

## MINUTES OF FINANCE & RESOURCES COMMITTEE MEETING HELD ON 29<sup>TH</sup> JUNE 2022 AT THE KINGSWAY CAMPUS

<b>Present:</b>	Neil McGrath	External
	Mary Murphy	Principal
	Wesley Rourke	External
	Chris Sikorski	Staff (attended remotely)
	Susan Smith	External
<b>In Attendance:</b>	Julie Holland	Deputy Principal (Finance & Resources)
	Gordon Holmes	Head of Finance & Estates (minutes 96 to 130)
	Lesley Venables	Clerk to the Governors
	Julia Withersby	Head of Human Resources (minutes 96 to 107)

### PART ONE

#### APOLOGIES

96 Apologies for absence were received from Ben Barton (Assistant Principal).

#### DECLARATIONS OF INTEREST

97 Declarations of interest were received from Wesley Rourke and Neil McGrath in respect of minutes 147 to 151.

#### MINUTES

98 **Resolved -** That the minutes of the meeting held on 9<sup>th</sup> March 2022 be approved as a correct record and signed by the Chair

#### MATTERS ARISING

99 Governors received a report on progress against the actions identified at the previous meeting. It was noted that all of these had either been completed or were featured under later agenda items.

#### FINANCE & RESOURCES UPDATE

##### Human Resources

100 The Head of Human Resources presented an update on key indicators for 2021/2022. Overall, the sickness absence level was 5.68%, compared to 3.16% at the same point in 2020/2021 and the Association of Colleges' benchmark for 2019 of 3%. This was mainly due

to a rise in COVID cases and a number of staff being off work for medical operations that had been postponed during the pandemic. There had been 220 COVID-19 cases this academic year, compared to 70 in 2020/2021. It was agreed that future reports would also include absence figures for the pre-COVID period.

101 A total of 35 staff had left the College in 2021/2022, compared to 27 in 2020/2021. The majority of these had resigned (28), 2 staff had not had their fixed term contracts renewed, 4 had retired and one had been made redundant. The number and reasons for leaving were more closely aligned with the normal pattern.

102 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. Governors were informed that there was currently one grievance case which had been appealed unsuccessfully.

103 Formal disciplinary action had been taken against one member of staff who had been dismissed from the College without any appeal.

104 Benchmarking information on the College's Gender Pay Gap Report was received by the Committee. The analysis indicated that the mean gender pay gap was 8.6% compared to 7.6% in 2021 (which was lower than most comparator organisations), whereas the median gender pay gap was 23.2% (from 18.56% in 2021), which was higher than all but one competitor organisations.

105 A governor asked how salary levels at the College compared to those offered in other institutions. The Head of HR advised that starting salaries were comparable, however, the speed of progression through the payscale was an area that had been highlighted for improvement by management, to attract staff from the school sector and to maintain high levels of retention. The College was preparing a strategy to remind applicants of the benefits offered in terms of terms and conditions and the kudos of working at an Ofsted-outstanding college.

106 The College continued to focus on wellbeing and activities to promote a sense of community amongst staff had continued throughout the year and had proved to be highly successful, with positive feedback.

107 The Leadership Development Programme had been a key priority for the year and continued to support staff in leadership roles at all levels.

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

### **Health & Safety**

108 The Deputy Principal (Finance & Resources) presented an update on Health & Safety issues since the March 2022 meeting.

109 It was noted that the total number of minor injuries was 65, compared to 26 for the same period in 2020/2021 and against a background of significant growth in learner numbers and major capital works at the Cronton site. There had been 31 near misses (21 in 2020/2021) and no RIDDOR reportable incidents. Governors asked for pre-COVID accident figures to be used in future reports, to provide a more meaningful comparator of performance.

111 The Deputy Principal provided detailed information on the training and awareness-raising events that had taken place in 2021/2022, including first aid training for staff and students. The continuing increase in mental health issues had meant that the College had advertised for 2 mental health workers to support students.

