

## Minutes of the Finance & Resources Committee Meeting at 4.30pm on 08 July 2024

Present: Shahalam Ali, Alex Dartmouth, Graham Goddard, Tim Jackson, Anne Murphy & Rob Nitsch (Chair)

Apologies: Naomi Beer (staff governor) & Tennant Hayter (student governor)

In Attendance: Mickiela Blake	Director of People Strategy & Organisational Development (Minutes 188 – 192)
Huw Chapman	Governor
Mark Leeman	H&S Consultant (Minute 195)
Katy Quinn	Principal & CEO
Paola Schweitzer	Director of Governance
Maria Vetrone	COO

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### Minutes

#### 188 Attendance and Participation

Naomi Beer (staff governor) & Tennant Hayter (student governor) sent their apologies.

#### 189 Declarations of Interest

Tim Jackson reminded governors that he was chair of Weston College and an adviser in the FE Commissioner's Office.

#### 190 Minutes

The minutes of the meeting held on 18 March 2024 were **Agreed** as a correct record.

#### 191 Matters Arising

**Minute 177: Digital Strategy:** The strategy was captured in the strategic risk register and so there was oversight by Audit Committee and Corporation. Given its business critical nature, governors agreed the Committee would have oversight of the strategy.

**Minute 185: Subsidiary Companies:** New Work Training Limited had been dissolved following DfE approval to write off the debt. Rob raised a potential conflict of interest as he knew Tom Berwick (NWT Ltd director) in a professional and personal capacity. The dissolution of Highbury College (Nigeria) Ltd was ongoing.

#### 192 HR Update (paper 615/24/F&R) and People Strategy (paper 645/24/F&R)

These reports provided updates on leadership and culture, organisational development and design and wellbeing and welfare as well as identifying progress against the People Strategy's new KPIs. One governor asked about low staff engagement and if data could be disaggregated by campus. Mickiela confirmed it could, but low response rates meant data was skewed. This would improve with the new Employee Engagement & Wellbeing Officer leading on staff focus groups and forums, dovetailing with the focus on culture in the new academic year. Katy noted that

morale at the Highbury Campus was good but some staff at the Sixth Form Campus (SFC) still viewed the merger negatively although this continued to improve. There was a discussion about progression, Talent Development Review and recruitment which was challenging in some areas. Governors recognised that legacy issues continued to be an issue in some areas but things were moving in the right direction. Governors asked that the Employee Engagement & Wellbeing Officer attend a future meeting. Governors welcomed the dashboard and Rob asked that the next report identify what was working well, what was not working well and what threatened the strategy. Governors **Noted** the HR update and People Strategy including dashboard and KPIs.

Mickiela left the meeting.

#### 193 H&S Report (paper 616/24/F&R) and H&S Review (paper 617/24/F&R)

Mark Leeman from Measured HS Limited joined the meeting.

Governors **Noted** the H&S report and focused their attention on the review undertaken by Measured HS Limited. Graham, H&S lead governor, noted recent personnel changes in the H&S team and that Measured HS Limited had been appointed to review H&S provision, identify concerns and implement actions to ensure compliance.

Most issues in the report were legacy issues and comprised lack of process and standardisation, out of date policies and procedures and no/ineffective mechanisms to record H&S issues, measure performance or statutory compliance. The report was supported by a high level corrective action plan and Mark confirmed actions were underway. A more detailed action plan would be brought to the Committee to provide assurance that actions were being addressed. In the meantime, Graham would have oversight of the action plan and it would be shared with governors on SharePoint. There was a wide-ranging discussion about aspects of the report's findings. In response to a question, Katy and Mark confirmed the College was not currently unsafe. Governors agreed the importance of ensuring compliance and the merits of setting a board level objective and reviewing KPIs (which could include behaviours and competencies). Rob suggested management draft a statement enshrining the importance of H&S within the College. Anne believed governors needed to focus on oversight, awareness and culture (rather than operational detail), seeking assurance that the issues identified were being addressed and that future assurances represented the reality of the situation. Governors **Noted** the H&S review, particularly the gaps identified in the H&S management system and remedial actions.

Mark left the meeting

#### 194 ESFA Review of Financial Statements (paper 618/24/F&R)

The ESFA confirmed that, based on the outturn forecast in the College's financial forecasting return (CFFR) submitted in July 2023, the College's financial health was 'Good' for 2022/23. This was due to improving solvency, profitability and business efficiency associated with a reducing staff cost base as a proportion of total income. Also included in the report were dashboards to support governors in their role overseeing the College's financial sustainability and solvency. The dashboards indicated improving, albeit spiky, financial health. Governors welcomed the ESFA confirmation and there was a brief discussion about the College's current intervention and Financial Notice to Improve status which it was hoped would be lifted shortly. Governors **Noted** the ESFA's assessment of the College's financial health.

## 195 Management Accounts (paper 619/24/F&R)

As at 31 May 2024 (P10) the management accounts indicated:

- An operating surplus of £302k (favourable to YTD budget by £1,210k). The forecast outturn at 31 July 2024 indicated an operating deficit of £923k, favourable to the full year budget by £552k
- Total forecast outturn income was adverse to budget by £26k (improvement of £88k since last month)
- Total forecast outturn pay expenditure was favourable to budget by £838k (improvement of £100k since last month)
- Total forecast outturn non-pay expenditure was adverse to budget by £259k (increase of £68k since last month).
- Cash at bank was £6.86m (86 days)
- Financial health was 'Good' and expected to remain 'Good', indicating improvement against the planned outcome of 'Requires Improvement'.

