

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 20 June 2016 at the Southend Campus at 6.00 pm.

Present: Dr R Gray (Chairman)
Mr S Burrell
Mr R Launder
Ms A O'Donoghue CBE
Mr D O'Halloran
Ms M West

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Mr S Smith (Vice Principal, Corporate Resources)
Mrs W Barnes (Vice Principal, Student Support)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

Apologies for absence were received from Ms O Buck, Ms D Hurst (Director of Finance), Ms R Brooks (Head of Human Resources) and Ms D Brown (Vice Principal, Curriculum & Quality).

2. Declarations of Interest

The Clerk to the Corporation and the Director of Finance declared their interests as they occupy the same positions with Chelmsford College.

3. Urgent Business

There were no items of Urgent Business.

4. Minutes of the Meeting held on Monday 25 April 2016

The Minutes of the Meeting held on Monday 25 April 2016 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising

There were no Matters Arising.

6. HR Matters (Paper PRC.16.11)

The Committee **RECEIVED** a Report from the College's Head of Human Resources providing the Committee with information regarding staff absence and staff turnover, matching experience to date for this year to the KPIs set for both of these items for the 2015/16 academic year.

The **current rolling absence rate** is 10.48 days absence against the College KPI of 7 days per person during a twelve month rolling period, measured up to 31 May 2016. Present trends indicate that the KPI for the year will not be achieved. Reasons for sickness appear to have (often) a direct correlation with performance management. This is a matter of considerable concern for the College.

In addition, there is a great deal of restructuring of academic and support departments going on at present and this is certainly affecting staff absence.

A Member observed that the comparators used for absence rates are now somewhat out of date and the Committee asked for them to be updated for the next Meeting.

Although a management decision was made to cease using Agency Workers from 26 February 2016 and make even greater efforts to effectively utilise the current workforce, it has been necessary to still use some agency staff to ensure continuity of teaching and support for students.

The **staff turnover** rate for the period September 2015 to May 2016 was 16.82% representing leavers and it looks likely that, given the current trend, the KPI for the year of 15% or lower could well be met.

7. Health & Safety Policy & Report (Paper PRC.16.12)

Steve Smith (Vice Principal, Corporate Resources) presented a revised Health & Safety Policy for recommendation by the Committee to the Board for approval by the Board at its Meeting on 11 July 2016.

It has been significantly rewritten following a detailed review. It is the overarching policy document for Health & Safety in the College and there are a number of procedural documents which are linked to the Policy.

These supporting documents give clear advice to staff, students and visitors on subjects such as lone working, working at height, first aid, etc. These documents are available for review by governors but are procedures so do not require governors' approval.

With the departure from the main Board of Bryn Morris, there is no longer a nominated link Governor for Health & Safety and suggestions were sought. Richard Launder volunteered.

The Committee **RECOMMENDED** the Policy for **APPROVAL** by the Board at its Meeting on 11 July 2016.

The Committee also **RECOMMENDED** that Richard Launder be appointed by the **BOARD** as nominated Health & Safety Governor.

The Committee considered the Health & Safety Report for the year. The reported incidents are lower than previous years but there is an underlying concern that there could be more incidents requiring report which haven't in fact been reported.

A recruitment campaign has resulted in all First Aid positions in the College now being filled.

The Committee acknowledged the Board's duty to provide a healthy and safe workplace for staff, contractors and visitors.

The Committee were informed that a recent incident at Queens Road resulted in injury to a customer and a letter from her insurers has been received, which has been sent to our insurers. This may well result in a claim against the College.

The Health & Safety Team have set a number of performance indicators for 2016/17 and the Committee sought explanation of how they were arrived at which was provided. These KPIs covered

- number of reportable accidents per 100,000 hours worked
- total hours of health & safety training per month
- number of insurance inspections completed per month; and
- the number of outstanding audit non-conformances for the month.

Training of staff is going well, but numerically it is directly related to the turnover of staff

The College is subject to audits by external bodies and has achieved compliance in a variety of areas, with any issues having been promptly resolved.

8. Strategic Developments in South Essex (Paper PRC.16.13)

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.

