# Minutes of the Finance & Resources Committee Meeting Held Virtually at 5pm on 25 January 2022

Present: Lily Camacho (student governor), Katie Hill (staff governor), Tim Jackson & Mike Stoneman (Chair).

Apologies: Paul Walton

| In Attendance: | | |
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| | Paul Quigley | Chair of Corporation |
| | Paola Schweitzer | Director of Governance |
| | Maria Vetrone | CFO |

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# M i n u t e s

## 1 – Standing Items

### 022 Attendance and Participation

Paul W sent his apologies. Adele Hodgson had resigned and governors **Agreed** that Mike Stoneman chair the meeting. Search & Governance Committee had agreed recommendations on Committee membership to be considered by the Board.

### 023 Declarations of Interest

Mike worked for Portsmouth City Council which funded some of the College's SEN provision. Tim worked part-time for the Further Education Commissioner's office. There were no other declarations of interest.

### 024 Minutes

The Minutes of the Meeting on 26 October 2021 were **Agreed** as a correct record.

### 025 Matters Arising

**Minute 013: Finance & Resources Risk Register**: Low pay in the sector and staff morale/pulse surveys would be raised under HR Update. Work was underway to ascertain the impact of the 1% pay and minimum wage increase with first estimates equating to c0.4% of the College's total income (this was in line with other colleges).
**Minute 014: Management Accounts Period 12**: Issues surrounding the College's Saudi Arabia business capital gains tax liability were unresolved. Further updates would be brought to the Committee as appropriate.

**Minute 020: Financial Regulations Update**: Maria was reviewing the College's Financial Regulations. They would be brought to the Committee's next meeting.

**026 Management Accounts (paper 0094/22/F&R)**

Maria presented the management accounts as at 30 November 2021 (period 4). She was reviewing their presentation and would introduce changes over time so they were clearer and more transparent. The first change would be to move from reporting against year to date (YTD) to forecasting for year end with key performance indicators aligned with ESFA metrics.

Maria drew governors' attention to the key points:

- The College was performing below the YTD budget profile with an operating deficit of £70.2k YTD (£30.1k behind budget YTD). The position had deteriorated since period 3 when there was an operating surplus of £107.4k YTD (£23.3k ahead of budget YTD).
- Income was short-falling against the budget by £95.5k YTD predominantly due to under enrolment against the Adult Education Budget (AEB). There was a positive variance for 16-18 year old apprentices (c£40k) but a negative variance for 19+ apprentices (£19k). Other shortfalls included schools and high needs education contracts (mainly due to slow invoicing), overseas, nursery and New Horizons Apprenticeships.
- Pay expenditure was showing cost savings of £81.3k YTD mainly from curriculum staffing and associated under-enrolment with some courses not running as planned. Maria did not believe these savings would be maintained to year end.
- Non-pay expenditure was showing an overspend of £15.8k YTD mainly due to additional costs associated with Covid-19, exam fees (increasing in excess of inflation) and additional premises maintenance and running costs.
- The year end outturn forecasts remained as budgeted with an operating deficit of £1.8m by 31 July 2022.

Maria would explore the possibility of revaluing the College's land to improve the net book value as this would strengthen the balance sheet whilst not impacting the income and expenditure account for depreciation. Maria said that the College balance sheet was weak currently, with negative net assets. Interest of £5k was incurred in year prior to the Handlesbanken loan being paid off in full shortly after merger. Finally Maria drew governors' attention to the financial health ratios.

Governors thanked Maria for her clear presentation. Tim noted that setting a deficit budget was a result of accommodating merger costs and asked if this would change in the future. Maria stated that once the strategic objectives and underpinning operational strategies were agreed, she would draft a strategy to strengthen the College's financial performance. At present, due to Management Information System (MIS) inadequacies, particularly around the finance system, it was not possible to have complete clarity on the figures but she was confident the College would achieve its 2021/22 budget (using the £2m merger allocation in full) and would be in a stronger financial position in the next couple of years.

Tim noted that the College wasn't the only College falling short on achieving the AEB and asked what was being done to address the matter. Maria confirmed that actions were being taken, for example, running marketing campaigns to stimulate demand where necessary. Mike asked if the AEB funding situation and period 4 deficit would continue to build. Maria stated that it was not possible to answer that question at present but once there was reliable data, it would be possible to address the situation more effectively and move funding around to meet student demand and improve the financial position towards year end.

