



SOUTH EASTERN REGIONAL COLLEGE

Governing Body – Finance and General Purposes Committee

Minutes of the meeting of the Governing Body Finance and General Purposes Committee, held on
Tuesday 15th June 2021, 5.30pm, via Microsoft Teams.

1.	<p>Chair's Business</p> <p>a) Attendance and Apologies:</p> <p>Present: Mrs B. Larkin, Mr A. Corbett, Mr G Hetherington (Temporary Chair of the Governing Body), Mr K. Webb (Principal), Mr A. McCrum, Mr D. Wilson, Professor A. Woodside, Ms M Corrigan</p> <p>In attendance: Mr T. Martin (Chief Finance Officer) 'CFO', Mr P. Smyth (Chief Human Resources Officer) 'CHRO', Mrs C. Williamson (Secretary to Governing Body)</p> <p>Apologies: Dr D McConnell</p> <p>In the Chair: Mrs B. Larkin</p> <p>b) Conflicts of Interest:</p> <p>The Chair asked if any members wished to declare any known or perceived conflict of interests in respect of any item on the agenda. There were no declarations of conflicts of interest.</p> <p>c) Minutes of the meeting held on 30th March 2021</p> <p>The Chair asked members to review the minutes from the previous meeting on 30th March 2021. Members agreed the presented minutes were a true and accurate record of the meeting.</p> <p>Proposer: Alan Woodside</p> <p>Secunder: Derek Wilson</p> <p>d) FGP Action Points and Key Decisions from meeting on 30th March 2021.</p> <p>Members noted there are two actions both of which are addressed on the agenda.</p> <p>e) Role of Committee Chair</p> <p>The Chair advised members that Alan McCrum had expressed an interest in the Chair's role when her own term finishes in July, as per the Standing Orders the Chair sought approval from the committee members to confirm Mr McCrum into the role.</p>
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	<p>Agreed: Mr McCrum will assume the role of Chair of the FGP Committee on 1st August</p> <p>Proposer: Alan Woodside</p> <p>Seconder: Majella Corrigan</p> <p>During discussions Mr Wilson advised that he maybe interested in the role of Vice Chair, this will be confirmed and ratified at the next committee meeting in September.</p>
<p>2.</p> <p>Correspon dence</p>	<p>a) Letter from FE Director re Opening Indicative Resource Allocation for 2021/22 300421</p> <p>The Chief Finance Officer advised this correspondence confirms the first draft of funding from the Department, he advised that the Resource Allocation will be amended a few times before the final confirmation is received in October. SERC’s 2021/22 opening indicative resource allocation is £36,450k, however there are also two amounts that the College assume will be funded around salary pressure and Traineeships and so the total assumed resource allocation budget the College is working towards is £38,775k.</p> <p>In response to a query from Professor Woodside, the CFO set out how the College allocation compares in the Sector, and he advised that the College receives a similar amount to SRC.</p> <p>b) Letter from McLaren’s re Cover-19 Business Interruption Claim 270421</p> <p>The Chief Finance Officer reminded members that a claim for business disruption during the pandemic was submitted to the insurers and this correspondence confirms that the claim has been unsuccessful. He noted it is disappointing however there is no financial impact on the College as funding has already been secured from the Department to cover all Covid related costs and therefore any compensation received would have been returned to the Department.</p>
<p>3.</p>	<p>Finance Items for Information:</p> <p>a) Financial Governance Report</p> <p>In presenting the Financial Governance Report the CFO advised that it aims to set out the forecasted financial position as at both 31 March 2021(DfE year-end) and 31 July 2021(SERC year-end). The CFO highlighted that the current report shows the College’s actual financial performance for the year up to the end of March; and its forecast for the year ending July.</p> <p>The CFO confirmed that actual performance in the Departmental year ending March was on target.</p>

The Period 9 forecast outlines a Resource Requirement in line with resource target of £40,977k which is in line with SERC's Resource Budget Allocation. In setting out the variations for the July year end the CFO directed members to the summary table in the written report that highlights the variations. He highlighted that there had been a substantial variation in income as the College had increased programme activity that was outside of core funding such as the Skills Intervention Programme. However, there was also a big reduction in tuition fees and EU grant income.

