Minutes of the Meeting of the Finance, Resources and Capital Projects Committee

held at 6.00pm on Wednesday 22 June 2022
at the Skills and Logistics Centre.

Present:	Mr A Luke (AL)	Chair
	Ms T Aust (TA)	Principal
	Mr S Wilcox (SW)	
	Ms C Callinan (CC)	
In Attendance:	Ms K Frost (KF)	Head of Governance
	Mr M Cooper (MC)	Executive Director Finance, HR and Development
	Mr M Michaelides (MM)	Executive Director Resources and Student Experience

1/22 Welcome and Apologies

The Chair welcomed everyone to the meeting. There were no apologies for absence. CC attended the meeting virtually.

2/22 Declarations of Interest

There were no declarations of interest relating to the items on the agenda.

3/22 Minutes of the Last Meeting

Minutes from the meeting of the committee held on 2 March 2022 had been received in advance (Paper 3). IT WAS DECIDED the minutes were a true record of the meeting and they were approved.

4/22 Matters Arising

The 'Summary Action Point List' (Paper 4) had been received in advance of the meeting. The following updates against previous action points was noted:

Min Ref	Details of Action Point	Status Update
39 & 40 (16/6/21)	Review of Financial Regulations.	Agenda Item 8.
25 (2/3/22)	Budget 2022/23 – Sensitivity analysis to include mitigation to address the following risks:	Agenda Item 7.

	• The need to get nursery numbers back to pre-covid levels in order to achieve the forecast income from the nursery. • Apprenticeship numbers appear to be a significant increase, but if achieved, would be at pre-covid levels. • Pay award. • Estates/premises costs, including energy and utilities. • Cost inflation – the budget assumes a 4% increase in inflation. • Risk of setting a negative budget	
49 (2/3/22)	S+L Centre Lease: To make available for the March Corporation meeting a confidential report outlining the advice received from the College solicitors and proposed recommendation for the Corporation to consider. The paper to be circulated to Committee members before it is made available to the Corporation.	Completed.

5/22 Data Dashboard Review

The Committee reviewed in detail the Key Performance Indicators (KPIs) that fell under the Committee's remit: Finance, Human Resources and Health and Safety.

a) **Finance**
The ESFA financial health rating had improved slightly with a projected overall score of 230 at year end compared to a budget of 220. The forecast outturn had also improved and was projected to be a surplus of £150k.

The calculated ratios as at 30 April 2022 were:

- Solvency: Adjusted Current Ratio - 2.2 (ESFA/FEC target: >1.4)
- Profitability: EBITDA - 8.7%
- Borrowing: Borrowing as a percentage of income - 37.8% (ESFA target: <40%)

There had been no significant movement on any measures other than profitability.

Performance against the financial Key Performance Indicators (KPIs) was noted:

- ESFA financial health grade - 'Good'
- Operating surplus as a percentage of income - 0.8%
- Staff costs as a percentage of income - 65.4%
- Cash days in hand at 31 July 2022 - 137 days
- Projected compliance with both financial covenants attached to the Barclays loan.

In terms of performance versus funding allocations:

- The College had enrolled 1,668 16-19 programme funded students - 12 more than the allocation.
- An over delivery was forecast on the Greater London Authority Adult Education Budget.

- An under delivery of just over £120k was forecast against the mainstream ESFA AEB funding allocation, mainly due to the ending of the subcontracted provision.

There had been significant under delivery against the National Skills Fund (NSF) curriculum offer which was in line with many providers. Provision had been made for funding claw back.

b) **Human Resources**

Sickness Absence
At the end of the spring term, sickness absence was 7%. This compared to the College target of 2% and Association of Colleges (AOC) benchmarking data of 2.6%. In previous years, the College had been around 3-4%.

Governors asked whether COVID was having an impact on the absence data. MC said COVID accounted for about 2%. *Governors asked* whether it was long- or short-term absence. MC said there had been an increase in the amount of long-term absence. *Governors asked* whether there were any discernible trends and noted there weren't.

Governors said there were no immediate concerns with the level of absence but it would need to be monitored.

