

NON-CONFIDENTIAL MINUTES OF THE FINANCE & RESOURCES COMMITTEE Thursday 22nd March 2018

Present:	Trish Kidd Julie Barton Chris Dodwell John Sidney Andrew Wren	Chair F&R Committee External Governor External Governor External Governor Principal
In attendance:	John Smith June Fielding Megan Hughes Karen Johnson Hannah Oliver	DP F&R Financial Controller Head of Human Resources Acting Clerk Financial Assistant (observer)

PROCEDURAL

FR/18/01 The Chair drew Governors' attention to the two paragraphs at the top of the agenda, formerly agenda items, reminding Governors of their responsibilities and to declare any interests relevant to agenda items, and that this also included responsibilities around Equality, Diversity and Inclusion

APOLOGIES FOR ABSENCE

FR/18/02 All members were in attendance.

MINUTES OF PREVIOUS MEETING

The Committee considered the minutes of the previous meeting and agreed that these were an accurate record.

FR/18/03 **Resolved: The minutes of the meeting held on 30th November 2017 were agreed as a true and accurate record and duly signed by the Chair**

MATTERS ARISING

There were no matters arising.

MANAGEMENT ACCOUNTS

FR/18/04 The DP F&R presented the management accounts for the period to 28.2.18 and made the following key points:

- With regards to college funded Apprentices, planning was reasonably prudent, given the massive uncertainty about the new funding arrangements and the introduction of the Levy for larger companies. It is expected that the income targets set in the budget to be exceeded, although at the present time there is insufficient hard evidence to materially update forecasts.
- Given the position that we will not achieve our student recruitment and related funding and income targets, management has taken action to ensure savings in expenditure are achieved where possible
- To February 2018 (Period 7) the college has generated an "operating surplus" of £711K, which is £236K behind the budget assumption but substantially better than the same time last year. The surplus after non cash transactions falls to £13K, again behind the budget, though £266K better than the same time last year
- From a reportable perspective, the year-end situation will continue to change throughout the year, though based on current data and management expectations, it is expected that income (all sources) will fall short of the budget by £365k, though reductions in expenditure will mean a "reportable surplus" of £111K for the year to July 2018, compared with an original budget of £171K

- Operationally the expected surplus has however increased from £1,091k to £1,296k, which means the amount of cash surplus from normal operations should increase by £205K. This is, however, offset in terms of the reportable surplus by depreciation and the anticipated increase in contribution to the LGPS pension provision
- Surplus predicted at year end which is above the original target set
- Lot of initiatives, including the new sub-contracting arrangement recently approved by Board, are in hand to take place before the end of the Summer term to bring in additional funding. As a result of this activity adult income will increase

FR/18/05 Governors asked for further clarity around the sub contract arrangement which had been approved by Board, and in particular questioned if this practice was normal in the sector. The DP F&R advised that it is not unusual for a College to have a sub contract arrangement with another provider, since working with a sub-contractor has the potential to impact positively on finances. As reported to Board a thorough due diligence had taken place and performance, including quality related aspects, of the provider will be monitored very closely.

FR/18/06 Governors questioned how likely the College would be to work with sub contractors in the future, and were advised that it is beneficial to the College to carry out additional work with carefully managed sub contractors, particularly when this is over a longer period of time because the financial benefits are greater. For this academic year the College will be working with a sub contractor for 3 months, which although having a positive impact it is not as significant as it would have been over a longer period of time.