Maria drew attention to the scenarios in the appendix and the current financial risks (North Harbour rent review and high needs funding). One governor understood the drive to reduce pay expenditure but asked if some areas ought to have increased resources. Maria confirmed that resources were available for mission critical recruitment. Another governor asked about curriculum areas' differing financial contributions particularly those that were behind target. Maria stated that that the College had 28 budget holders and that some were managing their financial budgets effectively and some were not and still required significant assistance from the Finance team. Work was ongoing to ensure they were able to manage their budgets effectively. Tim noted that EBITDA was the College's biggest weakness. Governors welcomed the clarity of the report and, having scrutinised the College's financial position particularly the KPIs, adverse variances and operating deficits, forecasts to year end and emerging financial risks, **Noted** the management accounts.

## 196 External Audit Plan 2023/24 (paper 620/24/F&R)

The College's external auditor, Alliotts, would undertake the College's 2023/24 external audit and the external audit plan summarised their approach, highlighted significant risks and areas of key judgements and confirmed deliverables and timelines. Audit Committee had considered the plan and agreed to recommend it to Corporation. Governors **Noted** the 2023/24 external audit plan.

## 197 Curriculum Plan (paper 622/24/F&R)

Curriculum planning was carried out to control teaching costs, deploy teaching resources efficiently, respond to skills needs and maintain quality of provision. It was a continuous cycle with in-year adjustments. The report provided an overview of the 2024/25 process and outcomes as well as performance against 2023/24 curriculum planning. Tim agreed that curriculum planning was a financial exercise and it was appropriate that the Committee had oversight. Governors scrutinised the slides, in particular the movements in funding allocations, student number targets, financial contribution and 2023/24 performance, and **Noted** the 2024/25 curriculum plan.

## 198 Finance Strategy Overview (paper 624/24/F&R)

The finance strategy set out how the College would finance the implementation of its strategic objectives. Previously, the Committee had agreed the projected income and expenditure accounts. The financial analysis and modelling and constructed the associated balance sheets and cashflow forecasts was now complete and the 2024/25 financial forecast had been used to inform the budget. The balance sheet looked healthy over the life of the strategy but the value of fixed assets would decline due to insufficient surpluses to allow necessary capital investment in buildings, facilities and equipment. A 3% operating surplus, equating to around £1.2m, was not achievable due to the cost of the College's leased properties. This level of operating surplus would be required to maintain asset values. A 2% pay award had been included in all years.

Governors welcomed the strategy, noting that leased properties were the College's Achilles heel. They discussed the optimal operating surplus and suggested this was discussed at the Board Strategy Day as well as external speakers to facilitate FE horizon scanning, particularly given the changed political environment. Katy noted that with good pay cost ratios and tight curriculum management, it was difficult to see where further efficiencies could be achieved and that whilst it was important the College was sufficiently profitable to reinvest, this needed to be considered within the context of its vision and mission as a public sector organisation serving public need. Governors scrutinised the financial projections including KPIs and underlying assumptions, student number forecasts and impact on the operating surplus/deficit for each year and **Agreed** the finance strategy overview.

## 199 Regularity Framework (paper 625/24/F&R)

Governors **Noted** the 2024/25 updates to the regulatory framework, namely ESFA Accountability Agreement, DfE Apprenticeship Funding Rules, Adult Skills Funding Rules, College Accounts Direction, and College Financial Handbook.

## 200 Financial Regulations (paper 626/24/F&R)

The Financial Regulations set out policies relating to financial control over the College and its companies' resources. Compliance with the Regulations was compulsory for all staff with Audit Committee notifying Corporation of any breaches. The Regulations had been updated to include changes in procurement legislation, banking arrangements, income, bad debt and collection of debt and expenditure. Governors **Agreed** to recommend the updated Financial Regulations to Corporation for approval.

## 201 Subcontracting Supply Chain Fees & Charging Policy 2024/25 (paper 627/24/F&R)

The subcontracting supply chain fees & charging policy 2024/25 ensured that subcontracting activity fell within ESFA guidelines. The management fee to cover costs incurred was up to 20% of funding. There weren't any changes from the previous year's policy. Governors **Agreed** to recommend the subcontracting supply chain fees & charging policy 2024/25 to Corporation for approval.

## 202 Higher Education (paper 628/24/F&R)

This report set out the College's HE Student Protection Plan summarising protections available to students in the context of specific eventualities and risks to their studies, the HE Fees Policy and HE Refund and Compensation Policy outlining the tuition fee

levels applicable to HE courses including details of financial procedures specific to HE. There weren't any changes from the previous year's plan/policies. Governors **Agreed** to recommend the HE student protection plan, fees policy and refund and compensation policy to Corporation for approval.

**203 Committee Terms of Reference (ToR) & Business Plan 2024/25 (paper 629/24/F&R)**

Governors reflected on activity in 2023/24 and confirmed that, with the three amendments (reducing the number of meetings to three, incorporating estates & sustainability and including the digital strategy) the ToR remain fit for purpose. Anne believed the Committee had strayed into operational matters, something it needed to guard against. Governors **Noted** performance against the Committee's ToR in 2023/24 and the 2024/25 business plan and **Agreed** the amended ToR.

**204 Summary of Statutory Settlement Payments to Staff (paper 630/24/F&R)**

Governors **Noted** the nature and value of statutory payments made to staff in settlement for the year ending 31 July 2024 to date.

**205 Subsidiary Companies**

Maria had provided a verbal update under matters arising.

The meeting ended at 6.40pm.