### **Environmental Sustainability**

112 The Committee received a report on the College's Environmental & Sustainability framework, which addresses all aspects of the AoC's Climate Change Roadmap. A revised Environmental Sustainability Policy and Strategy were recommended for approval. Governors also discussed the possibility of establishing a cross-Borough Group of key partners, to enable organisations to share good practice and provide collective leadership to reduce the overall carbon footprint.

113 The Lead Governor for Climate Change (Wesley Rourke) reported that he had discussed with the Deputy Principal (Curriculum) the conceptual model being used by the College to drive its sustainability strategy, in conjunction with other partners. There needed to be a balance between organisational and behavioural change, with some initiatives being low impact but having a strong outward message to stakeholders.

114 Governors emphasised that the costs associated with the College's Environmental Strategy had not yet been included. The Deputy Principal responded that this was part of the work being undertaken by a firm of specialist consultants and would be reported to a future meeting.

115 **Resolved -** That the Board **be RECOMMENDED** to approve the revised Environmental Sustainability Policy and Strategy

### **Management Accounts to 30<sup>th</sup> April 2022**

116 The Deputy Principal presented for information the Management Accounts to April 2022.

117 The actual underlying operating surplus of £3,324k was £280k higher than planned (£3,044k). Income had favourable variance of £324k but was offset by an adverse variance on non-pay expenditure of £42k.

118 The College was currently on track to achieve all of its main funding targets. Cash balances remained positive and at the end of April were £16.310m compared to the budgeted figure of £16.307m. The projected cash flows remained well within the bank's covenant limits. The year-end current ratio was 3.44 and cash days in hand were 223.

119 Vacancies continued to be closely monitored and the College's current staffing complement was 390.28 full-time equivalents compared to a target of 374.93 FTEs. Overall pay expenditure indicated a slight adverse variance and staff utilisation was 98%.

120 Capital expenditure of £3.265m and was within the overall amount approved by the Board of £4.122m.

121 The Deputy Principal advised that the College's financial health rating remained at 'outstanding' for 2021/2022 and this had been formally confirmed by the ESFA. Compared to the targets in the finance dashboard, the College was performing at a higher level than planned against all key indicators.

## **Property Update**

122 The Deputy Principal and the Head of Finance & Estates presented a progress report on the capital projects being undertaken by the College using grants from the ESFA and supplemented from its own reserves.

123 Bids had been submitted to the LCR Strategic Investment Fund (SIF) and the FE Capital Fund under five separate strands and had been successful in each bid. All works were now complete, with the exception of the Strand 1 bid for the Health and Well-being Centre at the Cronton Campus. There had been some delays to the programme and cost increases due to supplier lead times and spiralling costs caused by the current global environment.

124 The College was still in discussion with the main contractor and its legal advisers regarding the continuing problem with water ingress in the Theatre at the Cronton Campus. In response to questions from governors on the potential liability and estimated costs to address this issue the Head of Finance & Estates reported that the current aim was to conclude negotiations informally, with equal contributions from all participants (and a total estimated cost of £60k)

125 It was now anticipated that the project would cost £7.683m including additional works to the kitchen and portacabin that had not been included in the original bid and this increased amount had been built into the 3 Year Financial Forecast (featured under a later agenda item). Management's aim was to open Block B (the three-storey building at the back of the site) after the October half-term break and Block A (Sports building) in January 2023.

126 Governors were reminded that a stage 2 application had been submitted to the FE Transformation Capital Fund in two separate bids in October 2021 (for a Green Technology Hub and overcladding of the main campus building at the Kingsway Campus). Both bids had been submitted for planning approval in December 2021 and the outcome was not yet determined. The College had been notified that neither bid had been successful but it was noted that a further FETCF application process was due to start later in 2022 for which the College could apply.

