard for Governors** (*previously circulated*)

The Clerk advised that the dashboard was updated twice yearly and its purpose was to assist governors in their oversight of the College’s financial performance and ensuring financial sustainability and solvency. The dashboard included the:

- Cash position and future indications of solvency
- Accuracy of forecasting
- Reliance on the ESFA funding and particular funding streams
- The position of the college on the three ratios (Adjusted Current Ratio, EBITDA and Borrowing) that the ESFA uses to determine the college’s financial health grade

Resolved: The Committee **noted** the contents of the report and the pleasing data contained within the dashboard.

7. **ITEMS TO BE REPORTED TO THE BOARD**

A discussion took place.

Resolved – the following reports to be presented to the Board at its next meeting on 18th March 2024 together with an overarching summary report:

- Management Accounts
- Three-Year Financial Forecast including the budget 2024/2025
- Partnership Provision Contracts 2024/2025
- Policies for Board approval

8. **DATES OF FUTURE COMMITTEE MEETINGS**

Resolved - The Committee **noted** the following meeting dates:

- Board – 8th July 2024 2024 at 4:30pm
- Finance & Resources Committee – 20th November 2024 at 4:30pm

The Chair closed the meeting and thanked all attendees for their participation.

Signed: ...Office copy signed by Susan Smith

Chair of Finance and Resources Committee

Date: 20th November 2024.....