

SOUTH WEST COLLEGE GOVERNING BODY

Minutes of a meeting of the **Finance & General Purposes Committee**
held on Wednesday 26 February 2020 at 9.00 am
in the Boardroom, Omagh Campus, Mountjoy Road, Omagh

PRESENT: Mrs Joanne Lucas
Mr Michael McGuckin
Mr Michael McAlister, Chief Executive
Mr Seamus McCaffrey (Chairman)
Mr Gerard O'Hanlon
Dr Nicholas O'Shiel

IN ATTENDANCE: Mr Stephen Burke, Belfast Educational Services (*Item 5.0 only*)
Dr Jill Cush, Deputy Chief Executive
Mr Tom Friel, Belfast Educational Services (*Item 5.0 only*)
Mrs Sharon McGrath, Head of Services (*via video conference*)
Mr Pdraig McNamee, Head of ACE Faculty (*items 4.0, 5.0 and 8.0 only*)
Ms Claire O'Donnell, Secretary to the Governing Body
Mr Sean O'Donnell, Head of Finance

1.0 APOLOGIES

Apologies were recorded from Mr John Moss, Head of Faculty, Built Environment, Creative and Life Sciences.

2.0 CONFLICT OF INTEREST DECLARATIONS

No conflict of interest declarations were made.

3.0 MATTERS ARISING FROM MINUTES OF PREVIOUS MEETING

PREVIOUSLY ISSUED to all members:

- Paper 03 Minutes of the Finance & General Purposes Committee meeting held on Wednesday 11 December 2019.

There were no matters arising.

4.0 MANAGEMENT BRIEFING FOR PFI CONTRACTS REVIEW MEETING

PREVIOUSLY ISSUED to all members:

- Paper 04 Management Briefing for PFI Contracts Review Meeting.

The Chief Executive, with Mrs McGrath's support, outlined the key issues in Paper 04 for members' information.

He began by outlining the long term relationship the College had with BES which was generally working well. He outlined work which was currently ongoing including widening the footpaths at the Sedan Avenue entrance to the Omagh Campus and passive fire protection in all campuses. In response to a query from Mr McGuckin, Mrs McGrath advised that there were no issues in getting the work done, but it was difficult to get BES to work to the College's priorities. As an example she explained that scaffolding in the Dungannon campus remained erected for the campus Open Day.

The Chief Executive then outlined three issues to be considered. Firstly, he explained that BES had been unable to provide documentary evidence for the suggested VAT liability on the part of the College in relation to the catering and crèche contracts, which he noted were both profitable at the moment. Secondly, in relation to the utilities figures outlined in Paper 04, the Chief Executive pointed out rising year on year oil consumption in the Omagh campus which he advised should be investigated. Finally, the Chief Executive outlined the College's difficulty with the capital items position, explaining that some capital items which were originally designated as 30 year supply and maintain items under the contract, had now changed to 3 year supply and maintain items, again with no audit trail to verify the information.

The Chair then queried the outstanding information BES were to supply following their last Contract Review Meeting. Mr O'Donnell confirmed that this had come through. In response to further queries from Dr O'Shiel, Mr O'Donnell confirmed that he had also received the BES model to the end of the contract.

Mr Pdraig McNamee, Head of ACE Faculty, entered the meeting at this juncture.

The Chief Executive then commented that Interserve staff on the ground were generally very good, particularly inside the building, but pointed out an issue around security, where Interserve staff were not as responsive as the College would like. Mr McNamee suggested that this was down to different interpretations of the service level agreement (SLA), explaining that under this agreement, Interserve staff were responsible for securing the building but didn't really have anything to do with students. The SLA, Mr McNamee explained, stated that Interserve Staff should monitor CCTV and respond to incidents. This he explained was not happening. Mr McGuckin queried if the contract made it clear that Interserve staff should intervene in incidents or simply inform management. Mr O'Hanlon further queried liability for any malicious damage caused on premises Interserve staff were monitoring. Mr McGuckin suggested that this should be clarified with BES later in the meeting.

The Chair then queried if there were any further risks to be considered in the contract and if the College was content with the service. In response, the Chief Executive advised that the College had a different profile of students from 13 years ago when BES entered the contract which staff on the ground would be aware of. Mrs McGrath added that the contract stated that BES should be proactive on sustainability but that there was work to be done here. In relation to the earlier lifecycle issue, Mrs McGrath advised that BES had produced lists of equipment which had fallen off the 30 year supply and maintain contract.