- Income from BAE Systems for the work that the College carries out on behalf of BAE Systems has reduced on previous year, this is primarily as a result of the decision taken by the business to no longer continue with an apprentice intake in March, these numbers will be carried forward to September
- Apprenticeship funding, broken down by each strand (non levy/levy) there are some challenges around achieving targets but there is confidence that by year end target will be achieved
- Educational contracts – income is slightly below target at the present time. An breakdown of educational contracts with employers was provided, overall these are below target at the present time with the main reason for this being the reduced income from BAE Systems in response to the March intake being carried forward to the following September
- Tuition Fees – HE recruitment is lower than that in the curriculum plan and the previous academic year. The budget assumed that 90% of the plan would have been achieved, which was the case in previous years, however, for this year we are below forecast
- Other income – No significant issues to report. The variance to date is in relation to the time lag in receiving data relating to ESF activity and the knock on impact to the College income. This position is expected to improve and increase beyond original expectations as the year progresses.
- Pay Expenditure – The pay budget had been set at a level to fully fund all known posts within the College establishment and a central provision for growth should the student population grow. The forecast at the present time is realistic and assumes a further reduction in pay costs as we approach the year end.

FR/18/07 Governors questioned if the differences between the teaching staff contracts on each site (Channelside annualised hours, Rating Lane annualised days) had resulted in a negative impact on pay expenditure and were advised that this did not have a negative impact because it had been factored into the original budget.

- Non Pay Expenditure is currently below target overall, with some individual areas being above or below target. The Group discussed the premises expenditure which were higher than target and were advised that these were due to increased running costs, many of which were outside of the College's control due to these being externally imposed costs.

FR/18/08 The Committee suggested that it would be useful to have a breakdown of premises costs within the management accounts.

FR/18/09 **Action: Financial Controller to include this within future management accounts for Committee awareness**

- The DP F&R continued with the overview of the management accounts:
- Income from commercial activities is above target at the present time
- Balance sheet, nothing unusual or of concern noted within the balance sheet
- Capital expenditure no concerns at the present time, by year end the budget will be under pressure but there are no concerns at the present time.
- Accounting ratios indicate that there are no concerns at the present time.

FR/18/10 Resolved: The Committee noted the management accounts and the actions being taken to manage the position

BUDGET OUTLINE

FR/18/11 The DP F&R presented the outline budget for 2018/19 and highlighted the following key points:

- The year ahead will prove to be difficult
- The College will make an operational surplus
- Reporting surplus will be down slightly due to pension charges and pay increments/award
- Funding income is lower than this year due to the lagged funding for a reduced number of learners
- Recruitment numbers will be challenging this year due to local demographics, for subsequent years this position will improve due to changing demographics
- Adult budget assumes that we will receive the full allocation as expected
- Education and training contracts reflects the reducing provision with BAE Systems
- HE income – an expectation that this will no grow in 18-19
- Expenditure: planning targets indicated, which includes staffing costs, expenditure relating directly to the funding reductions and an overview of net savings to be found during detailed planning – work has already commenced on the efficiency savings required to realise this figure. The College is confident that the required savings can be realised
- Outline of non pay efficiencies and costs
- Contingency has been provided for
- The summary provides a public reporting surplus of £185k
- It is expected that this will achieve a good or outstanding financial rating by the funding body

FR/18/12 The Committee queried the impact of making savings in line with expected learner numbers for 2018 when learner numbers are not yet known. The DP F&R raised that careful management is necessary because the College is already aware that income will be lower due to lagged funding and we need to prepare accordingly for this. There are efficiencies to also be made in class sizes and so there is internal capacity by increasing class sizes.

FR/18/13 Resolved: The Committee noted the outline budget for the upcoming academic year

FR/18/14 Rating of financial status by Education & Skills Funding Agency

The DP F&R drew Governors attention to notification received from the Education & Skills Funding Agency that the College has continued to be rated as having Outstanding financial status. Governors' attention was drawn to the various graphs within the report which provided a benchmark overview of the College's performance in comparison to the sector

FR/18/15 Resolved: the Committee noted the external rating of the financial status of the College

WHISTLEBLOWING POLICY

FR/18/16 The DP F&R present the Whistleblowing Policy which had been recently reviewed with only minor changes required.

FR/18/17 Resolved: The Committee approved the Whistleblowing Policy and recommended this for Board approval

FEES POLICY

FR/18/18 The DP F&R presented the Fees Policy which outlined the intended processes for the charging of Fees for the upcoming academic year, along with the approach for those learners who leave before the end of their course or fail to pay their fees.