Disability Profile
Just over 10% of staff had declared a disability, this was a slight increase on last year.

Ethnicity Profile
There had been a slight increase in the % of employees with a BME ethnicity profile. 58% compared to 54% in 2020-21. The student ethnicity profile had experienced a similar increase.

Staff Utilisation
Staff utilisation was at 95.5% which was a significant improvement since the last meeting. This was largely as a result of underutilised staff being deployed to deliver small group tuition.

Governors asked whether this was likely to be sustained. MC said it was, the College wasn't expecting it to drop. *Governors asked* how it compared to other Colleges. It was agreed MC would look into whether there was any benchmarking data available.

Action: MC

The Committee noted that staff costs as a percentage of income was currently 65.4% which was above the recommended %. *Governors asked* how many colleges managed to meet the recommended % and said they were interested in how colleges achieved it. Was it related to higher staff utilisation figures? It was agreed MC would look into this.

Action: MC

Staff Turnover
Staff turnover was at 14% for year to date which had increased marginally from the last meeting of the Committee. This compared to 13% last year and AOC benchmarking data of 15%.

Governors asked whether there were any particular concerns or any particular staff groups involved. The Principal said there weren't any concerns. There had been a recruitment challenge in some areas but this was a widespread issue. The College had recently been successful with some appointments to posts that hadn't been easy to fill.

Governors said they thought the College was in a good position in terms of turnover. In previous years, the turnover figure had been around 20%. It was important to understand why people were leaving. *They asked* what the main drivers were for people moving on. The Principal said it tended to be for career progression or for full time roles. *Governors asked* whether there were areas of the organisation where the structure could be reviewed to create more opportunities for career progression. The Principal said the College had reviewed the structure in some areas but not throughout the College. It was something that could be explored in the future.

Governors asked whether staff utilisation was having any impact on turnover and whether the higher workload was impacting on staff. The Principal said the annual hours were still very favourable compared to other colleges. The higher staff utilisation had been achieved through better time tabling and flexing the time tabling where needed. The College tried to streamline what teachers were delivering to reduce workload.

Governors asked whether higher staff utilisation had put any pressure on staff availability for staff training. The Principal said it hadn't, the College had designated days set aside for training, training time had been built into the weekly time table on Monday afternoons and other time was available as well.

c) **Health and Safety**

Accidents
53 accidents had been reported in the spring term. This was a slight increase from the autumn but in line with the same period last year. The majority of accidents were due to slips, trips and falls in the nursery. Out of those accidents recorded for students, the majority were minor cuts from scissor cuts in Hair and Beauty. There were no serious incidents to note and there had been nothing reportable to the Health and Safety Executive.

Risk Assessments
63 risk assessments had been completed. 75% of these were for trips and on-site events. The College was now in the cycle of looking at curriculum risk assessments for next year. External fire risk assessments had been arranged for a couple of buildings that were now due.

Health and Safety Training
Health and Safety training remained ongoing. 222 training sessions had been completed in 2021-22.

PEEPs
48 PEEPs had been completed this year compared to 53 last year. Internal progression had started and the College was in the process of identifying any returning students so that the PEEPs could be carried forward into next year.

COVID-19
The College had continued to report cases of COVID and were still advising on isolation. This would continue until the end of the academic year. COVID would form part of the Health and Safety plan moving forward.

Health and Safety Internal Audit
There had recently been an internal audit for Health and Safety. It was a positive picture with reassurance received about the policy, processes and procedures. There was only one advisory recommendation which was to put the Health and Safety policy on the website. The internal auditors had said the data dashboard was an example of good practice which they would be sharing with other colleges.

d) **Data Dashboard**
MC reported that a recent internal audit had suggested a number of areas that the Corporation might want to include in the data dashboard. Governors went through the list and suggested adding data about near misses but otherwise were satisfied with it as it was.

Action: MM

6/22 Management Accounts

The 'Management Accounts for April 2022' were received in advance of the meeting (Paper 6).

The year to date position was an operating deficit of £73k compared with the budgeted surplus of £34k. The projected year end position was an operating surplus of £150k.

