

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 16 November 2015 at the Thurrock Campus at 6.00 pm.

Present: Dr R Gray (Chairman)
Mr D O'Halloran
Ms O Buck (from 6.10 pm)
Mr S Burrell
Mr R Launder
Ms A O'Donoghue CBE
Mr N Kelleway (from 6.20 pm) co-opted member

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Mr R I Millea FCA (Clerk to the Corporation)
Mr S Smith (Vice Principal, Corporate Resources) - Item 5 only
Mrs W Barnes (Vice Principal, Student Support)
Mrs R Brooks (Head of Human Resources) (items 1-5 and 8)
Ms D Brown (Vice Principal, Curriculum & Quality)

The Clerk took the Chair for the first two items on the Agenda.

Item 8 on the Agenda was taken after Items 1 to 5 had been covered.

1. Apologies for Absence

Apologies for absence were received from Ms M West, Ms D Hurst (Director of Finance) and Ms D Brown (Vice Principal, Curriculum & Quality).

2. Election of Chairman 2015/16

The Clerk called for nominations for the position of Chairman for the academic year 2015/16. Rod Gray was the only nomination received and he was elected Chairman nem con.

Dr Gray then took the Chair.

3. Urgent Business

The Clerk tabled a letter from the SFA confirming the College's Financial Health as Good for the year just ended and the current year, based on our Financial Plan submitted in the summer.

It was **NOTED** that, following the Comprehensive Spending Review, to be announced by the Chancellor of the Exchequer on 25 November, there will undoubtedly be significant cuts to 16-18 and 19+ Learner Funding. It will be necessary to recast our Financial Plan for the next two years (2016/17 and 2017/18) to reflect these cuts. All Colleges will be affected to some extent.

The effects on our business model will be material, based on the likely extent of the cuts, in order for us to retain 'Good' for our Financial Health status. To do nothing would result in our finances becoming inadequate. There is no doubt that significant restructuring will be necessary.

4. Minutes of the Meeting held on Monday 8 June 2015

The Minutes of the Meeting held on Monday 8 June 2015 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising

The Clerk reported that the Board approved the College Fee Policy for 2015-16 at its Meeting on 6 July 2015.

6. Strategic Developments in South Essex (Paper PRC.15.15)

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.

7. College Finances (Paper PRC.15.16)

The Clerk informed the Committee that Management Accounts for the period to 31 October 2015 will be presented to the Board at its Meeting on 7 December 2015, rather than at this Meeting.

(a) College Draft Financial Statements 2014-15 (Paper 15.16 (a))

The Deputy Principal & Chief Executive and the Clerk presented the draft Financial Statements and Annual Report for the year ended 31 July 2015 for the College Group.

The statements for South Essex Commercial Services Limited and Essex Shared Services Limited (the College's joint venture company with Chelmsford College) are not yet finalised.

Accounts for Nova Skills Education and Careers Limited will be prepared for the fifteenth month period ended 31 October 2015, at which point the company, which is no longer needed, will be struck off. The results of this company to 31 July 2015 are incorporated in the results of the College Group.

These statements had been considered by the Audit & Risk Committee at its Meeting on 11 November 2015 and they had recommended them in principle for approval by the Board at its Meeting on 7 December 2015.

In accordance with the College's revised procedure, this Committee receives the accounts for information and, as they are not yet finalised, for comment.

Mr Kelleway provided some detailed comments/corrections on the accounts and the Clerk agreed to pass them on to the Director of Finance. The Clerk also informed the meeting that he had identified some amendments and forwarded them to the Director of Finance.

Copies of the final accounts and the cash flow statement for the twelve months following the date of approval of the Accounts, which supports the going concern assertion, will be provided to all Members of the Committee, as soon as they are available.

The Board will be required to confirm its belief that the College is a going concern when the Accounts are approved in December.

The College generated an operating deficit for the year of £413K (2014: surplus of £872K).

After taking account of net exceptional charges of £ 165K (2014: £502K), the final reported deficit for the year amounted to £578K (2013: surplus of £370K).

Members noted the analysis of exceptional costs and credits for the two years as detailed in notes 7 and 11 to the accounts.

The Deputy Principal & Chief Executive brought a number of key matters to the attention of the Committee:

- Costs of £1,600K remain capitalised in connection with the new Basildon Campus project, which may have to be written off if the project does not proceed
- The pension fund deficit as computed under the provisions of FRS17 has increased by £1,560K (2013: increase of £2,778K). The charge to the income and expenditure account arising from FRS17 adjustments amounted to £223K (2014: £356K) for interest and £506K (2014: £235K) for staff costs

The Committee recognised that the financial performance for the year was disappointing against the budgeted surplus but recognised the extremely difficult funding environment.

The DPCE explained the adjustments made during the final accounts and audit process, reconciling the final result to the figure previously reported in the Management Accounts and noting the FRS17 adjustments, which are not reported in the Management Accounts, as they are unavailable during the year.