9. Estates Matters (Paper PRC.16.14)

The Committee **REVIEWED** a schedule outlining proposed Summer Works to be undertaken by the College on capital projects, totalling £1.7 million, noting that a total of £2.3 million is available for capital projects.

The Committee **NOTED** that funds available for capital expenditure are limited and the programme reflects those constraints.

The programme comprises the following (estimated amounts only):

- Blended Learning Centres £1 million, which involves setting up open plan IT environments at each Campus (staff moves needed) and other refurbishment in Basildon
- CCTV £0.1 million– to replace the Luker Road system which is obsolete
- Other items £0.3 million

10. College Finances (Paper PRC.16.15)

(a) Finance Report

Management Accounts

The Deputy Principal & Chief Executive (DPCE) presented the **Finance Report** comprising the **Management Accounts** for the ten months ended 31 May 2016 and a **Projected Cash Flow Forecast** for the period

Total income to 31 May 2016 amounted to £44.5 million and total expenditure amounted to £46.1 million, giving rise to a deficit to May 2016 of £1.6 million, compared to a budgeted surplus to that date of £226K, an adverse variance of £1.85 million compared to budget.

The two major variances are that income is £1.95 million behind phased budget, some of which is expected to improve by year end. Expenditure is showing a favourable variance of about £100K, but this masks the adverse variance on **agency costs of nearly 1 million to date**. (See also minute on item 6 above regarding HR matters).

At 31 May 2016, group net assets stood at £64.2 million, including fixed assets of £109.4 million. General provisions of £17.9 million, includes £17.3 million in respect of the FRS17 pensions liability. Cash balance at 31 May 2016 amounted to £1 million. All bank covenants continue to be met.

The current ratio at 31 May 2016 was negative, i.e. below 1:1, at 0.6.

The Committee noted that the cash position and the negative current ratio means that the College's Financial Health remains Satisfactory.

Forecast to 31 July 2016

The DPCE reported that Budget Review Meetings with Heads of Departments and other Budget Holders are being completed in order to accurately forecast the likely outturn for the College for the year ended 31 July 2016.

At present, the forecast shows a loss of £0.9 million before adjustments for restructuring costs (see later). The budgeted surplus for the year of £500K will not be achieved and the likely outturn is therefore much worse than the previous forecast of a small surplus of around £70K. There is no possibility of a material improvement in the current revised forecast.

The key issues in not achieving a surplus are:

- HE Fees £0.7 million lower than budget
- Salaries lower than budget by £0.7 million but insufficient to cover the agency fees of £1.3 million
- Irrecoverable VAT £0.3 million higher due to agency fees

As mentioned above, costs necessary to achieve the required structure for the future could cost £1.5/1.6 million and care will be needed as to how much of this restructuring should rightly be charged to this year's income & expenditure account and how much in future years.

For the future, it will be necessary to renegotiate the College teaching contract in order to save sufficient monies to offset the expected lower income from the EFA for next year. It was noted that our teaching contract is currently 792 hours whereas many Colleges in the sector work on 864 hours.

The Committee was concerned that it wished to preserve our current Satisfactory Financial Health and not drop to Inadequate, noting that the financial position is very tight. The new Financial Health Methodology will be explained to the Board on 4 July 2016 together with our likely category once the financial Forecast for the College has been finally completed.

A Member asked whether our Financial Health would improve following merger. To some degree it may do because some overhead costs should be taken out of any merged organisation, but there will be a need to run the curriculum effectively and efficiently and teaching contracts are critical to that..

A Member asked about our cash flow – this will still be an issue in early part of 2017 as it was this year.

It was noted that other Colleges are struggling with income sufficiency and the right cost base. We still have scope to reduce costs further to achieve more efficiency.

The Committee **NOTED** the Report.

(b) Provisional Annual Budget 2016-17

The DPCE **PRESENTED** a Provisional Budget to the Committee for next year for consideration. The Committee was invited to recommend this Budget, in principle, to the Board at its Meeting on 11 July 2016, at which time it will have the Final Budget for approval. The Budget must be lodged with the Skills Funding Agency by 31 July 2016 as part of the three year Financial Forecast.