5.0 PFI CONTRACTS REVIEW MEETING WITH BES

Mr Steven Burke, Belfast Educational Systems, entered the meeting at this juncture.

The Chair welcomed Mr Burke to the meeting, noting that his colleague, Mr Friel was running a few minutes late.

Mr Burke then took members through the Management Briefing (Paper 04).

Mr Tom Friel, BES, entered the meeting during the course of this discussion.

Following discussion on catering, it was agreed that SWC staff should meet with Interserve to find a solution to the VAT issue. In relation to utilities, it was agreed that BES would lead a 3 month task and finish group looking at ways to address the rising consumption of oil in the Omagh campus over the past 6 years. Mr McGuckin then queried BES's responsibility for proactive sustainability. Mr Burke advised that BES, through its Environmental Policy, had committed to replacing items with more efficient alternatives on a rolling basis (for example, LED lights). Mrs McGrath advised that under the terms of the contract BES had committed to a proactive approach to sustainability and she suggested that they produce a plan for the College. Mr McNamee added that he would expect proactive recommendations from BES. In response Mr Burke advised that BES were not contractually bound to deliver this but had made sustainability commitments through their Environmental Policy. Discussion then moved to equipment, with the Chief Executive seeking an audit trail for the capital items on the 30 year list which were stood down after 3 years. Mr O'Hanlon emphasized the need for a list and rationale for such items, with the Chief Executive advising that contractual changes such as this should pass through the Finance & General Purposes Committee. Mrs McGrath agreed to provide this information for the next Committee meeting. Mr McNamee then spoke about the issue of security. He explained that the service level agreement implied proactivity from BES on monitoring and responding to incidents, but that the nature of this service was not always clear and would perhaps require a discussion. Mr Burke explained that BES believed they were fulfilling their security obligations, adding that student management was a College responsibility. It was agreed that BES should meet with College staff (including campus managers) as soon as possible to discuss and agree responsibility for security.

The Chair thanked Mr Burke and Mr Friel and they exited the meeting at this juncture.

AGREED: that BES would be asked to join the 8 April 2020 Finance and General Purposes Committee Meeting to report on the following:

- (i) Solution to the VAT issue**
- (ii) Rising consumption of oil in Omagh Campus over the past 6 years**
- (iii) List and rationale for those capital items on the 30 year list which had been stood down after 3 years**
- (iv) Responsibility for security (which the Chair noted was a critical issue)**

Mr McNamee exited the meeting at this juncture.

6.0 KEY STRATEGIC ISSUES

PREVIOUSLY ISSUED to all members:

- Paper 06 Key Strategic Issues Management Update.

6.1 Impact of Brexit

The Chief Executive advised that the next DfE-EU Exit Stakeholder Forum meeting was scheduled for 5 March 2020. Mr Aaron Black, Head of Business Development, would be representing SWC at this meeting.

Dr Cush advised that the College was confident at this stage that they were covered for the duration of current contracts.

In response to members' queries, the Chief Executive advised that the new Minister had declined an invitation to the College's 'Get Engineering' Event. He added however that the six principals were meeting with the Minister the following day.

6.2 Erne Campus Development and Years 1-5 Operation

The Chief Executive advised that the Five Year Operational Plan for the Erne Campus would be considered at the Project Board Meeting on 28 February 2020. This document he explained would go through several iterations between now and August when the new Campus would officially open.

The Chief Executive further advised that while the contract had been on schedule to date, the contractors were now suggesting a possible delay. This issue was being managed through the Project Team.

6.3 Long term financial planning including Social Bond

The Chief Executive advised that the Principals would receive indicative allocations at their meeting with the Department the following day.

6.4 Contractual arrangements for the national and international delivery of College service

The Chief Executive noted that Dr Cush was chair of the group and that a fair bit of activity was being carried out at present. Dr Cush explained that the main bulk of this work was through funded European programmes which had funding confirmed until August 2023. In response to a query, she advised that the Coronavirus situation was not currently affecting delivery but the situation was being monitored very closely.

6.5 PFI Contracts

The Chief Executive noted that Mr O'Donnell would update on this item through his Management Report.

6.6 Student Experience

Mrs McGrath explained that staff were currently looking closely at the financial impact of new traineeships on students so that students could be fully informed.

Before concluding this agenda item, Dr O'Shiel requested a five year financial summary for the College to be presented and also five year income and expenditure figures for the new Erne Campus. It was noted and agreed that these would be strongly caveated.

AGREED: that the Chief Executive, through the Key Strategic Issues Update, would present (i) a 5 year College Financial Summary and also; (ii) 5 year income and expenditure figures for the Erne Campus.

