

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 8 June 2015 at the Southend Campus at 6.10 pm.

Present: Mr R Launder (Chairman)
Mr D O'Halloran (Vice-Chairman)
Ms O Buck
Dr R Gray
Ms A O'Donoghue CBE
Ms M West
Mr N Kelleway FCA (co-opted member)

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Ms C Anson-Higgs (Vice Principal, Business Development)
Mrs W Barnes (Assistant Principal, Student Support)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

Apologies for absence were received from Mr S Burrell, Ms D Brown (Vice Principal, Curriculum & Quality), Ms D Hurst (Director of Finance), Mr S Smith (Vice Principal, Corporate Resources).

2. Urgent Business

There were no items of Urgent Business.

3. Minutes of the Meeting held on Monday 29 April 2015

The Minutes of the Meeting held on Monday 27 April 2015 were **APPROVED** and **SIGNED** by the Chairman.

4. Matters Arising

There were no Matters Arising other than items that already appear on the agenda.

5. Strategic Developments in South Essex (Paper PRC.15.11)

This matter was deemed to be a confidential item under the Instrument & Articles and a separate minute has been prepared, which is attached to these minutes.

6. Estates Matters

The Deputy Chief Executive presented a draft Capital Expenditure programme for the College for 2015-16, which was discussed by the Committee.

This comprised the following items:

General estates updating	£1.0 million
Replacement of computer hardware	£0.7 million
Other equipment	£0.3 million

Giving a total of £2.0 million, which will be financed by internal College cash generation.

The Committee **AGREED** to recommend this proposal to the Board for approval at its July Meeting.

ACTION: Clerk

7. College Finances (Paper PRC.15.12)

a. Management Accounts and 2014/15 Forecast (Paper PRC.15.12.a)

The DPCE and the Director of Finance presented the **Management Accounts for the nine months ended 30 April 2015** and the **Forecast Outturn for the year ended 31 July 2015**.

The **Management Accounts** showed that, to 30 April 2015, total income amounted to £42.4 million (inclusive of the results of South Essex Commercial Services Limited) and total expenditure to £42.1 million, giving rise to a surplus of £303K to 30 April. This compares to a budgeted surplus to this date of £507K.

The Accounts were accompanied by a detailed commentary, which looked at the year end forecast also.

It was noted that the KPI of pay/turnover is currently running at 62.7% against a target of 62.5%.

At 30 April 2015, group net assets stood at £113.7 million, including cash of £0.4 million and fixed assets of £109 million. All bank covenants continue to be comfortably met.

The current ratio at 30 April 2015 was 2.8, although this is distorted by promissory notes being included in debtors in connection with the sale of Woodview, Thurrock.

The Committee **RECEIVED** the **Management Accounts to 30 April 2015**.

The Committee then considered the forecast, as revised, through to 31 July 2015.

This has been updated from the forecast tabled in January and now shows a projected outturn of £451K against the original budget for the year of £671K and the previous forecast of £401K.

The Committee noted that the forecast does not take into account any adjustments that might be required from the application of FRS17 adjustments, either of the legal claims (Crown College and East Street) and it assumes the Basildon project will continue broadly as planned noting that £1.8 million has been spent on this project thus far.

The Committee asked whether this forecast was achievable and were assured that Management were confident it will be met. The Committee asked if information on the performance of other Colleges in the sector this year could be brought to the next Meeting.

ACTION: Debs Hurst

The DPCE reported that some interest is being shown in the services which can be offered by the Shared Services Company and one organisation has enquired about the provision of payroll services. This could be a useful source of income in the future.

Members were concerned about the level of agency spend. The budget this year has been exceeded by 60% (£434K) and is a key factor in enabling the College to achieve the provisional surplus for next year. An overrun of this size would wipe out the surplus. Members were assured that agency costs were being vigilantly monitored but the higher than expected levels of staff absence and turnover has affected the ability of the College to control the spending in this area.

The College is pursuing a policy of having staff on variable hours contracts rather than having to go through an agency where the costs are higher due to the agency profit being added. Managers are being instructed to organise their teaching and other needs more effectively so that the first option is not always to use agency staff.

The Committee **RECEIVED** the **Revised Forecast to 31 July 2015**.

ACTION: Anthony McGarel

b. Provisional Budget 2015-16 (Paper PRC.15.12.b)

The Director of Finance presented the Provisional Budget, which had been developed from the Indicative Budget discussed at the last Meeting of the Committee. It has been prepared following further review and after acquiring additional information and incorporates a bottom up review. The budgeted surplus is estimated at £500K for 2015/16, representing 0.95% of total income.

The Committee were **REMINDED** that this target of 0.95% is lower than the College targeted surplus in its Strategic Plan of 2% but the Committee **AGREED** a budgeted surplus of just under 1% given the reductions in funding and the general tight financial climate in the sector was acceptable.

The Director of Finance summarised the key assumptions in this Budget:

- The ability of the College to achieve its funding allocation (it is assumed it will all be utilised)
- Staff numbers do not exceed current levels
- No redundancy or restructuring costs

- Control of agency staff costs at lower levels than 2014/15
- Implementation of the revised areas of the curriculum plan
- Savings of 5% to 10% in support area costs
- Increased staff costs (£800K) due to 2% increase in pension contributions, increase in Employers' NI and a 1% budgeted pay rise.

The Committee discussed pay policy for next year.

Unions nationally are looking for £1 per hour pay rise for College staff – this cost would equate to around 6% pay rise for staff overall and, coupled with known increases in pension contributions and NI costs, would increase the College wage bill by nearly £2 million.