The Provisional Budget has been reviewed and endorsed by the Senior Leadership Team.

He observed that a number of elements on the cost side of the Budget are yet to be finalised and are still being discussed with budget holders.

The Committee were **REMINDED** that the provisional surplus of £210K (0.4% of turnover) is lower than the College targeted surplus in its Strategic Plan of 2% of turnover. This provisional surplus assumes that all of the restructuring costs are charged to this year's income & expenditure account but this may not be an appropriate treatment.

The Committee **AGREED** that a budgeted surplus of this level was acceptable in the light of cost pressures on the College and the considerable reduction likely in 16-18 funding for 2016/17 due to lower enrolments under the lagged funding model.

The DPCE summarised the key assumptions and threats inherent in the Provisional Budget:

- £1.5 million reduction in 16-18 funded students in 2016/17
- Tuition fees to remain steady but HE might rise
- International income reduced as we are now only a legacy sponsor
- No nursery income following closure
- Payroll savings of £2.1 million have been identified as necessary, some during 2016/17 and some later and will result in some redundancies
- The estimated costs of restructuring is c£1.5million which will apply partly to the current year and partly to 2016/17
- Other general efficiency savings will be required

A Member asked, given that last year's £55 million income budget included a projected surplus of £500K, what is to stop this year's projected loss of £1 million happening in 2016/17.

The Principal & Chief Executive explained that there was too much agency staff spending this year, a drop in enrolments and too much subcontracting rather than doing it ourselves, where subcontracting only attracts a top slice of income to the College.

But she said there could be no guarantees – however, the Senior Leadership Team had greater confidence that 2016/17 could, despite the challenges outlined, be more financially successful than 2015/16.

Having reviewed and commented on the Provisional Budget, including challenge, the Committee **RECOMMENDED** the Budget, in principle, for approval by the Board at their Meeting on 11 July 2016, at which time the Final Budget will be tabled.

(c) Draft Fees Policy 2016-17 (FE/HE)

The Committee **REVIEWED** the Draft Fees Policy for 2016-17, which the College Board is required to review and update each year and sought comment.

The changes for 2016-17 are

- Statement that fees will be considered each year in the light of competition and other factors
- Students will be informed of FlexEd, a company providing instalment finance
- There is a strict no refund policy where a student stays on a course for 6 weeks (or 2 weeks for a short course)

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

The Committee **RECOMMENDED** that the Policy be approved by the Board at its Meeting on 11 July 2016, thus discharging the College's legal requirements.

(d) Annual Expenses Report

The Committee **RECEIVED** the Report, which details the expenses paid by the College in the year to 31 March 2016 for the Principal and Chief Executive and other governors in respect of expenses incurred by them in fulfilling their duties.

(e) Risk Management Policy

The Committee **RECEIVED** and **RECOMMENDED** to the Board for approval on 11 July 2016 the College Risk Management Policy, noting that it is unchanged from the existing Policy.

11. Presentation - FRS102 & Financial Health

It was decided that this presentation would be given at the Board Development Day on 4 July 2016 as the content is of such importance that all governors should have the opportunity to hear it.

The Clerk to the Corporation was asked to prepare a short briefing note explaining the implications of the FRS102 to accompany the presentation by the Director of Finance.

The Board will be **ASKED** to approve the accounting treatments, where choices need to be made under FRS102, at the Board Meeting on 11 July 2016.

It was noted that FRS102 will apply to the College Accounts for the year ended 31 July 2016 and will require restatement of the College Accounts for the year ended 31 July 2015.

The restated figures and the principles behind the restatement will be reviewed by KPMG, external auditors, during their interim audit in August, and, they will indicate any issues with the treatments adopted and the figures resulting. This will of course be subject to formal year end audit.

12. Forthcoming Events (Paper PRC.16.16)

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

13. Date of Next Meetings

Monday 21 November 2016 at the Thurrock Campus.

Monday 6 February 2017 at the Southend Campus.

Monday 24 April 2017 at the Thurrock Campus.

Monday 26 June 2017 at the Southend Campus.

All Meetings to begin at 6.00 pm.

There being no further business, the Meeting terminated at 7.35 pm.

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