In response to a question concerning the increased expenditure on exam fees, Maria stated that awarding bodies were increasing their fees by between 2-5% per annum with colleges having no control over these ever increasing costs. This was a sector-wide problem and the Association of Colleges (AoC) were lobbying. Work was underway to see if colleges could procure those services through competitive tender to try to force value for money and cost reduction.

Governors **Noted** the City of Portsmouth Management Accounts 2021/22 P4.

**027 Report on College Companies/Joint Ventures**

Maria gave an overview of the College's companies and stated that she would bring a more detailed report to the Committee's next meeting.

**Highbury Apprentices Birmingham.** The College owned 100% of this company. It was currently trading at a loss. Action being taken included closing the Birmingham office and taking direct responsibility for apprentices. The College was scrutinising its entire apprenticeship provision as many apprentices were out of funding.

**Highbury College Commercial Services**: The College owned 100% of this dormant company. The company was previously used to invoice the College for accommodation in the Tower. The College currently owed the company £1.2m which is evident on the company balance sheet.

**New Work Training Limited**: The College owned 70% of this dormant company. Similarly, there are items on the balance sheet which require review and resolution. .

**Highbury College Nigeria Ltd**: The College owned nearly 100% of this company. It was not consolidated into the College accounts as this company is incorporated in Nigeria. The College was unlikely to recover the debt owed to it. Further information would be brought to the Committee in due course.

**Portsmouth College Ltd**: The College owned 100% of this company. It had never traded and is likely to be closed down.

Tim noted the multiplicity of companies and the possibility that one of them could be used to defer Local Government Pension Scheme costs.

Governors thanked Maria.

**028 HR Update**

Karen joined the meeting and highlighted the key areas in the Human Resources Update report (paper 0095/22/F&R.).

The HR/People Team had identified twelve priority areas for the remainder of the academic year to ensure legal compliance, support organisational need and development, align HR and People activities across the employee lifecycle to organisational values, promote diversity and inclusion, safeguarding, and employee wellbeing and welfare and improve employee engagement.

The team were undertaking an audit of employee records to ensure it held the required evidence of all pre-employment checks. This was good practice and a requirement following the merger. College induction processes had been reviewed and Talent Development review meetings to discuss development and set objectives were currently taking place across the College.

Karen was not yet able to bring a comprehensive data dashboard to the Committee as the reliability of data was in question. However staffing data (starters/leavers) was considered and showed that the number of leavers appeared to have stabilised with year to date turnover at 13.85% (the AoC annual turnover benchmark was 14.08%).

There had been 218 returns to the staff survey in November 2021. This completion rate of 29% was slightly lower than the average completion rate for employee surveys (33%). It focused on three key themes and was intended to gather feedback shortly after the merger. Key findings were:

- **Aims and Objectives**: Overall there was a positive response with 83% of respondents supporting the College's strategic aims/objectives, increasing to 85% for those in manager/team leader roles. There was some variation between the campuses with 70% of Tangier Road respondents supporting the College's strategic aims/objectives, increasing to 80% for Arundel, 82% for North Harbour and 85% for Highbury.
- **Communication & Feedback**: 67% of respondents agreed they were well informed about the College's activities, increasing to 70% for those in support staff roles. Managers/team leaders and academic staff felt slightly less well informed about the College's activities (64% and 65% respectively). Fewer staff agreed that communications were good within the College at 46%. Communication at a department/team level was felt to be significantly better and there was very little variation between campuses.
- **Mental Health, Wellbeing & Welfare (inc. Covid)**: 75% of respondent felt safe at work, with some variation between campuses (from 63% at Tangier Road to 90% at Arundel). There was a slight variation between role types with support staff feeling slightly less safe at work (73%) compared to academic staff (76%) and managers/team leaders (79%). Overall 60% knew who to ask if they needed mental health support and 56% felt there was good support. More managers/team leaders agreed that there was good support for mental health (62%) as opposed to staff in academic (52%) and support roles (57%).