The Committee asked the Principal & Chief Executive to bring back proposals regarding a 2015/16 pay rise for staff, noting that there is a 1% rise in the budget and that there would be a need to find savings elsewhere in the budget in order to fund a rise of greater than 1%. A non-consolidated bonus payment for next year and next year only might be a possible route to provide a greater reward to staff.

Due to delays in receiving information from the Skills Funding Agency, the financial forecast for 2016/17 has not yet been done but this will be presented to the full Board on 6 July, together with this Budget, in SFA format for approval.

The Committee **NOTED** the Provisional Budget for 2015/16 and that the final version will be presented to the Board for approval at its Meeting on 6 July 2015. The Committee further **NOTED** that the Budget has to be approved by the Board before 31 July 2015.

ACTION: Anthony McGarel

c. Debt Facilities Management (Paper PRC.15.12(c))

The DPCE and Director of Finance presented a paper requesting approval for certain debt management proposals as outlined in the agenda paper provided to Members.

The purpose of the proposals was to ensure stability in the College's management of its cash and debt.

After seeking proposals from four banks, the College recommends the proposal from Barclays Bank be accepted. It is contingent upon receiving credit approval and satisfactory completion of appropriate due diligence. In essence, the terms are:

- Rearrangements of the terms of the existing £20m Term Loan with Barclays (although interest rate does not change but the repayment schedule is postponed until 2018)
- Establishing a £1m overdraft facility from January to April to assist cash flow when SFA/EFA payments are lower on the phased basis
- New revolving Credit Facility of up to £6m to replace the existing arrangement to assist in delivery of capital projects and refurbishments.

There may well be a need for further financing for the College and the likely means will be leasing and debtor based.

The Committee were pleased with the negotiations and recognised that it was a good time to renegotiate as rates are at an all-time low.

The Committee also discussed the possibility of acquiring a property for student accommodation and asked that a current opportunity be further investigated. It was agreed that freehold property is generally a sound investment. A 10-15 year payback through rentals from students should be achievable but the capital cost would need funding.

The Committee **APPROVED** the Debt Management Proposal.

ACTION: Anthony McGarel

d. Learner Numbers and Financial Implications 2014-15 and 2015-16 (Paper PRC.15.12.d)

The DPCE presented a paper on progress by the College in meeting the SFA and EFA allocations for the current year and prospects for 2015-16, given the reductions in funding for next year.

In summary, the college is unlikely to achieve the EFA learner number targets **for 2014-15** (which are learner number based) but should achieve the SFA targets (which are funding based). However, that is not yet certain and depends on close monitoring and an increase in current enrolments.

The effect of this under achievement (approximately 700 learners) is reflected in a lower EFA allocation for next year, which is based upon our learner number return last December. There is no in year clawback.

For 2015-16, the College EFA learner number target has reduced by 503 learners (approximately £800K) and the SFA allocation has reduced by approximately £1m. The SFA Apprenticeship allocation is unchanged and the 24+ Learning loans facility has increased by £300K.

The learner number reduction for next year has been masked in financial terms by the fact that more learners have been allocated within the higher funding bands.

The Committee **RECEIVED** the Report.

ACTION: Anthony McGarel

e. Draft Fees Policy (Paper PRC.15.12.e)

The Director of Finance provided the Committee with the Draft Fees Policy for 2015-16, which the College is required to review and update each year and sought comment.

The changes for 2015-16 are

- An average increase of 3.5% will be applied to FE Tuition Fees
- The 24+ Learning Loans are included in the Policy
- The refund policy is now included
- Subcontractors now have a separate policy which is included in the main document

The policy is in line with guidance given by FE and HE funding bodies.

The Committee **RECOMMENDED** that the Policy go forward to the Board Meeting on 6 July 2015 for formal approval.

f. Annual Expenses Report (Paper PRC.15.12.f)

The Committee **RECEIVED** the Report, which details the expenses paid by the College in the year to 31 March 2015 for the Principal and Chief executive and other governors in respect of expenses incurred by them in fulfilling their duties.

g. College Insurance Policies (Paper PRC.15.12.g)

This item was carried forward to the September Meeting as the College is still waiting for tender returns from insurance companies. Meanwhile, the current insurance will be extended as necessary to ensure there is no interruption to cover.

8. HR Matters (Paper PRC.15.13)

The DPCE presented this regular Report, which was prepared by the College Head of Human Resources, showing progress against agreed KPIs.

The sickness absence rate in the rolling twelve month period to 30 April 2015 was 9.12 days per person per annum against a target of 7 days and reflected high levels of sickness over the winter. It is slightly above the AoC average of 8.42 days, but has worsened since the last Report in April.

The turnover rate of 11.5% for the rolling period and is likely to end the year at around 17%, against the College target of 15%. There is no doubt that culture change in the organisation has contributed to the higher rate than target as people have taken the decision that the College is not for them. There have been departures relating to performance management also. As always, people have left to further their careers and/or to gain promotion.

Consequently, the Committee noted that the College is actively recruiting large numbers of staff.

The Committee asked how the College manages and assists with stress of employees as part of their well-being policy, bearing in mind that some people do use stress as an excuse for absence especially when performance management is being employed with them.

The Committee **NOTED** the Report.

9. Forthcoming Events (Paper PRC.15.14)

The Committee **NOTED** the schedule of forthcoming events, provided by the Clerk.

The Clerk also **provided** the Committee with the Draft Schedule of Meetings of the Corporation and its Committees for the year ended 31 July 2016.

10. Date of Next Meeting

Monday 14 September 2015 at 6.00 pm at the Southend Campus.

There being no further business, the Meeting terminated at 7.45 pm.

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