7.0 MANAGEMENT REPORT

PREVIOUSLY ISSUED to all members:

- Paper 07 Management Report
- Paper 07.01 NDPB Report
- Paper 07.02 Monthly Budget Sector Summary
- Paper 07.03 DfE Budget Update 31 January 2020
- Paper 07.04 Financial Management Report Quarter 2 January 2020
- Paper 07.05 January 2020 Financial Reporting
- Paper 07.06 PTL Costs by Faculty Actual vs Budget
- Paper 07.07 Erne Campus Finance Report
- Paper 07.08 Payments over £50k at 31 January 2020
- Paper 07.09 SWC PFI Accounting Review Report
- Paper 07.10 PFI Model Scenario Analysis
- Paper 07.11 SWC PFI Graphs
- Paper 07.12 Estates Report February 2020
- Paper 07.13 Gortin Road Works Programme
- Paper 07.14 Revised Capital Allocation January 2020

Reporting by exception, as requested by the Committee Chair, Mr O'Donnell took members through the Management Report, focusing on the following issues in particular:

7.1 Financial Compliance

7.1.1 NDPB – January 2020 Monthly Monitoring Return

Ref: Management Report Section 1.1 and Paper 07.01

Mr O'Donnell advised that results for the ten months to January 2020 had now been submitted to the Department reflecting the fact that the College had come in exactly on budget. He outlined a potential £600k rise in the College's Rates bill the following year, of which the Permanent Secretary and Minister had been informed. The sectoral pressure on rates he advised would be around £4m. Finally, he emphasized the need for statutory pay increases to be baselined within the budget going forward explaining that it was unsatisfactory to be reporting an overspend all year, as monitoring bids are confirmed by DfE on an ongoing basis. In response to queries from Dr O'Shiel, Mr O'Donnell advised that the current rates bill was £620k and that the revised £1.2m rates figure would include the new Erne Campus.

7.2 Management Accounting

7.2.1 Financial Management Report – Quarter ended 31 January 2020

Ref: Management Report Section 2.1 and Paper 07.04

Mr O'Donnell reported good financial performance in the first six months of the year to 31 January 2020, adding that the College had £3.3m cash in the bank.

7.2.2 Part-time Lecturing Report – Quarter ended 31 January 2020

Ref: Management Report Section 2.2 and Paper 07.06

Mr McGuckin congratulated Mr O'Donnell on his success in managing the reduction in staff costs. In response Mr O'Donnell advised that he had revised the budget in year, allocating an extra £300k to the part time lecturing budget and that he would continue to focus on this.

7.2.3 Erne Campus

Ref: Management Report Section 2.3 and Paper 07.07

Mr O'Donnell advised that since the Management Report had been completed, a further valuation for £932k had come through. He confirmed that the College remained within the £29.1m budget for the project. The Chair congratulated Mr O'Donnell on the financial management of the project.

7.3 Treasury Management

7.3.1 *Ref: Management Report Section 4.1*

Members noted that there are currently no cash reserves held in deposit accounts.

7.3.2 Payments over £50,000

Ref: Management Report Section 4.2 and Paper 07.08

The Report on Payments over £50k was noted by the Committee.

7.4 PFI Financial Review

Ref: Management Report Section 5.1 and Papers 07.09, 07.10 & 07.11

Referencing the above reports, Mr O'Donnell advised that it was likely the College would probably have to absorb the PFI pressures. He explained that the NIAO position remained very risk averse. Dr O'Shiel suggested inviting the NIAO to meet with the College to discuss at the request of the Finance Committee Chair and Governing Body Chair. In response to a query from Mr McGuckin, Mr O'Donnell advised that the estimated cost of PFI over the 30 years was around £260m.

AGREED: to invite the NIAO Office to meet with College representatives including the Finance Committee Chair and Governing Body Chair to seek a resolution to this issue.

7.5 Other Matters

7.5.1 Estates Report

Ref: Management Report Section 6.1 and Papers 07.12 & 07.13

In relation to the Sustainability Strategy, Mrs McGrath advised that some further consolidation of the audit work already carried out was required. She added that the Department had carried out a sectoral review of Asset Management Plans, including that of SWC. She asked members to note the Fairtrade partnership agreement with Fermanagh and Omagh District Council.

7.5.2 Capital Funding

Ref: Management Report Section 6.2 and Paper 07.14

Referring to Paper 07.14, Mr O'Donnell explained that the College had received an additional £100k for minor works which, he explained, would be used for shovel ready IT infrastructure projects.

