

Further Education Corporation

Meeting of the Policy and Resources Committee on 7th February 2022

MINUTES

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| Timings | 18.00 to 19.25 | |
| Location | By teleconferencing | |
| Present (Governors): | Lee Freeman (Chair) Dr Rod Gray Louise Parr-Morley Elizabeth Sipiery Sarah Stone Denise Brown (Principal and CE) | |
| In attendance | Anthony McGarel (Deputy Principal and CE) Julian Grindell (Interim Director of Finance) Steve Smith (Vice Principal, Corporate Services) Matt Twitchett (Director of Performance and Standards) Roney Brooks (Head of HR): Item 3 only Melissa Drayson (Clerk to the Corporation) | |
| Apologies for absence | None | |
| Quorum (4) | The meeting was quorate throughout | |
| Item | | Action lead |
| 1. Preliminary Items | | |
| 1.1 Apologies for absence | No apologies were received, | |
| 1.2 Declarations of interests | Previously declared interests were brought forward. There were no new declarations relating to items on the agenda. | |
| 1.3 Urgent items of other business | The forward schedule of business would be discussed under item 8. | |
| 2. Minutes | | |
| 2.1 The Minutes of the meeting on 29th November were APPROVED and the Minutes of the joint meeting with the Audit and Risk Committee were NOTED | | |
| 2.2 Matters arising from the Minutes | | |

Governors noted the actions from the previous meeting that had been completed or were on the agenda.

It was noted that the review of the subsidiary company structure was still outstanding. The DPCE updated on the outcome of the external audit and other work that had shown an ongoing need for Prospects Training Solutions (PTS). It was now proposed that there was no immediate recommendation to wind up any of the subsidiaries, but the matter would be kept under review.

There was discussion of the timing of the annual pay award review. It was agreed that this was part of the budgeting process, and would be discussed by the Committee in this context in the summer term. It was reported that SMT would be meeting that week to focus on in-year savings and budgeting.

AGREED:

3. Human Resources – termly HR Report

Supporting paper presented by the Head of HR

Headlines and key discussion points were:

Sickness absence for the 12 month period to December 2021 was 6.67 days, below the target of 7 days a year. Mental health and infectious disease were the highest cited reasons. Staff well-being remained key area of focus. Flu-jabs had been offered this winter; take-up was less, but this was possibly being offered the flu-jab at the same time as their Covid jabs by their GPs. Governors asked how the figures were made up in terms of long-term versus short-term vacancies. This would be included in the next term's report.

Staff turnover in December was 2.63%. If it continued at the current rate, it would reach 27.69% over for the academic year. Broken down by different category, natural wastage turnover was 7.95%. This was against a backdrop of an 11.4% increase in job vacancies according to ONS data.

Current live claims were noted.

There was a further discussion of staff turnover, supported by a detailed supplementary paper on the staff vacancy profile. Governors queried whether the current KPI was too ambitious against the national backdrop.

The detailed report confirmed an increase in departures among both academic and support staff. Governors commented that there appeared to be a correlation of highest turnover in areas where there were known quality issues. There were, by contrast, quite a lot of areas with stable staff levels. It was suggested that it would be helpful for the numbers to be presented as ratios according to the size of department in future reports.

Among the reasons for leaving from the exit interview analysis, salary came out as the most commonly cited. This triangulated with feedback from the staff survey. A variety of reasons were given relating to changes in personal circumstances. Other negative reasons relating

to employment were workload, and lack of professional and personal career development. Positive feedback on the college included team links and culture. It was agreed that the exit interview profile would be typical of most organisations. A concern would be a high number of leavers who had been in post less than a year as this would imply problems with the recruitment process.

The recruitment analysis provided was discussed and new initiatives to attract candidates were noted, such as a big event on 12th January, and a 'refer a friend' scheme. Take-up of both had been lower than expected, again reflecting the challenging market. There was discussion of the competition for staff from other colleges, some of which were offering retention bonuses, or negotiating higher salaries than those advertised.

Agency spend had increased as a result of the vacancy and recruitment issues, along with an increase in the cost per hour. Most were employed in Engineering and Construction. It was likely that the agency staff budget would be exceeded, although management were managing this as tightly as possible.

Retention and recruitment – doing all we can to employ and keep people and try to slow down the attrition.

An update was given on the actions following the discussion at the Board Development Day on the pay review. Management were undertaking further work on developing a 'cafeteria' of benefits, including a costed options analysis. This would be brought back to governors at an appropriate date.

Roney Brookes left the meeting at 18.58

AGREED: Future HR reports to show breakdown of staff absence by short and long-term sickness.

4. College Finance

Julian Grindell was welcomed as the Interim Director of Finance. It was reported that an appointment of a permanent DoF had been made, subject to employment checks. The appointee was serving three months' notice in their current job in the NHS.

4.1 Management accounts, KPIs and cashflow report P5 (December) *Supporting paper presented by the DPCE*

It was noted that the work to align the CFFR mid-year forecast with other finance reports had been concluded and a revised set of management accounts had been issued. A meeting with the ESFA had taken place the previous week. The CFFR return would now be analysed by the ESFA to assess college performance against restructuring fund benchmarks. It was confirmed that the 2022-23 forecast had not yet been reset. Work would now commence with budget-holders to develop a revised forecast for resubmission as part of budget setting process for next year.

Headlines from the December management accounts were noted:

- The year-end deficit out-turn position was where it was predicted to be at this point in the year.