Five focus groups would be held (one virtual and one at each campus) to start exploring the areas of concern raised and monthly pulse surveys from the end of January would take place to support the creation of a culture where colleagues were encouraged to share feedback and were able to see how feedback was used. Another staff survey would take place in the summer term. A more structured meeting cycle and communications framework was being established to ensure information was effectively and consistently communicated across all levels of the organisation.

Katie asked Karen for further details about her data concerns, asking if the problem was poor quality data or a system that wasn't fit for purpose. Karen didn't believe the system was at fault instead the issue was ensuring the data was accurate. A data cleanse, whereby every employee record was double-checked and obsolete data deleted, was the only solution. Katie recognised this was a time consuming task and asked if there were sufficient resources within the team to ensure it could be achieved without negatively impacting the team's day to day responsibilities. Karen stated she was currently in dialogue with Maria about this. Tim asked for assurance that the HR data system was a decent, market tested product. Karen confirmed that Zelis was a well-known and widely used system. She believed there would be more robust data by the Committee's next meeting and that the system would be fit for purpose by the end of the academic year.

Katie noted that the staff survey was very directive, with no opportunities for free text and that this would probably have deterred some staff from responding. Karen stated that the November survey was intended to be a snapshot and that she would expect to use more free text in the regular annual survey. Mike noted that some of the figures in the survey were quite sobering. Karen agreed, noting that whilst a dip in staff satisfaction following a merger was to be expected, it was not OK and a great deal of work was required to address the matter. Tim noted that merging two organisations was inevitably disruptive for staff and he was heartened by the higher scores concerning local line management

In response to a question about the use of market supplements. Karen stated that they were paid in areas experiencing difficulties in recruiting and the College was exploring ways it could create internal career paths to these roles for example growing technicians into assessors and teachers. She would bring back further details to the Committee.

Governors **Noted** the Human Resources Update and Karen left the meeting.

**029 Health & Safety Update**

Maria presented paper 0096/22/F&R providing a health and safety update, summarising recent changes to the health and safety department, reviewing areas that impacted on the business and setting out the way forward. Maria proposed that in future Audit Committee would be responsible for this area with a properly constructed H&S management committee providing support and oversight at the management level.

The Coronavirus pandemic had had a big impact on College operations and widespread health and safety control measures and safety protocols had been introduced swiftly. Work experience and off-site activity requests had recently started to increase significantly. Health and safety measures were continually improving, with 11 health and safety eLearning modules being prepared for inhouse release as well as new display screen equipment risk assessments for workstation users. All Learning Assistants were being trained in first aid, with 34 having gained the emergency first aid at work qualification. In 2021 there were six reported accidents, five of which were at Highbury and all of which concerned students. Four RIDDOR reports had been submitted to the Heath & Safety Executive in 2021.

Katie asked if the Health & Safety Manager delivering in house training was resource efficient and Maria stated that she was currently looking into this. Another governor noted that the AoC provided some useful benchmark data and asked that future reports include this information where possible. Maria noted the importance of this area and stated that she would shortly propose to SMT that an external review be carried out, reporting to Audit Committee.

Governors **Agreed** that Audit Committee would monitor the College's health and safety arrangements and that the Committee's terms of reference would be amended accordingly. Governors **Noted** the health and safety report.

**030 Committee Terms of Reference (paper 0097/22/F&R)**

Mike presented the Committee's revised terms of reference.

Following consideration of the terms of reference at its 04 October meeting, Search & Governance Committee had proposed amendments to all Committee terms of reference to ensure Committee activity was more proactive and ambitious. In response to a question, Maria confirmed that Finance & Resources Committee would consider IT infrastructure and Audit Committee would exercise the scrutiny function. The terms of reference would be amended accordingly. Paola confirmed that, with the proposed Committee changes, two governors would be members of both Estates Committee and Finance & Resources Committee to ensure synergy between them.

Governors **Agreed** the Committee's amended Terms of Reference.

**031 Estates Committee Minutes**

Governors **Noted** the 28 September and 17 November 2021 Estates Committee minutes. Maria was currently confirming the College's match funding commitments against the capital bids was within budget. Tim noted that Denise had been very clear with governors that these commitments were within budget. Capital spend would shortly be integrated into the management accounts to ensure greater transparency.

**There was a brief restricted confidential meeting (inquorate) without students and staff.**

The meeting ended at 6.50pm