

SOUTH WEST COLLEGE GOVERNING BODY

Minutes of a meeting of the **Finance & General Purposes Committee**
held on Wednesday 15 December 2021 at 9.00 am
via Microsoft Teams

PRESENT: Mrs Deborah Brown
Mr Colin Lewis, Interim Chief Executive
Mr Seamus McCaffrey, Committee Chair
Mr Michael McGuckin
Mr Gerard O’Hanlon (*from item 5.1.5*)
Dr Nicholas O’Shiel (*from item 4.1*)

IN ATTENDANCE: Dr Jill Cush, Deputy Chief Executive
Mrs Fiona McCauley, Secretary to the Governing Body
Mrs Sharon McGrath, Head of Services (*from item 5.0*)
Mr Sean O’Donnell, Head of Finance
Mr John Moss, Head of the Built Environment, Creative & Life Services Faculty (*Item 6.0 only*)

1.0 APOLOGIES

It was noted that all members were present.

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 13 October 2021.

There were no matters arising.

4.0 KEY STRATEGIC ISSUES

PREVIOUSLY ISSUED to all members:

- Paper 04.01 Key Strategic Issues
- Paper 04.02 Key Strategic Issues Management Update.

Mr Lewis noted his assumption that the management update on the Committee’s key strategic issues had been read by members and proceeded to provide further updates by exception.

Dr O’Shiel joined the meeting at this juncture.

4.1 Long Term Financial Planning

Mr Lewis apprised the Committee of a communication received from the Department for the Economy (DfE) Permanent Secretary highlighting the significant funding pressures arising from the proposed DfE allocation in the NI Executive’s draft 2022-

2025 budget and commented on the expectation that savings will be sought from the FE sector. He advised that all DfE branches and NDPBs had been asked to avoid entering into any agreement which would create a financial commitment and added that this may have implications for the lecturers' pay negotiations and the proposed external work arising from the review of the College's culture and structure. He explained that efficiencies may be created through the review of the FE sector delivery model in the longer term but that other measures will also be required.

In response to a question on the impact on proposed capital projects, Mr Lewis explained that the Engineering Skills & Innovation Centre proposal would not be affected as it is to be funded through the Mid-South West Growth Deal. He added that this proposal is at an early stage and expressed concerns regarding the availability of recurrent funding to cover resource and running costs upon completion.

4.2 Erne Campus Development and Years 1 – 3 Operation

Mr Lewis informed the Committee that the update provided on the Erne Campus Development to the Capital Projects Steering Committee at its meeting in November 2021 had been well received. He added that attention has turned to benefits realization and that a meeting has been scheduled with DfE to discuss monitoring of the nine benefits to be reported on.

4.3 Annual Report & Financial Statements 2020/21

Mr Lewis confirmed that the Annual Report & Financial Statements 2020/21 had received an unqualified opinion by the Comptroller & Auditor General and commented on the College's resultant good position on which to seek support going forward. He also extended his thanks to Mr O'Donnell and the finance team for their work in compiling the Annual Report & Financial Statements.

Mrs McGrath joined the meeting at this juncture.

5.0 MANAGEMENT REPORT

PREVIOUSLY ISSUED to all members:

- Paper 05 Management Report
- Paper 05.01 Annual Report & Financial Statements 2020/21
- Paper 05.02 Financial Management Report Q1 2021/22
- Paper 05.03 Report on Fixed Assets and Capital Expenditure 2020/21
- Paper 05.04 Erne Campus Finance Report
- Paper 05.05 Part Time Lecturer Report
- Paper 05.06 NDPB Finance Report
- Paper 05.07 Budget Resource Allocation 2021/22
- Paper 05.08 Impact of Budget 2022-25
- Paper 05.09 Investment Strategy & Plan 2021/22
- Paper 05.10 Report on Payments over £50k
- Paper 05.11 Investment Policy
- Paper 05.12 Bad Debt Policy
- Paper 05.13 Fees and Charges Policy 2022/23
- Paper 05.14 Energy Management Policy
- Paper 05.15 Estates Report
- Paper 05.16 Sustainability Report 2020/21
- Paper 05.17 Hardship Fund Policy 2021/22.

5.1 Financial Management / Accounting

5.1.1 Annual Report and Financial Statements 2020/21

Ref: Management Report Section 1.1 and Paper 05.01

Mr O'Donnell confirmed that the Annual Report & Financial Statements 2020/21 had been laid before the NI Assembly and published on the College's website and that the final Report to Those Charged with Governance had been received with no recommendations made.

5.1.2 Financial Management Report Q1 2021/22

Ref: Management Report Section 1.2 and Paper 05.02

Mr O'Donnell referenced the financial management report for the three months to 31 October 2021 and commented on the good financial performance evidenced. He highlighted the recorded surplus of £982k which represents a financial position of £676k favourable to budget and explained that profiling discrepancies account for some of the savings and that outstanding expenditure will be recorded in due course.

5.1.3 Report on Fixed Assets and Capital Expenditure 2020/21

Ref: Management Report Section 1.3 and Paper 05.03

Mr O'Donnell reported that the total net book value of the College's assets at 31 July 2021 was £123.07m, noting that this represents the second highest capital asset valuation in the sector. He then referred to the breakdown of individual items purchased in paper 05.03.

