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Minutes of the Finance & Resources Committee Meeting Held Virtually at 5pm on 26 April 2022

Present: Shahlam Ali (left the meeting at 6.30pm), Katie Hill (staff governor), Tim Jackson, Paul Quigley (Chair) & Paul Walton (joined the meeting at 5.15pm)

Apologies: Lily Camacho (student governor)

In Attendance:		
	Paola Schweitzer	Director of Governance
	Maria Vetrone	COO
	Karen Stant	Director of People Strategy & Organisational Development (minute 046)

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Minutes

1 – Standing Items

042 Attendance and Participation
Lily Camacho sent her apologies.

043 Declarations of Interest
There were no declarations of interest beyond those previously declared.

044 Minutes
The Minutes of the Meeting on 01 March 2022 were **Agreed** as a correct record.

045 Matters Arising
Governors **Noted** there were no matters arising that were not covered on the agenda.

046 HR Update

This item was taken first on the agenda. Karen joined the meeting and presented paper 133/22/F&R providing an update on human resources.

Karen highlighted the main areas covered in her report:

- **HR/People Team Staffing Structure** Update: The HR team was under resourced in terms of headcount and skills and recruitment was underway, with one successful appointment for a year's fixed term contract subject to review depending on College needs, and an interview the following day. In response to a question, Karen confirmed she was happy with the appointment but noted that the market was incredibly fast paced.

- The first wave of the **HR policy review** was underway with the intention to review all core HR policies over the next 12-18 months to bring all staff under a single set of policies and procedures whilst maintaining TUPE protected entitlements. Work was also underway to update the **HR/People Data** reporting dashboard with historic 2021/22 data. The full data set would be used for regular reporting for staff and governors.
- The review of the **College's Pay and Reward structure** had begun, with a huge number of staff moved off the national minimum wage onto a pay scale point. This was not where the College wanted to be but there were financial constraints at present. Dialogue with staff was ongoing.
- A partnership with an external specialist company, Everymind at Work, was being explored as part of the **employee wellbeing and welfare strategy**.
- An HR/People **Ofsted readiness checklist** (including the College Single Central Record) had been developed to ensure the team was fully prepared to support the inspection process.
- **Business areas/departments reviews** to ensure the organisational needs of the merged college were being met had been completed for HR/People, estates and marketing. A formal staffing consultation process concerning changing the campus location for the SEND and LDD staff from September 2022 had commenced and work had begun on the curriculum staffing model for 2022/23, driven by the College curriculum planning process.
- Six **staff focus groups** had been held along with a March Pulse Survey focusing on communications and staff wellbeing and welfare, and key themes were more in person meetings/briefings, more opportunities for staff to share their thoughts, feedback and views across a range of areas and more open and transparent communications with staff around strategy and important decisions. A full staff survey would be launched on 09 May.

Paul thanked Karen for her report. Tim asked that the future, reports distil five or six bullet points for the Committee to note. Governors **Noted** the HR Update.

047 Management Accounts February 2022

Maria presented the February 2022 management accounts (paper 130/22/F&R), drawing governors' attention to the expanded commentary focusing on the 31 July 2022 forecast as opposed to year to date (YTD)

As at 28 February 2022, the College was tracking close to the YTD budget with a YTD operating deficit of £603k (£2k adverse to the YTD budget). The position had improved since 31 January 2022, which indicated a YTD operating deficit of £694k (£46k adverse to the YTD budget). Income was favourable against the YTD budget by £64k, mainly due to additional ESFA 16-19 tuition funding received in-year. Pay expenditure was showing cost savings of £272k YTD, mainly from curriculum staffing and associated under-enrolment with some courses not running as planned. Non-pay expenditure was showing an overspend of £337k YTD, mainly due to additional costs associated with Covid-19, higher examination and registration fees and significant additional premises maintenance costs, particularly associated with regulatory compliance requirements (these were expected to significantly increase towards year-end). The year-end outturn forecast was set at £76k favourable to budget with an operating deficit of £1,761k at 31 July 2022 but Maria warned more variances were likely as the College approached year-end. The forecasts were being reviewed.

The balance sheet showed the College had £3.9m in cash reserves at the end of February, forecast to drop to £1.8m by the end of July 2022. Maria drew governors' attention to the Key Performance Indicators which showed that the College was mostly aligned with the sector but that the pay expenditure as a percentage of income ratio was still too high (the actual ratio was 68%, with a forecast outturn of 68.5% against the FEC benchmark of 65%).