In response to a query from Dr O'Shiel about investment in the new Gortin Road property, Mr O'Donnell advised that the College was likely to occupy these premises for a long period of time.

7.5.3 Systems, Technology & Services (STS) Project

Ref: Management Report Section 6.3

Mr O'Donnell outlined the projects currently being carried out as part of the STS project - a new maintenance and hosting solution for the Colleges' Financial Systems and a new Payroll System being operated by Belfast Metropolitan College. In response to queries from Mr McGuckin, he confirmed that that these would have no resource implications and posed no risk to staff.

8.0 FINANCIAL PERFORMANCE OF THE AUTOMTOVE, COMPUTING AND ENGINEERING FACULTY

Mr Pdraig McNamee, Head of Automotive, Computing and Engineering Faculty, joined the meeting for this item.

PREVIOUSLY ISSUED to all members:

- Paper 08 Financial Performance of the Automotive, Computing and Engineering Faculty

Through his presentation, Mr McNamee apprised the meeting of the income, expenditure and efficiency of the Automotive, Computing and Engineering Faculty. He pointed out that income this year was slightly less than predicted, noting a significant shortfall in HE full time fees. In terms of expenditure, Mr McNamee explained that part time lecturing and examination fees were significantly over budget and that training materials were under budget. He advised that he was investigating the reasons behind the examination fees figure.

Mr McNamee then pointed out a 97% staff deployment rate for his Faculty, acknowledging the huge amount of work timetabling staff had undertaken to achieve this figure. In terms of planned hours for part time lecturers, Mr O'Hanlon suggested reallocating budgets in year from full time lecturers off sick to the part time lecturers budget. Mr O'Hanlon and Mr McGuckin further pointed out that a budget for 7,750 teaching hours in 2019/20 was extremely challenging when compared to actual teaching hours of 20,174 in 2018/19.

Mr McNamee concluded by outlining the future work for his Faculty in terms of efficiency and budget management. Dr O'Shiel complemented Mr McNamee on all the work he was doing to manage budgets, but reminded members that the student was the core mission of the College.

The Chair thanked Mr McNamee for a very comprehensive and interesting presentation and he withdrew from the meeting at this juncture.

9.0 ANY OTHER RELEVANT BUSINESS

No further business was raised.

10.0 REVIEW OF OUTSTANDING ACTIONS

PREVIOUSLY ISSUED to all members:

- Paper 10 Outstanding Actions.

It was noted that a report on the allocation of the Student Hardship Fund 2018/19 had been uploaded with the October 2019 Finance and General Purposes Committee papers.

The Chair advised that Mr Michael Gould had been asked to join the September 2020 Governing Body meeting to update on the review of FE in HE. Dr O'Shiel noted that Mr Gould was currently at the very early stages of this review.

The Chair advised that Mrs Claire McClelland would be joining the April 2020 Governing Body meeting to update on the review of the 14-19 Strategy.

Finally, the Chair enquired about the Technical Services Report which had been deferred from the December 2019 meeting. Mrs McGrath apologized for this oversight and agreed to present this report to the next Committee meeting.

The resultant Summary of Outstanding Actions, including those arising from this meeting, is listed in Appendix A.

9.0 EVALUATION OF MEETING

Members conveyed their satisfaction with the proceedings of the meeting.

The meeting concluded at 11.21 am.

**CONFIRMED AND ADOPTED BY THE GOVERNING BODY AT A MEETING HELD ON WEDNESDAY
11 MARCH 2020**

CHAIRMAN _____

DATE _____

SUMMARY OF OUTSTANDING ACTIONS

Meeting Date	Minute Ref	Action
26/02/2020	5.0	BES to attend April 2020 F&GP meeting to update on: <ul style="list-style-type: none"> (i) Solution to the VAT issue (ii) Rising consumption of oil in Omagh Campus over the past 6 years (iii) List and rationale for those capital items on the 30 year list which had been stood down after 3 years (iv) Responsibility for security (which the Chair noted was a critical issue)
26/02/2020	6.6	The Chief Executive, through the Key Strategic Issues Update, to present (i) a 5 year College Financial Summary and also; (ii) 5 year income and expenditure figures for the Erne Campus.
26/02/2020	7.4	On the request of the F&GP and GB Chairs, NIAO to be asked to meet with College representatives to seek a resolution to the PFI issue.
26/02/2020	10.0	Technical Services Report to be presented to the April 2020 F&GP Meeting