In response to a question from a member, further details of the £201k spent on the Industry 4.0 Smart Manufacturing Training System was provided.

5.1.4 Erne Project Finance Report

Ref: Management Report Section 1.4 and Paper 05.04

Mr O'Donnell advised that the validation of additional costs presented by the IST as a result of the pandemic is ongoing and noted his confidence that the final out-turn will be within budget.

Mr O'Hanlon joined the meeting at this juncture.

5.1.5 Part-Time Lecturing Costs Report

Ref: Management Report Section 1.5 and Paper 05.05

Mr O'Donnell referenced the report on expenditure on part-time lecturers for the three months to 31 October 2021 and advised that the total expenditure to 30 November 2021 continues to be favourable against budget.

At the request of a member, Mr O'Donnell undertook to provide a comparison of the 2020/21 financial statements of all colleges in the sector.

5.2 Financial Planning and Compliance

5.2.1 NDPB Monthly Monitoring

Ref: Management Report Section 2.1 and Papers 05.06 & 05.07

Mr O'Donnell referenced the return provided in paper 05.06 detailing the actual income and expenditure to 31 October 2021 as well as that forecast to 31 March 2022.

He highlighted the reported projected overspend of £532k and explained that a number of items had not been accounted for at the time of this return namely the funding allocation received for costs incurred as a result of the pandemic and an easement declared in relation to traineeship funding due to lower than expected enrolments.

In response to a question from a member Mr O'Donnell, supported by Dr Cush, quantified the breakdown of the £1.197m received for costs incurred as a result of the pandemic and detailed the additional curriculum and pastoral support put in place through this fund. The need to expend the allocation by 31 March 2022 was highlighted as was the challenge in securing additional resources for such short-term contracts.

5.2.2 Impact of Budget 2022-25

Ref: Management Report Section 2.2 and Paper 05.08

Mr O'Donnell commented on the challenging economic outlook as set out in the letter from the DfE Permanent Secretary, advised that a review of legislative and contractual obligations had been undertaken and confirmed the College's commitment to work collaboratively with the Department to make savings. He explained that accruals have been made for the 2019/20 and 2020/21 pay remits recently agreed by the Colleges Employers Forum (CEF) and awaiting DfE approval, but cautioned that this has not been baselined and that approximately £400k per annum will be required to fund this increase, potentially offsetting any savings identified through the review of contractual arrangements. Mr Lewis explained that he had raised concerns regarding the College's capacity to meet the pay remit commitment going forward and that a collective approach to covering this cost had been agreed in principle by CEF.

5.3 Treasury Management

5.3.1 Investment Strategy & Plan 2021/22

Ref: Management Report Section 3.1 and Paper 05.09

Mr O'Donnell advised that no plans are in place to invest in deposit accounts due to low interest rates and working capital requirements.

5.3.2 Payments over £50,000

Ref: Management Report Section 3.3 and Paper 05.10

The report on payments over £50,000 was noted by the Committee.

5.4 Policy Matters

Ref: Management Report Sections 4.0 & 6.1 and Papers 05.11, 05.12, 05.13, 05.14 & 05.17

The Committee was made aware of the proposed increase of £100 for Foundation Degree courses to £2,700, as outlined in the Fees & Charges Policy 2022/23, as well as the amendments made to the Energy Management Policy to align it with the Sustainability Strategy and the One Planet Living Action Plan. With reference to the Hardship Fund Policy, it was noted that a number of emergency payments had been made and that a report on utilization of the Hardship Fund will be available for the February 2022 committee meeting. At the request of a member, Mr O'Donnell undertook to provide a comparison of fees for higher education courses for the 2021/22 and 2022/23 years.

AGREED: that the Investment Policy, Bad Debt Policy, Fees & Charges Policy 2022/23, Energy Management Policy and Hardship Policy 2021/22 be recommended to the Governing Body for approval.

5.5 Estates

Ref: Management Report Sections 5.1 & 5.2 and Papers 05.15 & 05.16

5.5.1 Sector Update

Mrs McGrath reported that legal advice has been taken in relation to the requirement for Access NI checks for contractors on the sectoral ICT and IST frameworks.

5.5.2 Sustainability

Ref: Management Report Section 5.2 and Paper 05.16

Mrs McGrath provided an overview of the College's participation in the COP 26 Climate Change Conference in which the Erne Campus was showcased. She apprised the Committee that all related expenses had been financed by a funded project and quantified the value of the exposure received at £461k advertising equivalency.

Regarding the One Planet Living agenda, Mrs McGrath explained that 60 projects, including 11 signature projects, are planned for implementation in the forthcoming five years and that an action plan will be presented to the Governing Body when finalized.

Mrs McGrath referenced the Sustainability Annual Report 2020/21 and highlighted the reported decrease in utility consumption from the 2019/20 year. She caveated the good performance reported with the closure of campuses at various times during the two years in question, and, in response to comments from members, spoke of the consequent difficulty in finding a baseline against which to measure the energy reduction targets set in the Energy Management Policy whilst recognizing the efficiencies already made. The effect of the increase in utility costs of offsetting the financial savings made through the reduction in energy consumption was also noted.