Maria raised the matter of the overdraft facility with Barclays Bank, stating that whilst the College would be able to draw down funds if necessary, Board agreement was required to finalise the arrangement. She noted that the cost to the College to date was £10k and once formally in place there would be a standing charge of just under £2k a quarter plus 2.5% interest on any borrowings. The matter would return to the Board at is next scheduled meeting on 21 July 2022.

Tim noted the success with regards to apprenticeships and more particularly that the total income had broadly caught up with the year to date budget and asked if the College was on top of the out of funding (OOF) apprentices. Maria stated that the College had expended huge effort and resource to manage apprenticeship provision with significant improvements being made, with the result that achievement was now 60% and recruitment was good. Tim then asked if the College had remedied the backlog of estates maintenance. Maria stated that an enormous amount of work remained across all College sites, except for Tangier Road, and significant expenditure was still required. This would stretch into 2022/23. In response to a question, Maria stated that the College would see significant increases in its utility costs as it had variable rates with providers and noted that managing these contracts would be one of the first tasks of the newly appointed Head of Procurement and Contracts. Maria agreed with Katie's suggestion that managing energy consumption would fit with the College's sustainability cross-cutting theme and stated that the College would put a sustainability plan in place.

Governors **Noted** the February 2022 management accounts.

048 Draft Capital Expenditure Policy

Maria presented the draft Capital Expenditure policy (paper 131/22/F&R), noting that the legacy colleges did not have such a policy.

The Capital Expenditure Policy defined what constituted capital expenditure and set out the process and procedures that College employees were expected to follow to request and purchase capital expenditure items. The purpose of the policy was to ensure that all capital expenditure requirements were clearly identified, planned and authorised. This was feeding into the 2022/23 budget process.

Paul noted that under the policy, capital projects in excess of £100,000 could only be commenced once a proposal and business case had been completed and approved by the Senior Management Team, Finance & Resources Committee and Corporation before the start of the new financial year and asked how approval would be sought in the event of a short timescale. Maria stated she would minimise this eventuality by bringing an annual capital programme of expenditure to Corporation and a termly update to the Committee. Tim asked why this policy sat outside the Financial Regulations. Maria responded that whilst the Regulations summarised capital expenditure protocols, the policy was more detailed. Tim suggested that paragraph 6.1 be amended to state that whilst capital expenditure would ordinarily be agreed through the budget process, the COO would have flexibility to agree expenditure in emergency situations.

Governors **Approved** the Capital Expenditure Policy.

049 Capital Programme 2021/22 (paper 132/22/F&R)

Maria presented the capital programme 2021/22, the first summary of the College's capital expenditure programme for the year ending 31 July 2022.

Capital expenditure had not previously been properly planned, budgeted, monitored, controlled or accounted for in the College's management accounts resulting in the risk that the College had little control over capital expenditure or knowledge of the financial implications of continuing to commit to spending and matched funded capital projects. The Capital Expenditure Policy underpinned the capital programme and the College's finance system had been re-configured to account for capital expenditure, with coding established to align with approved capital projects. The management accounts now reported capital expenditure separately, including original costs, matched funding and grant funding, year to date, actual spend, committed expenditure and forecast outturn expenditure.

Maria drew governors' attention to the capital projects and expenses included in the 2021/22 capital expenditure programme:

- Post-16 Capacity Fund (Tangier Road Campus Expansion)
- T-levels Wave 3 - Health and Science T levels preparation (Tangier Road & Highbury Campuses)
- Solent LEP - Institute of Technology - Engineering and Linked Digital Training
- Strategic Development Fund - Skills Accelerator (capital equipment for Net Zero project based at North Harbour Campus)
- DfE Transformation Bid (costs accumulated and capitalised to date)
- IT infrastructure refresh projects (including new servers, mobile devices, switches, networking and other infrastructure and equipment)
- Emergency lighting repairs (Highbury Campus)
- Tower recladding project (final retention payments)
- BMS system controller (Highbury Campus)
- Installation of electrical rigs (North Harbour Campus).

Capital expenditure programme analysis indicated that, as at 13 April 2022, the College had spent £447.6k with a further £446k committed expenditure. The current forecast for final outturn capital expenditure indicated a total overspend against budget of £145k on the basis that all identified capital projects were delivered by 31 July 2022 and all grant funding was received. There were also unplanned capital expenses and projects totalling £130.6k. The current forecast cost of all planned and unplanned capital projects on completion was £4.21m, representing an overspend of £276k against the original budget. This would have to be funded from the College's cash reserves. Several capital projects would be withdrawn from 2021/22 and reconsidered for 2022/23.