127 The former project had been re-submitted to the T Level Capital Fund. The estimated cost of the latter project was £5.915m (with a £3.915m grant contribution and £2m from College reserves. This £2m remained allocated for capital developments and could either be used as a match funding if further grants became available or to finance one phase of the project.

128 Governors received information on the level of summer works, the costs of which (£0.852m) had been included in the current financial forecast and used the £0.5m contingency/refurbishment budget.

129 The total forecast capital spends in each year to 2024 was set out in detail and comprised a total investment of £17.853m over the 3 Year Financial Forecast. There would be no new borrowings, with all projects financed from the College's own resources.

130 **Resolved -** That the Board **be RECOMMENDED** to approve:

- 1 The Summer Works Programme (total cost £0.852m)
- 2 Expenditure of £17.853m overall as set out in the 3 Year Financial Forecast

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

### **Partnership Provision Update 2021/2022 and Proposals for 2022/2023**

131 The Principal provided an update on partnership provision contracts for 2021/2022 and proposals for delivery in 2022/2023.

132 Currently, the College contracted with 4 niche providers, all of which were based locally. Levels of performance varied and the extenuating circumstances of some companies was noted by the Committee. One partner continued to have resourcing issues and a lack of onsite student facilities and the length and type of qualifications offered by another organisation were a concern for the College.

133 Governors were also informed of the new ESFA funding rules for partnership provision and their implications for the College. These included having a clear rationale for any subcontracting arrangements and having a plan to reduce the overall volume of subcontracting. From 2022/2023 it would be mandatory for colleges to have a maximum of 25% of any funding stream (learner numbers) subcontracted unless permission was obtained from the ESFA. A new set of Subcontracting Standards would be introduced shortly and increased quality assurance monitoring regulations. ESFA permission would also be required for 16-18 whole programme and distance subcontracting from 2022/2023.

134 A revised Supply Chain Fees & Charges Policy was submitted for approval.

- 135 **Resolved -**
- 1 That progress against partnership provision contracts for 2021/2022 be noted
  - 2 That the Board **be RECOMMENDED** to approve proposals for 2022/2023
  - 3 That the Board **be RECOMMENDED** to approve the revised Supply Chain Fees & Charges Policy

### **THREE YEAR FINANCIAL FORECAST**

136 Governors also received for information the ESFA's Financial Performance Dashboard for the College, which showed a good level of performance against each of the indicators measured by the ESFA.

137 The Deputy Principal (Finance & Resources) presented the revised Financial Forecast for 2022 to 2025 and the draft budget for 2022/2023, which had been prepared following recent guidance issued by the Education & Skills Funding Agency.

138 The outturn for 2021/2022 was predicted to be £1.842 compared to the budget figure of £1.152m agreed in July 2021), which was attributable to positive recruitment for the 16-18, HE and Apprenticeships funding streams and the allocation of growth funding in-year. All funding and learner number targets had been met. The College would retain its financial health grading of 'outstanding' for the current year and throughout the period of the Forecast.

139 The capital programme included the projects that were currently underway, where the grant funding had been agreed, together with the bids to the T Level capital fund (outcome unknown at this point). The minimum cash balance throughout the Plan was £11.8m, which was well within the bank covenants.

140 Governors noted that the changes to the assumptions in the Forecast represented a worst-case scenario based on current thinking and information. Further contingency funding had been included for both pay and non-pay expenditure to mitigate any amendments to funding methodologies, should these arise.

141 In July 2021 the net pension liability for the Local Government Pension Scheme had been valued at £11.6m. The Forecast increased the pension liability by approximately £1m per year and the Deputy Principal advised that the value of assets in the Scheme may be significantly affected by the current economic climate. The situation continued to be monitored closely.

142 The income predictions were more favourable than projected in the January forecast following a positive recruitment period for all streams, particularly 16-18, HE and Apprenticeships. The impact of the lockdowns had not been as severe as anticipated and, although it remained challenging, the ESFA and LCR Adult Education Budget reconciliation targets had been met for 2020/20/21.