5.5.3 Estates Strategy

Mrs McGrath advised that the development of an Estates Strategy has been deferred pending the outcome of an ongoing review of the utilization of the College's estate.

5.5.4 Statutory Returns

The statutory return listed in paper 05.15 was noted by the Committee.

5.5.5 Erne Campus

Mrs McGrath detailed the next steps in relation to the disposal of the Fairview campus. She explained that close monitoring of the valuation of the site will be required due to the volatility of the market at present and that it is anticipated that it will be made available for sale to the private sector should no interest be received from the public sector after a 4 to 6 week period.

In response to a question from a member on the realization of the anticipated benefits of the Erne Campus, Mrs McGrath explained that a meeting has been scheduled with DfE to discuss monitoring of the anticipated benefits in advance of the March 2022 Gateway Review and undertook to provide the Committee with an update on this work at its February 2022 meeting. Dr O'Shiel also requested that the operational plan for the campus' first three years be provided at the February 2022 meeting.

6.0 FINANCIAL PERFORMANCE OF THE BUILT ENVIRONMENT, CREATIVE & LIFE SCIENCES FACULTY

PREVIOUSLY ISSUED to all members:

- Paper 06 Financial Performance of the Built Environment, Creative & Life Sciences Faculty.

Mr John Moss, Head of Built Environment, Creative & Life Sciences Faculty joined the meeting for this item.

Mr Moss commenced his report by providing an overview of enrolments to his faculty in the 2021/22 year to date. He drew attention to the decreased enrolments to full-time further education and higher education courses and explained that increased university places and an associated reduction in entry requirements had contributed to the decrease in full-time enrolments.

Mr Moss went on to report a favourable budget position for all four cost centres within his faculty for the year to date and confirm that direct teaching costs are in line with budget. He also reported an average full-time lecturer deployment rate of 94% and explained that this represents an increase on the deployment rate at the same point in 2020/21. He then detailed the progress made in developing the digital skills of staff and students and commented on the ability to move to online teaching at pace when required.

In response to questions from members, Mr Moss made the Committee aware of an anomaly in reporting staff deployment rates due to the limitations on weekly teaching hours for lecturers delivering higher education courses and confirmed that full-time lecturing staff are fully deployed. He apprised the meeting of the need for lecturers teaching on higher education courses to be approved by the awarding body as well as of the value of part-time lecturing staff in providing specialist industry expertise. He advised that 97 courses are currently operational within his faculty and spoke of the support put in place for students through the 'Lost Learning Fund' and of the challenge in resourcing this initiative.

Mr Moss was thanked for his presentation and withdrew from the meeting at this juncture.

7.0 ANY OTHER RELEVANT BUSINESS

No further business was raised.

8.0 REVIEW OF OUTSTANDING ACTIONS

PREVIOUSLY ISSUED to all members:

- Paper 08 List of Outstanding Actions

Mr O'Donnell explained that Cavanagh Kelly had undertaken a review of the catering VAT matter and were satisfied with MITIE's proposed solution to the issue. He added that further work is required to ensure that processes are in place to ensure that VAT is applied correctly and undertook to provide a summary of the issue and solutions to the Committee at its February 2022 meeting with a view to closing the action.

It was noted that an update on the implications of Brexit for the College would also be provided at the next meeting and that the list of outstanding actions will be amended to reflect the proceedings of the meeting and included as Appendix A.

9.0 REFLECTION ON EFFECTIVENESS OF MEETING

No comments were made under this item.

The meeting concluded at 10:20 am.

**CONFIRMED AND ADOPTED BY THE GOVERNING BODY AT A MEETING HELD ON WEDNESDAY
12 JANUARY 2022**

CHAIRMAN _____

DATE _____

SUMMARY OF OUTSTANDING ACTIONS

Item	Meeting Date	Minute Ref	Action
1	16/06/2021	6.0	Update to be provided re: BES to provide (i) proposals from the Director of IFM in relation to catering VAT; (ii) their legal advice in relation to the 3 year/30 year supply and maintain contract and their analysis on supply and maintain items.
	13/10/2021	7.6.6	Mr O'Donnell to circulate Cavanagh Kelly's opinion on catering VAT liability to the Committee when available.
	15/12/2021	8.0	Mr O'Donnell to provide a summary of the catering VAT issue and solutions to the Committee at its February 2022 meeting.
2	13/10/2021	6.2	Dr Cush to provide an update paper on the implications of Brexit for the College.
3	15/12/2021	5.1.5	Mr O'Donnell to provide a comparison of the 2020/21 financial statements of all the colleges in the sector.
4	15/12/2021	5.4	Report on utilization of the Hardship Fund to be provided at the February 2022 committee meeting.
5	15/12/2021	5.4	Mr O'Donnell to provide a comparison of fees for higher education courses for the 2021/22 and 2022/23 years.
6	15/12/2021	5.5.5	Mrs McGrath to provide a report on benefits realization regarding the Erne Campus at the February 2022 meeting as well as the operational plan for the first three years.