The DP&CE advised that the external audit has been completed, subject to a few outstanding points and the final post balance sheet review, which includes making final adjustments to the accounts. The external auditors, KPMG, have indicated that they intend to issue an unqualified opinion. The same applies to the Regularity Audit opinion.

The Committee considered the disclosure in Note 1 to the Accounts in respect of going concern and confirmed that, having taking advice from senior management and the Clerk, in their opinion, the College is a going concern. This assertion will be validated by the Board when it formally approve the final audited accounts at the Board Meeting on 7 December 2015.

The Committee **DISCUSSED** the 2014-15 financial performance of the College and its subsidiary/joint venture companies and **ENDORSED** the recommendation in principle by the Audit & Risk Committee that the Annual Report and Financial Statements be approved by the Corporation at its meeting on 7 December 2015, after incorporating any final adjustments and the completion of outstanding audit matters, and final review by an informal panel comprising the Chair of the Corporation, the Chair of the Audit & Risk Committee, Mr Thompson and the Clerk.

(b) Learner Numbers and financial implications for 2015-16 (Paper 15.16 (b))

The Committee noted that the enrolments of 16-18 students for 2015/16 are 5352 to date (2 November) after withdrawals as against the College's campus based planned delivery target of 5711. The overall allocation of FE 16-18 funding for 2014/15 is for 6565 learners.

Thus far, the College has allocated contracts to collaborative partners to provide activity which will fund an estimated further 920 learners. The total projected 16-18 learner numbers for 2014/15 is 6272, 293 learners short of the EFA target (95.5%).

Enrolment of 19+ learners currently stands at 2291, somewhat less (13%) than at the same time last year. Of these, 365 have applied for a new 24+ Advanced Learning Loan, amounting to over £800,000.

Based on past experience and reflecting the fact that a significant proportion of 19+ recruitment takes place throughout the year; there is some confidence that the overall 19+ allocation will be met.

The Committee will be updated on Learner Numbers and the financial implications as the year progresses.

The Committee **RECEIVED** the Report.

(b) Value for Money Policy (Paper 15.16 (b))

The Committee **RECEIVED** the draft Value for Money Policy, which has been recommended by the Audit & Risk Committee to the full Board for approval on 7 December 2015, for information.

(c) Investment in Capital Expenditure (Paper 15.16 (c))

At its last Meeting, the Committee requested a report on expenditure on IT infrastructure. This was presented by the Deputy Principal & Chief Executive on behalf of the Director of Finance.

It was noted that the Audit & Risk Committee is monitoring the recommendations and their implementation following the Report on the development of the College's IT infrastructure from CircleIT, consultants engaged by the College.

8. HR Matters (Paper PRC.15.17)

The Committee **RECEIVED** a Report from the College's Head of Human Resources providing the Committee with information in relation to sickness absence and staff turnover enabling KPIs for both of these aspects to be monitored.

The Report provided a summary of last year's statistics, noting last year's KPIs had not been met, but had only just been exceeded. It also matched College figures against the most recently available sector data provided by the Association of Colleges.

The absence rate for 2014/15 was 8.66 days as against the AoC 2013 survey of 8.42 days. The KPI for this year is set at 7%. This equates to eight days absence on average per person. The Committee noted the effect on agency staff spend due to covering staff absence.

The staff turnover for September 2015 was 2.31% and if this rate is continued, then the KPI (for the year of 15% will be exceeded. However, it is anticipated to decrease.

In respect of challenge by Members, the Head of HR and the Principal & Chief Executive responded as follow:

- Some staff turnover is good because it involves people leaving who are performing below par or their general role and attitude have not been adequately tackled in the past (e.g. regular 'sick 'days off)
- Management intervention and support is given to staff
- Staff restructuring is inevitable as a result of the CSR (see Urgent Business) but this must not distort real turnover figures
- Staff on fixed term contracts will be removed from the figures as this is distorting

Future reports will provide further analysis of sickness absence data to identify the differentiation and impact of long term and short term absence. These reports will better balance positive staff management aspects and not wholly concentrate on negative aspects.

9. Area Reviews (Paper PRC.15.18)

This matter was deemed to be a Confidential Item under the Instrument & Articles and a separate minute has been prepared and is attached to these minutes.

10. Committee Matters (Paper PRC.15.19)

The Clerk presented Revised Terms of Reference for review by the Committee, a paper showing compliance by the Committee with its own Terms of Reference and a summary of the results of the Committee's own Self-Assessment for 2014/15.

The Committee **RECOMMENDED** that the Terms of Reference be approved by the Board at its Meeting on 7 December 2015 and **NOTED** the other items in the Report.

11. Forthcoming Events (Paper PRC.15.20)

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

12. Date of Next Meeting

Monday 1 February 2016 at the Southend Campus at 6.00 pm.

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

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