143 The pay contingency for 2022/2023 was about 6%, which would enable some amendments to the College's pay-scales in line with the Real Living Wage and secondary school teaching scales. The teaching unions were seeking a higher pay award nationally this year. Pay contingencies of 4% were included in future years together with non-pay contingencies of at least £1m annually. This would allow for some mitigation if inflationary pressures continue and delivery remains challenging post-COVID.

144 The ESFA had requested a further document to be submitted by the end of July 2022, known as the College Financial Forecasting Return (CFFR), which was presented to the Committee. The intention of this process was to enable the ESFA to assess whether colleges were likely to experience cashflow difficulties.

145 Governors were advised that the CFFR indicated that the College remained in outstanding financial health for the next 3 years. The College met or exceeded each of the sector average ratios within the CFFR, including cash days in hand, operating surplus as a percentage of income and profitability as a percentage of revenue.

146 Resolved - That the Board **be RECOMMENDED** to approve the revised Financial Forecast for 2022 to 2025, which includes the Budget for 2022/2023 and that the CCFR and commentary should be submitted to the ESFA

## **RUNCORN TOWN DEAL**

147 The College was a key partner in the proposed Health and Education Hub, which was one of seven projects selected to support the regeneration of Runcorn Old Town as part of the national Towns Fund Initiative. A total of £2.6m of capital and £0.25m of non-recurring revenue costs to cover estimated running costs for the first 18 months had been allocated. Funding was subject to a successful full business case being submitted for government approval by August 2022.

148 Based in the current library site in Runcorn Old Town (owned by Halton Borough Council), the Hub was due to open in April 2024. The project was to provide an integrated approach to the 'Levelling Up' agenda for the area by improving health/wellbeing services and preventative initiatives, alongside educational services including skills training for basic and digital skills and preparing people to work in the health and care sector.

149 As part of the development and submission of the full Business Case, the boards of key partner organisations were required to give formal approval to further development of the project.

150 A governor asked about the details of the 5 year break clause in the lease on the designated building and whether, if any partners withdrew from the project, the College would be liable for any additional costs. The Principal explained that at this stage partners were not being asked to commit to any funding contributions. The sensitivity analysis included in the report covered the future partnership arrangements. It was important that the College balanced the educational value of the project with any financial commitment.

151 **Resolved -** That the Board **be RECOMMENDED** to approve participation in the Education & Health Hub Project as part of the Towns Fund Deal

## **FINANCIAL REGULATIONS**

152 The Deputy Principal presented a revised set of Financial Regulations, which had been updated to reflect current practice and regulations.

153 **Resolved -** That the Board **be RECOMMENDED** to approve the Financial Regulations for 2022/2023

## **POLICIES**

154 Governors received updated versions of policies on Treasury Management and Procurement. The Deputy Principal reported that there were no significant amendments to bring to the Committee's attention.

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

Treasury Management  
Procurement

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

156 The Chair summarised the key points that would be reported to the full Board at its meeting on 4<sup>th</sup> July 2022:

- Comprehensive report received on human resources, management accounts, health & safety, environmental sustainability and property issues
- A number of items were recommended for approval by the Board - Proposals on Partnership Provision for 2022/2023, Supply Chain Fees & Charges Policy for 2022/2023, Financial Forecast for 2022 to 2025 and budget for 2022/2023, College Financial Forecasting Return, Financial Policies and Financial Regulations,

Environmental Sustainability Policy & Strategy and participation in the Towns Fund Deal.

- Performance against the current year's partnership contracts was also noted, with no significant concerns raised.
- Management accounts to April 2022 received for information.

**DATE OF NEXT MEETING**

30<sup>th</sup> November 2022, 5.00 p.m.

**Signed:** Office copy signed by Susan Smith (Chair)  
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**Chair of Finance & Resources Committee**

**Date:** 30<sup>th</sup> November 2022  
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