In response to a question, Maria stated that the £140k spent on the DfE project would not be moved to revenue until the estates strategy was completed. Tim noted that fees relating to external staff could only be capitalised when the project took place. Maria noted that this programme was a work in progress and would be standing agenda item at all Finance & Resources Committee meetings. Tim asked if staff understood the approval procedures, to which Maria replied that the Financial Regulations had been communicated with budget holders and with the increased rigour in the purchasing order system, the message was starting to drive home. Maria underlined the importance of student growth in achieving the College's plans and Tim asked about applications for 2022/23. Maria stated that, in the absence of robust data, it was difficult to be precise but she believed applications were looking good, particularly at the Tangier Road Campus.

Governors **Noted** the Capital Programme 2021/22.

050 College Companies (paper 134/22/F&R)

Maria presented an update on the College's subsidiary companies.

The College currently had five UK subsidiary companies. It was proposed that they were all dissolved, with the exception of Highbury Apprenticeships (Birmingham) Ltd, which was still trading and Highbury College Commercial Services Ltd which could useful in the future. Directorships for these two companies were being updated. A sublease arrangement at the Birmingham premises covered the prime lease to which the College was committed until 2025 and options would be explored to use the site for new provision. In response to a question, Maria confirmed that the owner of 30% of Highbury Apprenticeships (Birmingham) Limited had indicated he would be willing to wind down the company.

The College also 99% owned Highbury College (Nigeria) Limited, a company incorporated in Nigeria (and therefore not consolidated in the Group accounts). The College was actively pursuing the outstanding debt of £871,252 in Nigeria using legal advisers based in Lagos, who had confirmed that it was highly unlikely that the College would recover any of this debt. It was expected that the College would dissolve the company once all reasonable debt collection options had been exhausted. Maria confirmed the ESFA had a say in this matter.

Maria stated that these subsidiary companies had some liabilities, but they were provided for in the accounts. Governors **Noted** the review of the current status of the College's companies and **Agreed** the actions being taken to rationalise the College Group.

051 Strategic Risk Register

Maria presented paper 135/22/F&R setting out the strategic risk register, noting that Audit Committee and Corporation considered the risk register at every meeting.

Each Committee was being asked to review the risks relevant to their area and to feedback on whether they had been defined, scored and mitigated appropriately. There were currently 25 strategic risks on the risk register, nine of which were either financial in nature or had significant financial implications if the risks materialised.

There was some discussion about risk 4 which had been graded significant (*failure to properly plan and manage major capital projects may lead to cost over-run, delays in completion, poor value for money, and damage to reputation*), as governors believed appropriate controls were now in place. Maria shared this view but it was agreed that it remain significant pending review by the Risk Management Board. There was also discussion about the other two significant risks with governors concluding they were appropriately graded but improvements had been made.

Paul suggested that a more comprehensive review of the risks be undertaken at the next meeting when the curriculum plan and budget were in place. Governors **Agreed** the financial risks in the strategic risk register.

052 ESFA Review of Highbury College Financial Statements 2021/22

Maria presented paper 136/22/F&R setting out the ESFA's review of Highbury College's financial statements for 2021/22.

In a letter dated 30 March 2022 the ESFA confirmed the *Requires Improvement* financial health grade for Highbury College for 2020/21 and provided financial dashboards. They also followed up on outstanding matters relating to Highbury College Nigeria Ltd, to which the College had formally responded. Governors **Noted** the ESFA Review of Highbury College Financial Statements 2021/22.

053 College Accounts Direction 2021/22

Maria presented paper 134/22/F&R setting out the recently published College Accounts Direction 2021/22. The document set the scene for the preparation of the financial statements and external audit and identified several changes, in particular the requirement to report on governor and governance professional training during the year and the expectation to undertake a review of governance. Tim noted that Simon Perry, National Leader of Governance, made a significant contribution to the Shadow Board prior to merger and any activity in support of the newly merged College could be referenced in the financial statements. Governors **Noted** the College Accounts Direction 2021/22.

Maria and Katie left the meeting

054 Meeting without Staff or Students Present

One governor noted that Maria was able to effectively communicate the complex nature of the College's finances to governors without accounting backgrounds.

The meeting ended at 6.45pm.

Date of next meeting: 5pm 12 July 2022