Governors asked whether there were any significant changes since the last meeting of the Committee that they should be aware of. MC confirmed there wasn't. The main reasons for the improvement in forecast were projected savings of £228k in pay costs more than offsetting across-the-board increases in non-pay expenditure. Otherwise the sizeable variances remained broadly the same. There had been an improvement in the nursery income due in increased occupancy and savings on staff pay.

The contingency of £410k had been fully used.

There was projected compliance with both financial covenants attached to the Barclays loan.

IT WAS DECIDED to note the Management Accounts.

7/22 Budget and Financial Forecast

The Committee received the proposed Budget for 2022-23, the proposed Financial Plan for 2023-24 and a commentary in advance of the meeting. (Paper 7).

Key points in the budget were:

- The budget would deliver an operating surplus of £100,000 in 2022-23 reducing to £50,000 the following year.

- The budget only included £100k for non-pay contingency in 2022-23 with £70k for staffing contingency. In 2023-24 there was no non-pay contingency included.

- The College had modelled best- and worst-case scenarios and considered risks and sensitivities.

- A 3% pay increase had been assumed for 2022-23 with an additional 2% assumed for 2023-24.

- The main risk was around the growth assumptions that had been included for 16-19 and apprenticeships.

Governors said the College was £50k under for apprenticeships this year so questioned the assumption that there would be growth in this area. MC said apprenticeships had fallen short of target this year but he wasn't concerned by the projection for growth as recruitment is improving and funding from 'carry-in' apprenticeships will comprise a reasonable proportion of the total budgeted income.

Governors said they were concerned about the assumptions made around inflation. MC said the budget included 5% inflation for 2022-23 and 3% for 2023-24. The College had looked at the scenario for what would happen if inflation was 10%. The financial health grade wouldn't change as long as any additional expenditure was under £600,000. *Governors said* they were more concerned with 2023-24 as there was no contingency in the budget that year. MC said the College had looked at areas where the College could grow income and reduce costs.

Governors asked about the budget for energy costs. MC said it was within the Estates budget and that 5% had been added for inflation on top of the inflated costs from this year. MM said the College was in the process of retendering for energy contracts and would be looking to get the best possible price.

Governors said they felt the financial position appeared robust at the moment and the College had been prudent on its budget. It would, however, need to be closely monitored as 5% for inflation could be on the optimistic side, compared to the high rates of inflation being experienced in the wider economy, although it was noted the headline inflation measures like RPI contained food and energy prices, which should have limited impact on the lines in the college budget being inflated at 5%. They said the sensitivity analysis had been useful and it would be helpful to continue this as part of in year budgeting.

Following a thorough review, and after careful consideration of the risks and sensitivity analysis, IT WAS DECIDED to recommend to the Corporation at its meeting on 13 July 2022 to:

a) Approve the operating revenue budget for 2022-23 with gross income of £21,766k and gross expenditure of £21,666k giving an operating surplus of £100k.

b) Approve the financial plan for 2023-24 with operating surplus of £50k.

c) Agree to a capital expenditure programme for 2022-23 of £800k in total.

d) Give delegated authority to the Chair and Vice Chair to both approve any technical revisions if required by 31st July in view of any material late changes arising, including late funding notification changes from the funding bodies.

8/22 **Financial Regulations**

The Committee received an update on the review of the Financial Regulations, a draft Financial Scheme of Delegation and a Contract Schedule in advance of the meeting. (Paper 8).

a) **Financial Regulations**
The update to the Financial Regulations was still work in progress and would be presented to the committee in the autumn term for final approval.

b) **Financial Scheme of Delegation**
The Committee reviewed the proposed Financial Scheme of Delegation. IT WAS DECIDED to increase the amount of spend that could be signed off by the Finance, Resources and Capital Projects Committee to £300,000. With that change, IT WAS DECIDED to recommend to the Corporation that the Financial Scheme of Delegation be approved.

c) **Summary of Contracts**
The Committee reviewed the list of major contracts for revenue expenditure. It was noted that there were a number of contracts coming up that would need to be approved by the Corporation. Due to the timings it was agreed to recommend to the Corporation that delegated authority be given to the Committee to approve the contracts due over the summer.

9/22 College Financial Data Dashboard

The ‘Governors’ Financial Dashboard dated 26 April 2022’ was received in advance of the meeting (Paper 9b) and noted.

10/22 Subcontracted Provision

The Committee received proposals for this year’s subcontracting arrangements and the draft 2022-23 Subcontracting Policy in advance of the meeting. (Paper 10).

There were no planned changes to subcontracting for next year. The proposal was to renew the longstanding subcontracting arrangements with Gurdwara Sri Guru Singh Sabha, Hounslow for local community provision of ESOL courses to a small group of learners. This was for c.£3k. It was hoped to grow the provision in the future.

IT WAS DECIDED to recommend to the Corporation that approval is given for the College in 2022-23 to subcontract to the Gurdwara the delivery of AEB-funded provision up to a maximum aggregate value of £20,000.

11/22 Draft Property Strategy

A draft Property Strategy for 2022 to 2026 and a commentary to the strategy was received in advance of the meeting (Papers 11a and 11b).

The Committee reviewed the strategy, noting the following key points:

- The property strategy was driven by the strategic plan, in particular the curriculum strategy.
- Detailed condition surveys have been carried out for all buildings which confirmed that the College was in a quite a strong position in terms of buildings with 32% assessed to be Condition A, 52% assessed as Condition B and 16% assessed as Condition C.
- A 10-year maintenance schedule had been developed and was broken down into different levels of priority.
- An assessment and analysis of space utilisation had been completed. College utilisation was around 30%, which was a little lower than the sector average but not unusual when considering the number of specialist facilities and workshops. IT rooms had the highest utilisation at 38%.

- A space need analysis had been conducted in line with the curriculum plan, factoring in a 5% growth over the next 3 years in line with the curriculum strategy. There was unlikely to be a need for any additional accommodation in the next 3-5 years.

It was noted that there would be another round of the Capital Transformation fund but one of the new funding conditions was that the Corporation needed to hold the freehold for the building or have a lease of at least 125 years. This would mean applications for funding were unlikely to be successful for the Skills and Logistics Centre.

The aim was for the Property Strategy to be completed by the end of the academic year.

Governors thanked MM for the draft strategy which included a good level of detail and a clear strategy moving forward. It contained data that would help to inform discussions. *Governors asked* for more information about the balance of space allocated to different areas of the curriculum and what sort of value for money was being achieved. This would help to inform whether the Corporation should be spending more and/or allocated more space on the estate on certain areas of the curriculum.

Action: MM

12/22 Risk Register

The Committee received an update on the status of risks relevant for the committee in advance of the meeting. (Paper 12).

The update was noted and there were no suggested amendments.

13/22 Correspondence

A letter from the ESFA dated 30 March 2022 regarding the Financial Statements Review 2020/2021 (Paper 13) was received and noted.

14/22 AOB

a) **Committee Membership**
IT WAS DECIDED to recommend a change to the committee membership to be 'at least 4 governors' rather than 'up to 4 governors'.

b) **Governance Oversight of Sustainability**
The Committee discussed where responsibility for oversight of sustainability would sit. It was agreed to consider it again once the Key Performance Indicators for the strategy had been finalised.

15/22 Confidential Item

Two confidential agenda items were discussed and separate minutes were taken.

16/22 Date of the Next Meeting

The date of the next meeting of the committee was Wednesday 5 October 2022 at 6.00pm.

Summary of Actions

No.	Action	Lead	Target Date
5/22	Look into whether there is any benchmarking data available for staff utilisation.	MC	Nov 22
5/22a	Let Committee members know how many colleges achieve the target for ‘staff costs as a percentage of income’, how they manage to achieve it and whether it is related to staff utilisation performance.	MC	Nov 22
5/22b	Add in data about Near Misses to the data dashboard.	MM	Nov 22
11/22	Provide information about the balance of space allocated to different areas of the curriculum and what sort of value for money was being achieved.	MM	Nov 22