Mr. Wilson enquired what the process is around adjustments to the budget and if there was risk to the College if funding was rejected. The CFO advised that the College is quite prudent around financial planning and will not ordinarily make a commitment to something without funding in place. He advised that he would normally bring a balanced budget to the committee at this time of year for review however because of the pandemic there is a £1.9m pressure in this baseline budget. He highlighted that there is minimal risk around this as the Department has already confirmed c. £9m of exceptional Covid-19 funding has been secured for the sector.

Mr. Wilson enquired if there was a time when the budget had not been met, the CFO confirmed that the College has missed its annual target on one occasion in the last ten years and that this was directly linked to a late and unexpected delay in a property sale. He advised that the detailed monthly and annual financial planning conducted by the College allows tight control of financial performance in these challenging financial times. The CFO advised that the monthly IMPMS performance methodology is critical to the planning process and ensures that the College stays well within its tolerances. Mr. Wilson commended the CFO on the fact that the budget is so close, and his team can stay on top of it. The CFO acknowledged that the team do work very tightly, and the College would benefit from more funding, but the financial viability of the College is never really a red risk.

The Chair thanked the CFO for the update and noted that she finds the narrative set out in the Financial Governance report extremely helpful as a starting point to understanding how the budget is balanced.

b) NDPB Budgeting and Forecasting Submission

The CFO advised members the latest return was submitted on 21st May 2021 - the 'Forecast Expenditure' schedule is attached. It covers the period April 2021 – March 2022 and reflects:

1. Actual performance as per SERC's 2020/21 Period 9 Management Accounts for April 2021.
2. Forecast performance as per SERC's 2020/21 Period 8 Management Accounts for the period May to July 2021.

3. Forecast performance as per 21st May working draft of SERC baseline operational budget for the period August 2021 to March 2022.

The return details an expected Departmental Expenditure Limit (DEL) Resource Requirement of £38,775k for the April 2021 to March 2022 year.

On 30th April SERC's Opening Indicative Resource Allocation was confirmed by DfE as £36,450k for 2021/22.

Although the College's forecasted financial performance for the Departmental 20/21 year is therefore showing a pressure of £2,325k against its current budget, DfE indicated in its Allocation correspondence that the College should assume the following would be funded: £1,815k Traineeships Funding; £510k Salary Pressure. In light of this, SERC's current forecast can be considered to be in line with current targets.

Mr. Wilson noted that this is a difficult budget period and enquired how confident the College is in achieving its financial targets. The CFO advised that confidence is quite high - a lot of the College's programmes are within the remit of the Department and the income that is traditionally most at risk for the College, the commercial income, has reduced. He went on to highlight that the College's performance in terms of core delivery is relatively consistent. He highlighted that the introduction of the traineeship programmes could have some risk associated with it due to the uncertainty of any new large-scale programme, but he stressed that when there is an operational change to the funding model like this, the College tries to get involved as much as possible in the detailed design of the change in order to manage and minimise risk. For example, the Principal, the CFO and the Chief Training & Contracts Officer are all working hard as part of the sector team with the Department in order to assist in the change to sector delivery. He concluded that the College has mature processes in terms of costing and controls which provides a high confidence level in terms of financial planning.

The Principal added that the business services income predictions made had not been accurate a few years ago and so the College worked to address this and refine the forecasting process in order to provide greater confidence to the planning process. He highlighted that the College being involved in the introduction of traineeships allows the College to highlight any structural issues to the Department and to deal with operational issues in a timely manner.

Mr. McCrum stated that he was reassured by the updates from the CFO and noted that £32m from the budget is allocated to staffing, he enquired if this funding is therefore more stable and less of a risk. The

CFO commented this was a fair observation and that c. 65% of the College's costs are staffing costs. He advised that it can be challenging to manage staff costs as some of the delivery programmes can be variable in terms of hours and income and so the team do need to keep a close watch on staffing costs to ensure they are managed appropriately.

c) Debt Report

The CFO presented the latest debt report and advised members the current debt total is £1,042k. He advised that he was mindful the debt level at the last report was higher because of the impact of the pandemic, however with this report in comparison to this time last year the debt level is normal for this time of year and the CFO noted he had no concerns.

d) Estates & Capital Expenditure Report

The CFO gave an overview of the report and highlighted the points set out in the executive summary. The Temporary Chair noted the benchmarking exercise being carried out for the PPP contracts and with these contracts the College would want to find efficiencies, he enquired if there was a risk this exercise would result in higher fees. The CFO advised that, yes, there is a risk. He pointed out that although the last time such an exercise was conducted (5 years ago), all amounts were confirmed as value for money for the College, there is always a risk that market benchmarking could highlight some rate that should be increased. However, the College has an excellent relationship with the PPP partners and any such items highlighted will be subject to negotiation. The CFO advised that the report will be produced in the next few months and so will be presented to the committee for review at the next meeting in September.

e) Procurement Update Report

The committee were asked to note the latest report. Ms. Corrigan asked why the contract value on the collaborative contract was not disclosed. The CFO explained the different contract types and advised that the collaborative contracts are procured through PD and the College will not have the information on the overall contract.

f) Financial Impact of Covid-19

The Chair invited the CFO to provide any further information to the committee on the impact of the pandemic that he felt they would need. The CFO advised that there was nothing further as the information had been discussed throughout the meeting.

g) Baseline Resource Budget 2022

On the invitation of the Chair the CFO presented the Baseline Resource Budget 2022 to the committee for review and approval, the CFO highlighted DfE confirmed via correspondence dated 30th April that SERC should:

- Base its plans on an “indicative resource budget” of £38,775k for the year April 2021 to March 2022 (i.e. £25,850k for the 8 months from August 2021 to March 2022).
- Use a “notional allocation” of £14,218k for the period April 2022 to July 2022 for planning purposes; and to bridge the gap between the NDPB Budgeting Year and the College’s financial year. For operational budget purposes, SERC’s Resource Requirement target is therefore £40,068k for the college’s 2021/22 year. The CFO confirmed that the Resource Requirement is £1.9m higher than has been allocated so far this is directly linked to Covid related pressures.

The CFO provided an overview of income and expenditure to the committee members and the following points were highlighted:

- Income has decreased by £381k this can be attributed to TFS and Apprentice NI funding which will decrease with the introduction of Traineeships. This funding will also now be classified as core funding rather than grant in aid.
- Higher Level apprentice finding has also decreased along with Steps to Success as this programme has now finished.
- It is expected that there will be an increase to Erasmus Funding of £150k.
- In terms of expenditure staff costs have increased by £1.4m (4.2%) which can be attributed to £400k of contractual costs and new staff posts for ILT staff and intern staff. New posts are also being created in Business Services to support delivery along with HR, finance and estates, these costs total £420k.
- Other operational expenditure has decreased, last year the College invested £1m in IT equipment and this will not be repeated this year.
- The CFO went on to provide a summary of Covid related expenditure which has increased to £1.2m from £850k. The CFO explained that a substantial amount of these costs will be driven by lateral flow testing in Sept, the overall costs of which is still being discussed with the Department.
- The committee were advised that in terms of curriculum delivery staff costs have increased to ensure that all students are supported coming into the College as some many need help getting up to speed. Some students will not gain full achievement in this academic year and will slip into the 21/22 year before they complete their awards.
- The College will continue to use entrance operatives in order to ensure campuses are safe and extra staff will be needed for lateral flow testing and cleaning.

- The CFO concluded by highlighting a £1.9m exceptional pandemic related pressure. He advised the committee the Department have confirmed they have secured £9m for covid pressures and will allocate each College their share in July. The baseline budget would be updated to reflect this and brought back to Committee in September for review.

Agreed: The Committee approved the Baseline Resource Budget 2022 and recommended it for adoption by the Governing Body

Proposer: Barbara Larkin

Seconder: Andrew Corbett

4.

Staffing Items for Information:

a) HR Priorities 2020/2021 plan and status updates/HR Key Metrics Report

The Chief Human Resources Officer presented the progress report of the HR strategic priorities and began by advising members that there has been no real change since the previous meeting to the RAG status of the priorities. He provided a brief update on each of the priorities and advised that the objective 'The development and implementation of modern, fit for purpose terms and conditions for academic staff' remain red due to the ongoing industrial action by the Trade Unions.

Two out of the three actions under the Leadership and Management priority have been completed with all aiming to complete this month.

The Chair noted the decline in the number of staff completing the staff survey, the CHRO advised that the survey had still been representative of the workforce and the issues identified will be carried into focus groups to gain a better understanding of the results.

Moving on the CHRO directed members to the key metrics report, he advised that they are all on target with the exception of staff headcount.

The CHRO highlighted that the absence rate remains below target despite a small increase in the number of absent staff moving onto long term sick, the CHRO advised he was confident the 3% target would still be achieved.

In response to a query from Ms. Corrigan the CHRO advised that there is no real evidence in the long-term absence rates in terms of those on campus and those working from home. He advised that the trends remain the same around stress and mental health, a yearend report will be presented to the Committee in September so that a detailed analysis can be reviewed.

The CHRO reminded the committee that he will come forward with a range of priorities for review in September which will be refined after the committee have had an opportunity to review them, he advised that the committee have identified a new priority in the past during these discussions. He concluded by confirming that the current priorities will remain a focus for the HR team.

b) Employee Relations Update

The CHRO asked members to note the update provided and confirmed that the tribunal case has been adjourned and is not expected to be listed until late 2022.

c) Potential Impact of Coronavirus on Staffing

The CHRO highlighted that the lateral flow testing will have an impact on staff resources in September and the committee will be kept informed of this as the pilot scheme develops. He advised that staff have been onsite the last few months without incident, a staff survey focused on covid will be circulated in August.

There have been very few formal applications for home working through the formal policy, however this may change as lockdown restrictions are eased further and as the new academic year approaches.

d) Staff Survey

The CHRO advised the committee that respondents were down 20% on last years survey, with the exception of a few areas the trends remained broadly unchanged. There were many positives to take from the staff survey such as the result 92% of staff were proud to work for SERC, this has remained a consistent result since the introduction of the survey.

The CHRO highlighted that there had been increase across the questions regarding training, it had been nice to see the effort of the Learning Academy recognised. Areas of concern were around staff morale and motivation.

The CHRO informed the committee that as requested at the last meeting he had taken a Sector survey proposal to his colleagues in HR, and they have undertaken to bring this back to their own management teams for discussion. He noted that if no other College conducts a survey, it will remain difficult to perform a meaningful benchmarking exercise against other sectors.

The Principal added that the College had pushed hard to get more respondents to complete the survey and working off campus may have had an impact. He also noted that the environment of industrial action the staff are working in may have influenced the results, this will be investigated but it is believed it did have an impact. The Principal confirmed the College is committed to taking action from these results. Ms. Corrigan noted that it was not surprising to see a dip in these areas as similar patterns have emerged

	<p>across other Sectors, but she noted the positives in the results especially that people felt supported by the College.</p> <p>e) Annual Monitoring Report</p> <p>Members were asked to note the report, the CHRO advised this is a statutory requirement and feedback from the Equality Commission will be provided in due course.</p>
5.	<p>Collaboration Programme; and Systems Technology Services Project</p> <p>The CFO provided the committee with a verbal update on the STS project, he confirmed that the STS Board continues to meet monthly with the last meeting held on 28th May. Some issues around dedicated project staffing and issues tracking had been discussed by the Board. A solutions architect has not yet been recruited to resolve the staffing issues. A new issues tracker methodology has been implemented to ensure that all issues are highlighted at an appropriate level and monitoring of the issues is progressed.</p> <p>The CFO provided an update on each of the three strands of the project and the committee noted that they are progressing well. The next focus for this project will be to look at a Contract Management Framework once all strands are operational.</p>
6.	<p>Policy Review</p> <p>The committee noted the Finance and HR policy reviews and that no substantial changes were made to the following policies:</p> <ul style="list-style-type: none"> • Budget • Financial Governance • Treasury Management • Flexible Working
7.	<p>Any other business</p> <p>No other business was discussed.</p>
8.	<p>Confidential Business</p> <p>A separate note was taken for this item.</p>
	<p>Date of next meeting</p> <p>The next meeting date was confirmed for Tuesday 14th September 2021, 5.30pm, via Microsoft Teams.</p>

The meeting concluded at 7.33pm