



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 14th September 2021, 5.30pm, Hybrid meeting held in the Lisburn Campus and via Microsoft Teams.

1.	<p>Chair's Business</p> <p>a) Attendance and Apologies:</p> <p>Present: Mr A. Corbett (via Microsoft Teams), Mr G Hetherington (Temporary Chair of the Governing Body) Items 3a-11 only, Mr K. Webb (Principal) (via Microsoft Teams), Mr A. McCrum, Mr D. Wilson, Ms M Corrigan, Dr D McConnell</p> <p>In attendance: Mr T. Martin (Chief Finance Officer) (via Microsoft Teams), 'CFO', Mr P. Smyth (Chief Human Resources Officer) 'CHRO', Mrs C. Williamson (Secretary to Governing Body), Amy Frazer (Boardroom Apprentice), Gemma Diamond (Student Governor Elect) (via Microsoft Teams)</p> <p>Apologies: Professor A. Woodside</p> <p>In the Chair: Mr McCrum</p> <p>The Chair began the meeting by welcoming everyone to the first blended meeting and thanked everyone for trialling this approach. He went on to welcome Miss Frazer and Miss Diamond to their first meeting with the Governing Body.</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 15th June 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: Derek Wilson</p> <p>Seconder: Majella Corrigan</p>
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d) FGP Action Points and Key Decisions from meeting on 15th June 2021.

Members noted no actions were recorded at the previous meeting.

e) Annual Review of the Committee Terms of Reference

The Chair advised that the Committee's terms of reference are reviewed annually, the Secretary confirmed that a substantial amount of work had been carried out on the terms of reference within the last two years and she had not received any further proposed amendments from members prior to the meeting.

It was noted that the Terms of Reference did not require any further amendment at this time. It was agreed that the Terms of Reference be approved and recommended for approval by the Governing Body at its next scheduled meeting.

Agreed: The FGP Committee Terms of Reference were approved and recommend for adoption by the Governing Body

Proposer: Daniel McConnell

Seconder: Andrew Corbett

f) Role of Vice Chair

The Chair advised members that Mr Wilson had expressed an interest in the role of Vice Chair of the Committee. Following due consideration, the Committee members agreed that Mr Wilson be appointed Vice-Chair of the Committee, with immediate effect.

Agreed: Mr Wilson be appointed as Vice Chair with immediate effect

Agreed: Alan McCrum

Seconder: Majella Corrigan

2. Correspondence**a) DfE Returns Timetable 2021/22**

The CFO asked members to note the correspondence which sets out key financial dates including the submission of the Annual Report and Financial Statements. In response to a question from Mr. Wilson about the potential impact of a perceived backlog of work at the Northern Ireland Audit Office, the CFO advised that at this stage he did not anticipate any delays with the submission of the annual accounts. He confirmed that the fieldwork for the audit has begun, and he was content with the proposed timetable.

b) Resource Allocation 2021/22 – June Monitoring Update

	<p>The CFO directed members to Annex A of the correspondence which highlights the changes to the items since the last meeting, the CFO advised that the College has been allocated an additional £573k.</p>
3.	<p>Finance Items for Approval</p> <p>a) Final Resource Budget 2022</p> <p>On the invitation of the Chair the CFO presented the Final Resource Budget 2022 to the committee for review and approval, he advised that since the committee reviewed the Baseline budget in June an additional £573k of funding had been allocated to the College. Therefore, for operational budget purposes, SERC's Resource Requirement target is therefore £40,641k for the college's 2021/22 year. He went on to highlight some significant items in both expenditure and income when compared to 2020/21, the following points were noted:</p> <ul style="list-style-type: none"> • There has been a significant reduction in income of £1m and this is directly related to Training for Success and the introduction of traineeships. The CFO highlighted that this has resulted in the reclassification of the relevant funding from "income" to "core Grant-in-Aid." • The CFO went on to highlight those other significant reductions include HLA Income of £266k, he advised that the delays had pushed a spike in funding, but this has now returned to normal levels for 21/22. He asked members to note that this Budget is about returning to a more normal level overall post pandemic. • In terms of staffing costs there has been an increase of £1.7m this is linked to contractual pay awards and the lost learning piece which will see costs of approx. £672k. • There has been a decrease in other operating expenses of £418k. The committee were reminded that the College had made a significant investment in IT kit the previous year to fully deliver online learning, the CFO confirmed that investment in equipment will now return to normal levels. Other costs that have decreased such as travel expenses and learning materials are expected to increase as more people return to site. • The CFO spoke about the £1.7m pressure which is directly related to Covid. He advised members that the Department are aware of this pressure, and they have secured £9m for the Sector. The Department are in the process of finalizing the allocations and the College is confident that the required allocation will be met. In response to a query from the Chair the CFO informed members that he had no firm confirmation when the allocation will be made, however, NIFON are scheduled to meet with the Department at the end of September and it is anticipated an update will be given then.

- Mr. Wilson referred to the secured £9m for the Sector and asked the CFO what incentive a College would have to keep within their operational costs if the Department can produce additional funding such as this. The CFO began by advising that this £9m is exceptional, that the Department have been very clear that Colleges cannot include “normal” operational costs in their bid, and that the funding and its utilization will be subject to audit.
- The CFO went on to explain that the Department have very robust processes in place for analyzing the funding bids, the College itself has been through the bid at least 3 times with the Department to refine the request. He advised that there will also be a formal business case and post project evaluation around the lost learning piece.
- Members were advised that the Department have asked internal audit to conduct a review of the administration of the Covid payments to students to ensure that there were administered correctly.

Agreed: The Committee approved the Final Resource Budget 2022 and recommended it to the Governing Body for Adoption

Proposer: Derek Wilson

Seconder: Gareth Hetherington

b) Draft Annual Report and Audited Financial Statements

In presenting the Draft Annual Report and Financial Statements to the committee the CFO began by setting out the preparation process which is in line with the returns timetable issued by DfE, the draft reports will be submitted to the Department on 24th September. The CFO explained to the committee that their role is very much to ensure that the presented draft accounts are in line with where they expected the College to be at the end of July in terms of financial performance. The CFO also stressed that the final set of accounts will be presented along with the auditor’s approval to the committee in November. The CFO confirmed that external audit fieldwork had already begun and PWC were virtually onsite until the end of September.

The CFO highlighted the financial performance for the year ended 31 July 2021 and advised that the College generated a deficit, as recorded in the Statement of Comprehensive Income & Expenditure, in the year of £4,770k. However, as NDPB, the CFO advised that the College must focus on ensuring the resource allocation matches the resource requirement. The Resource requirement is used by the Department to monitor the College’s performance, and so if the allocation merges with this then the College is on target.

The CFO highlighted that SERC's full year Resource Requirement result of £39,804k constitutes an underspend of £1,173k (2.86% variance) against this resource allocation target. In short, the CFO confirmed that the College is over its original budget but under the final agreed allocation from the Department, as a further 5% of funding was allocated throughout the year. In terms of the published financial statements, the CFO pointed out that the College runs a deficit which takes into account non-cash items such as depreciation and pension costs. The CFO asked members to note that this will always show as a deficit as such non-cash items are not funded by the Department. The CFO advised this is a technically complicated area and that the distinction between the published financial result and the College's financial target as an NDPB can be explored further for members in the planned Finance Workshop.

Moving on, the CFO advised that £800k of the actual underspend relates to the second half of the year, as lockdowns went on much longer than expected this impacted on operating expenses such as travel expenses and learning materials, building maintenance was also slower due to the well-known issues using Property Services Division. The CFO advised members that the underspend can be reprofiled and utilized between now and the Departmental year end in March. He stressed that July is almost a "soft" financial target for the College and that the Departmental year-end of March is the College's primary target as an NDPB.

The CFO provided members with an overview of the remaining report, he highlighted that there are no accounting policy changes and that some of the narrative section of the Annual Report is not yet able to be completed due to the timing of the availability of curriculum performance data. He stated that this is always the case for the draft report however, the delay of the College Development Plan due to the pandemic has further exacerbated this. Some of the outstanding matters will not be signed off by the College Management team for another 10 days. The CFO reassured the Committee that the Annual Report would be completed and fully audited on time and will be presented to November's meeting along with the final Financial Statements.

Members were asked to note that a sizeable provision has been made relating to the payment of holiday pay resulting from the Court of Appeal judgement (17 June 2019) in the case PSNI v Agnew. The provision was reduced by £286k, because of updated information as of 31 July 2021 (note 25). The CFO informed members that this was very much a live issue and so this amount may have to be increased but it will be fully audited.

In response to a query from Mr. Wilson, the CFO advised members that from a financial governance perspective the key issue is ensuring that the College stays within Resource Budget, he stressed it is not about profitability. He went on to explain how the cash management process with the Department works and ensures that the College stays within 5-10% of its target, this is a very much an issue for the Department to action and not for the Governing Body, however the CFO advised that the process is robust and provides reassurance to members. He concluded that the main focus from a governance perspective is to focus on the resource allocation target and performance against that target.

Agreed: The committee reviewed and approved the Draft Annual Report and Financial Statements for the Year ended July 2021

Proposer: Gareth Hetherington

Seconder: Majella Corrigan

4.

Finance Items for Information:

a) Financial Governance Report

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 the end of July, both of which are on target.

b) NDPB Budgeting and Forecasting Submission

The latest return was submitted on 25th August 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 (draft) Financial Statements for April to July 2021.
2. Forecast performance as per SERC baseline operational budget for the period August 2021 to March 2022.

The return details an expected Departmental Expenditure Limit (DEL) Resource Requirement of £41,066k for the April 2021 to March 2022 year.

On 16th July SERC's Indicative Resource Allocation was updated by DfE to £38,838k for 2021/22.

The College's forecasted financial performance for the Departmental 21/22 year is therefore showing a pressure of £2,228k against its current budget, which can be broken down as follows:

- 1) £510k Salary Pressure – this is classed as "Assume to be funded" as per DfE guidance
- 2) £1,718k Covid-19 related pressures not yet funded

c) Debt Report

The CFO presented the latest debt report and advised members the current debt total is £697k, a vast majority of which is related to student fees. The CFO advised that the debt level is higher than the same period last year, but this was due to the issues with the LMS system and the fact that the issuing of invoices was delayed last year.

Dr McConnell enquired if there was any debt liability around the loan of IT equipment to students. The CFO advised the committee that there have been no significant issues in the equipment being returned, and that a similar debt control process is in place for students who borrow equipment. Any items that are not returned would mean that students would be unable to graduate, and it would be pursued through a legal process. The CFO advised that the Audit committee had also asked about the risk around this process and that last year nearly all equipment had been returned.

d) Estates & Capital Expenditure Report

The CFO gave an overview of the report and highlighted the points set out in the executive summary; the following points were highlighted in discussion:

- The benchmarking exercise of the PPP contracts is nearing completion with no increase to either Unitary Charge (U.C) expected at this time. The CFO highlighted that solutions are being sought on the issue with the catering outlets, as they made little profit last year because of the pandemic. For example, it will cost an estimated £57k to keep the Lisburn catering outlet running in the coming year, which the contractor will want to recover.
- The College is analysing bringing catering in house completely which not only tackle the financial issues but should also benefit students as they can gain experience. The finance team are currently working on a business case for the Lisburn campus with the case for Downpatrick almost finalised.
- In response to a question from the Chair whether the in-house catering is showing value for money the CFO advised that it is very early and it would be a full year of running before an analysis could be made on whether the profits match the forecast set out in the business case.

e) Estates Strategy 2021 - 2031

The CFO presented the Estates Strategy and advised the committee the Department have requested a 10-year strategy which would be overhauled every 5 years and reviewed in between, it will next be presented to the Governing Body for approval in 2023. The CFO highlighted some of the points from the executive summary including the potential new workshop facilities adjacent to Castle House in Lisburn.

Developing this site would allow the College to move away from the CITB premises at Nuts Corner, as this lease requires Departmental approval annually the Department have enquired about the potential of developing the Lisburn site. A business case is being drafted however it is not quite at the final stage yet.

Dr McConnell highlighted that given the duration of the strategy he would have expected to see more information included on Climate Change and Net Zero. The CFO advised that the College have done a considerable amount of work over the last 5 years on this issue however it is labelled 'Invest to Save'. He advised that many energy efficient items such as solar paneling, LED lighting and new double-glazing had been installed in recent years with a view to reducing utilities bills, whilst attention had also turned to items such as the installation of EV charging points across the campuses.

The Chair enquired if the Department have encouraged developing the strategies to enhance the environmental work. The CFO informed members that there is an Estates working group who are trying to push this agenda, the work is being picked up in ring fenced pots of money, for example the funding the College received to install E-Charging points, however the big drive is from the Sector not the Department.

f) Procurement Update Report

The committee were asked to note the latest report.

g) 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.

5.**Staffing Items for Approval:****a) HR Priorities 2021/22**

The CHRO addressed the committee and began the report of the new plan by advising that priorities 1 and 2 are carried over from last year and the remaining priorities are new. The CHRO then moved on to give an overview of each of the priorities that are in the themes of Enhancing Organisational Capability and Enhancing the Employee Experience.

Ms. Corrigan noted the intention to survey staff around working arrangements, however she asked if the College is working on the premise for as much face-to-face delivery from September. The CHRO advised this plan is post covid and the staff guide will be reviewed in terms of working arrangements this will take time to work through, the CHRO advised that face to face delivery could still be impacted this term due to restrictions.

The Chair highlighted priority 7 which aims to develop coaching and mentoring, he asked the CHRO to clarify what this refers to. The CHRO explained that the College already has established formal leadership development programmes and coaching, and mentoring is already built into those. This priority is focused on new staff coming into the College in a management role to ensure that they have the appropriate support in place.

Agreed: The committee approved the HR Strategic Priorities 2021/22

Proposer: Alan McCrum

Seconder: Derek Wilson

6.

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 of the year end status, he advised that two priorities have been carried over and two have been achieved. The priority 'The development and implementation of modern, fit for purpose terms and conditions for academic staff' remains a key focus for the College.

Moving onto the key metrics the CHRO highlighted that the turnover figures for the year is exceptionally low, and absence is below target at 2.7%, he noted it will be interesting to see if this figure remain the same coming out of the pandemic. The CHRO confirmed the absence rate remains on the strategic risk register and the focus on mental health remains a priority.

Action point: The CHRO will benchmark the College absence rates with other Colleges in the Sector

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 advised that the College have had a total of 34 positive cases amongst staff since the beginning of the pandemic and 182 cases of self-isolation. He highlighted the measures in place to reduce the risk of transmission including room audits and the revised guidance issued to staff to highlight the change in restrictions. The College is taking a cautious approach and will maintain a 2-metre social distance where possible, and the use of screens and face masks will be used if this is not able to be done.

d) Case Management Review 2020/21-Presentation

The CHRO presented an annual review of Case management, that included all investigations instigated from 1st September 2020 until 31st August 2021. The CHRO provided members with a breakdown and analysis of the cases, a brief discussion followed. The Temporary Chair enquired if the College were able to benchmark these figures with other Colleges in the Sector. The CHRO advised that he would be happy to revisit this with his Sector colleagues however he advised the figures do fluctuate year on year. The Committee noted that any data shared would be anonymized.

Action Point: The committee requested if a benchmarking exercise could be done with the Sector

e) Health and Wellbeing Review 2020/21 Presentation

The CHRO gave a brief presentation on the work on Health and Wellbeing, he provided the committee with an overview of activity in 20/21 and the priorities for 21/22. The Chair gave his endorsement to this work and noted that it is a very important piece of work for any organisation to do. He commented that it is evident a lot of effort has been put into this piece and would hopefully make people feel valued and recognised.

The CHRO thanked the Chair for his comments and advised that the College are trying to change the culture where people will talk openly about Mental Health. He highlighted that the mental health first aiders have been successful in that people are coming to them, however, they are now being caught in sustained support and the priority is that they can sign post someone to the appropriate support they need.

The Temporary Chair commended the CHRO on this work and advised the committee that mental health for staff and students has been a priority for the Governing Body.

7.	<p>Collaboration Programme; and Systems Technology Services Project</p> <p>The CFO provided the committee with a verbal update on the STS project, he advised that the HR and Finance strands are on target however there are significant issues with the EBS Strand. There are issues with connectivity and operationally the system is running very slowly which is causing issues with processing enrolments. The CFO highlighted this issue is sitting on the strategic risk register as an amber risk however it will be escalated to a red, this will be highlighted to the Audit committee at their meeting tomorrow.</p>
8.	<p>Applications and Enrolments</p> <p>The Principal asked members to note the written report provided and advised that the trend across the Sector is that enrolments are down. As highlighted by the CFO previously the issues with EBS have not enabled the College to have up to date data and the College will be better placed to judge its overall performance at the next meeting in November. The Chair commented that it is not surprising enrolments have decreased given the issues around grade inflation and 6th forms.</p>
9.	<p>Policy Review</p> <p>There are no policies for review.</p>
10.	<p>Any other business</p> <p>The Chair advised that the date for the Finance Workshop will be confirmed by the Secretary on Monday 20th September.</p>
11.	<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 9th November 2021, 5.30pm, via Microsoft Teams.</p>

The meeting concluded at 7.39pm