- Work had been undertaken to review the original phasing within the budget;
- The in-year Financial Health grade had been removed, and only the predicted year-end position given.
- The November predicted year-end cashflow was lower than budget by the sum of accelerated capital investment payments.

Income:

- It was noted that the risk to 16-18 income still stood at £500k, although this was difficult to predict because of changes to funding rates
- Apprenticeships were performing better than planned for the current period and were likely to be above budget by year-end
- The AEB figures would change to reflect the decision regarding subcontracting made at the Special Board that day
- Advanced Learning Loans were beginning to track on budget

Pay costs:

- Pay itself was on track. However, other staff costs (including recruitment fees, conversion from agency to permanent, other recruitment processes) were above budget.

Governors were positive that the phasing issue had been addressed. Comment was made that, although the overall picture was positive, there were within this areas of significant unexpected revenue and costs. The college needed to be very careful that, when unexpected income was received, costs did not increase to match it.

It was explained that the current bidding process for additional funds often meant that additional administrative and delivery costs were inevitable. The example was given of the HGV Bootcamps, which included £400k extra delivery costs.

There was discussion of the picture presented by the Balance Sheet. Governors asked why creditors and current liabilities seemed to have increased dramatically. It was explained that the creditor level related to drawdown from the Nethermayne receipts. This was partially offset by £2m on debtors. It was acknowledged that the picture was confusing and would be reviewed and represented in future accounts.

Committee feedback was sought on how the information was presented. Governors remarked that it was easiest if the presentation mirrored the paperwork. There was also discussion of the use of EBITDA and cash as key indicators of financial performance, rather than the operating surplus. It was recognised that cash, EBITDA and bank covenants were now the more commonly used measures in the sector, rather than operating surplus. It was recognised that it was difficult to use cash days as an indicator when there were large movements of capital money, but the cashflow tracker was a useful tool.

4.2 Revised forecast 21-22

A summary was given of the key headlines from the CFFR submission to the ESFA.

- £1.8m additional income, partially because of under-recognition of High Needs Student (HNS) income. This would, however, be a straight in and out figure.
- Unexpected income from bids was reflected as over £1m of additional income as previously discussed;
- Over-performance in apprenticeships was currently predicted at approximately £380k
- The impact of additional funding on costs had been built in (exam fees, teaching consumables). Overall expenditure was £2.29m above budget
The overall impact was a £500k negative variance against the original budget. However, a large part of this was depreciation which would not impact on the EBITDA, Financial Health or Cashflow.

There followed a discussion of the figures. It was confirmed that the mid-year pay award of 1% was still in the figures.

The Committee was asked to clarify expectations of whether savings should be found to get back to the original budget, or whether some or all of the variance was accepted. It was agreed that, whilst the aim should be to meet the original budget, this should not be at the expense of future ability to meet the strategic ambitions. Management pointed out that a lot of the drift in non-pay spend was in fixed costs such as exam fees, premises and utilities, so the scope for savings in-year was limited although effort would be made to find these.

The point was made about the importance of mapping cash outflows over time, particularly on large capital items and loan interest payments, to ensure that these commitments could be met.

Governors reiterated the need for accurate forecasting so the scope for investment in growth and projects such as the IOT was clear from the outset.

AGREED: Management accounts to present EBITDA, cash and bank covenants as primary indicator of financial position.

5. Capital projects and estates

Supporting paper by the VP Corporate services

The paper was taken as read and questions were taken.

It was confirmed that the remodelling of the performance space was slightly behind schedule, but there was no impact on the learner experience.

An update was provided on the replacement of gas boilers with air handling units. The larger units had now been replaced, with further replacement due over the summer holiday. The decommissioning of units had freed up spare parts for the remaining ones.

Governor support was provided to proceed with the works to the Undercroft carpark. This was within the approved capital budget.

There was discussion about planned capital and revenue expenditure on the Institute of Technology. It was confirmed that the college was

not expected to put any money into capital costs, although there might be an inflationary cost over-run. The IOT project was being tracked weekly by SLT, both in terms of finances and the curriculum plan. Transparency of IOT finances at governor level was requested.

Governors raised questions about liability, given that SEC Corporation was the accountable body. The agreement would be checked and reported back to give clarity on this. It was noted that IOTs could adopt a variety of structures, with some opting for a limited company to ringfence liability.

AGREED:

- i) **That the summer works to the undercroft carpark were supported**
- ii) **That the IOT agreement would be checked with regard to the liability of the SEC Corporation, and research undertaken on alternative governance models**
- iii) **That a financial plan for the IOT be brought to the Committee.**

6. Risk Oversight

Supporting papers by the Clerk

In the light of the discussion under Item 5, an additional risk for the Institute of Technology would be added.

Governors also requested that the commentary for the pensions risk should be updated to reflect the current position with Teachers Pension Scheme grant.

There should also be recognition of the risk attached to areas of provision where there was no guarantee of future income

7. Forthcoming events

The events list was noted.

8. Dates of Next meetings

Schedule meetings for the remainder of the year were 14 March (finance only), 25 April and 27 June.

There was discussion of whether these linked closely enough to the budget cycle, and gave sufficient lead-in time for sign-off in July.

It was agreed that an additional budgeting sub-group should be arranged in late May, involving other finance governors such as the Chair of the Audit and Risk Committee. This would be face-to-face.

AGREED: Organise budgeting sub-group in late May.

MD

There being no further business, the Meeting finished at 20.18

Signed.....Dated.....