FR/18/19 **Resolved: The Committee approved the Fees Policy for the upcoming academic year**

SUPPLY CHAIN AND FEES POLICY

FR/18/20 The DF F&R presented the Supply Chain and Fees Policy, which had been reviewed with only minor changes required. The policy applies to all supply chain activity with funds supplied by the ESFA and is a funding requirement.

FR/18/21 The Committee asked for clarification around how fees are set and were advised of the methodology used in setting out the contractual arrangements involved when engaging a sub contractor.

FR/18/22 The Committee advised some minor rewording of the contract to clarify the processes involved.

FR/18/23 **Action: DP F&R to amend the wording of the policy**

FR/18/24 **Resolved: The Committee approved the Supply Chain and Fees Policy subject to the rewording suggested**

TERMLY HR REPORT

FR/18/25 The Head of HR presented a report which provided a summary of HR activity for the Autumn Term. The following points were made:

- Staffing levels, headcount at end of term 1 = 350. 11 leavers during the term, 23 new starts and 142 internal contractual changes which resulted in an overall decrease of 5.84 FTE over the period.
- A breakdown of FTE by contract type was provided, it had been agreed that in future support staff will be broken down into different groupings because there are a huge range of roles which are currently grouped within the support staff area, some of whom support students directly for example
- A breakdown of leavers and starters by staff group provided – nothing unusual to report
- Internal staffing changes – these include change in hours, flexible working requests and some of the changes as a result of the support staff structure falling into this period
- Curriculum planning has recently commenced, HR will be involved during the validation phase when indications of staff needs and reductions are known
The Committee discussed the links between curriculum planning and the knock on effect of staffing when learner numbers increase or decrease
- Performance of staff including professional support and capability – no referrals
- Grievance, the Head of HR provided an background to the two grievances which had been received, one of which was dealt with as part of the informal grievance procedure and one which had been thoroughly investigated as part of normal, formal procedures

FR/18/26 The Committee questioned requests for flexible working and asked if these were always approved or if they were considered on a one by one basis. The Head of HR advised that in the past the College has supported most but a small number had been received recently which were not approved for business reasons. There is a comprehensive approval process in place to consider all requests with either a positive or negative outcome

FR/18/27 Sickness absence has doubled and this is due to be fully analysed by the HR Team, an immediate overview has raised that there are no apparent reasons for this, several absences are due to long term health conditions or accidents. The Head of HR advised that the change in management structure has contributed in some way towards this due to the change in team structures, team members and different line managers over the period in question

FR/18/28 The Committee raised that in the past absences had been managed very well by the College and requested that given the increase it would be useful in future to have a breakdown by the different College areas.

FR/18/29 **Action: The Head of HR to include a breakdown by area in future reports**

FR/18/30 **Resolved: The Committee noted the report**

CYCLE TO WORK SCHEME

FR/18/31 The DP F&R presented the report which is provided to inform the Committee of the intention of the College to offer a Cycle to Work Scheme to staff and the processes involved to fulfil the requirements of the scheme. For transparency the Scheme had been brought to the Committee for awareness.

FR/18/32 **Resolved: The Committee noted the proposal to offer a Cycle to Work Scheme for College staff**

ITEMS FOR THE NEXT AGENDA

There were no items raised in addition to the normal cycle of business.

GENDER PAY GAP
Confidential item

CONFIDENTIALITY

FR/18/40 The Committee agreed that items relating pay gap should be classified as confidential.

DATE OF NEXT MEETING

FR/18/41 The next meeting of the Committee had been scheduled for Tuesday 19th June but it was agreed to reschedule this date nearer to the Summer term board meeting which had been revised earlier this year to 12th July (from 5th July).

The Committee agrees that these minutes are an accurate record of the meeting.

SIGNED:

NAME: *(Chair)*

DATE: