

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 26 June 2017 at the Southend Campus at 6.00 pm.

Present: Mr D O'Halloran (Chairman)
Ms O Buck
Mr R Launder
Ms A O'Donoghue CBE
Ms M West

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Ms R Brooks (Head of Human Resources – item 5)
Mr S Smith (Vice Principal, Corporate Resources)
Mr R I Millea FCA (Clerk to the Corporation)
Mrs D Hurst (Director of Finance)

1. Apologies for Absence

Apologies for absence were received from Dr R Gray and Ms D Brown (Vice Principal, Curriculum & Quality).

In the absence of Dr R Gray, Mr D O'Halloran took the Chair with the agreement of Members.

2. Declaration of Interests

The Clerk declared his interest as Clerk of Chelmsford College and the Director of Finance declared her interest as Assistant Principal, Audit & Risk at Chelmsford College.

3. Urgent Business

Ofsted Inspection Feedback

The Principal & Chief Executive reported that we are expecting the Final Report to be published imminently. We have seen the final draft which reads very well and we are satisfied it is factually accurate. It will be sent to all governors as soon as it is published. It was confirmed that we can use the Grade 2 outcome which we achieved in future publicity.

QAA Letter

Our HE processes have been monitoring continually throughout the year and the documentation requested by the QAA in connection with our Review has all been sent to them. They have conducted a desk top review, having decided that a visit was not necessary. In their opinion, as confirmed in their letter received today, the College has made sufficient progress and the College now 'Meets Expectations'.

This finding will take a while to get published but it is an excellent outcome. Together with the Ofsted grading, this confirmation will give a boost to our ability to recruit HE students and particularly HE students abroad.

Final Area Review Report

A 'draft' has been seen and the final version is expected imminently having being delayed by the General Election. No changes expected from versions already seen.

Fire Regulations

In the light of the terrible tragedy at Grenfell House in London, the College has sought to establish the safety of its estate with regard to cladding on its buildings and their fire resistance. We have had assurance from our contractors who built the buildings and fire officers which are satisfactory but we are having each building reviewed by independent professionals to double check. When completed, these assurances will be placed on the College website. Evacuation times during fire drills are monitored – the longest is 5 minutes for Southend, Thurrock 3.5mins and there are fire doors & breaks in most buildings. It was noted that some public enquiries about the buildings have been received and the local newspaper has raised the matter as well.

4. Minutes of the Meeting held on Monday 24 April 2017

The Minutes of the Meeting held on Monday 24 April 2017 were **APPROVED** and **SIGNED** by the Chairman.

5. Matters Arising

There were no Matters Arising save for matters covered elsewhere on this Agenda.

6. HR Matters (Paper PRC.17.11)

Staff Absence and Turnover

The Committee **RECEIVED** a Report from the College's Head of Human Resources providing the Committee with information regarding staff absence and staff turnover against the KPIs.

The **current rolling absence rate** is 8.5 days absence per person per annum (previous year 10.58) against the College KPI of 7 days per person per annum during the twelve month rolling period to 31 March 2017. The present trend indicates that the KPI for the year will not be achieved.

Short term sickness remains a key concern as it equates to 84.5% of absences, the balance being long-term.

Sickness absence management remains a high priority for the College and will continue to be managed robustly. There is a clear message in the College that absence is not a right but a necessity when required.

The Head of HR reported that recent Benchmarking data shows an average of 5.8 days absence in FE Colleges (AoC survey). It was noted that there was previously a differential in comparing AoC figures with our statistics as AoC previously used FTEs as their measurement and we used headcount. The figures are now in line, but we are well over the FE average.

The Head of HR explained a number of initiatives being pursued in developing the College's overall sickness absence management strategy. These include Health and Well-Being Strategy, Stress Management guidance and a revised Sickness Absence Policy.

Governor asked about relationship between performance management and absence. The evidence, however, is not conclusive. Persistent short term absence can lead to performance management issues. Unions are supportive of management in the absence management process.

The **staff turnover** rate for September 2016 to March 2017 was 13.81% and it remains likely that the KPI for the year of 15% or lower may well not be met and it has indeed risen to 17.4% at the end of May 2017. The rate at end March 2017 equates to 136 departures since last September, approximately two thirds of which were 'natural wastage' where individuals decided to leave of their own volition.

The Head of HR commented that there continue to be difficulties in achieving a fully staffed team in Engineering & Construction but, pleasingly, staff recruiting and stability has improved considerably in English & Maths.

The Committee **REQUESTED** that the future KPI for staff turnover should exclude turnover caused by staff restructuring which results in departures, as this can be a distorting factor.

Performance Management

The Head of HR maintains a casework log which is reviewed with the Deputy Principal & Chief Executive on a regular basis. Currently, there are 176 cases being managed, most of which relate to capability – sickness or performance.

Legal Update

The College has one ongoing conciliation matter but the staff member has now resigned due to the concerns raised.

The Committee **RECEIVED** the Report.

7. Strategic Developments in South Essex (Paper PRC.17.12)

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.

8. Estates Matters (Paper PRC.17.13)

Accommodation and Capital Expenditure Plan 2017-18

The Committee **REVIEWED** a schedule presented by the Deputy Principal & CEO outlining proposed capital expenditure to be undertaken by the College during 2017-18 totalling £727K, noting that a total of £1.727million is available for capital projects.

The Committee **NOTED** that funds available for capital expenditure have been restricted to £727k in order to provide cash headroom to assist in going concern discussions and the current ratio for financial health.

The Programme comprises the following projects (estimated amounts only):

Refurbishment of Costume Workshop (Thurrock West Building)	£100K
Provision of a tutorial room in the Forum	10K
Staff relocation - Forum and Luker Road	10K
Reopening of Hair provision in Basildon	8K
Redecoration at Princess Caroline House	10K
Items still to be decided	89K
ICT provision	500K
Total	727K

The Capital Plan further includes a provision of £2 million to meet Capital Repayments to Barclays on a basis/timing yet to be agreed.

The Committee **RECOMMENDED** the Capital Works programme be approved by the Board at their Meeting on 10 July 2017.

ACTION:CLERK

9. College Finances (Paper PRC.17.13)

Items 9 (a), (c), (d), and (f) were deemed to be Confidential items under the Instrument & Articles and separate minutes have been prepared and are attached to these minutes.

(b) Finance Report

The Deputy Principal and Chief Executive and the Director of Finance presented the **Finance Report** comprising the **Management Accounts** for the ten months ended 31 May 2017, a **Cash Flow Forecast** for the rest of this academic year and the **Forecast Outturn for the year ended 31 July 2017**. In addition, the Report provided an update on progress against KPIs for the year and a draft budget for 2017/18.

Management Accounts

Total income to 31 May 2017 amounted to £40.7million and total expenditure amounted to £41.6 million, giving rise to a deficit to May 2017 of £0.9million, compared to a budgeted reforecast to that date of a deficit of £732K, an adverse variance of £204K.

This shows an improvement of £165K to the position reported in April 2017 where the deficit was £897K.

The Committee were reminded that the results in the Management Accounts do not include any adjustments for FRS17 Pensions nor for accrual of holiday pay (which now has to be provided under FRS102).

The Management Accounts include a detailed Commentary on all major lines of income and expenditure. The Deputy Principal highlighted the key red risks to achieving the reforecast positions was the achievement of the Adult Education Budget and 19+ Apprenticeship as these are behind target and there is limited time to influence the outcome.

The Committee queried whether the revised reforecasted deficit of £679K is likely to be met. The reforecast is based on the learner return at R10 (31st May 2017), discussions with the apprenticeship team, known cost savings and additional savings in Agency staff in July. An additional cost of £70k has been incurred due to the break clause fee payable to Lloyds Bank in connection with the refinancing of the Luker Road loan to Barclays Bank and this is included. **Senior Management indicated that £679k after the revaluation reserve release is the best estimate for the year end outturn.**

Expenditure savings have offset much of the under achievement on income with the exception of salary costs where agency fees have eroded salary savings. Construction and Engineering staff want the flexibility to be able to return to the 'trade' and therefore will not sign up to a full time position.

The Director of Finance explained the current Financial Health at 31st May remains Inadequate however the forecast year end position will give satisfactory financial health if the net asset ratio is as predicted.

Outstanding debtors

The Committee were provided with an analysis of outstanding debtors at 31 May 2017 amounting to £1.415million, of which £0.2 million relates to HE fees. A significant proportion of these fees have now been received from the Student Loans Company.

The bad debt provision amounts to £444 K and will cover all known debts by the end of the year.

Balance sheet

At 31 May 2017, group net assets stood at £36.8 million, including fixed assets of £108.7 million. General provisions of £24.5 million represents virtually entirely the FRS17 pension liability, being the amount calculated at 31 July last year.

All bank covenants continue to be met. The current ratio at 31 May 2017 was 0.49.

Pay expenditure to 31 May 2017 was 65.4% of turnover against target of 60.7%, which is still too high.

Borrowing as a percentage of income (gearing ratio) stands at 43% against the sector target of no more than 60% and that 40% is reasonable.

The College Financial Health using the SFA methodology remains at Inadequate (100 points). Satisfactory Health arises when the points score reaches 120 or more. So far as the College is concerned, the critical element of the calculation is the current ratio which, if increased to 0.70 and the other elements remained the same, would raise the College to Satisfactory.

The Management Accounts were **NOTED**.

Cash flow forecast

Cash balances at 31 May 2017 are positive following the receipt of significant EFA and SFA Funding during April. The College expects the cash balance at year end to be in the region of £1.5 million.

The Committee **NOTED** the position.

9 (e) Learner Applications 2017-18

The Committee **RECEIVED** a Report from the Deputy Principal & Chief Executive on Student Applications thus far for the 2017/18 academic year.

The current level of applications as at 21 June is 6643 but not all applications convert into enrolments. At present, the total number of acceptances totals 4463. If one assumes 50% conversion of the 1394 offers made, then we would reach 5160. Full conversion would take us to 5857.

The College is still receiving applications and based on prior year trends on new applications and drop-in enrolments, it is likely the College will recruit between 5500 and 5600 students. The target is 5352, which is our reduced enrolment figure on the lagged funding model.

Accordingly, Senior Management are optimistic that we can achieve and exceed the funding target of 5352 enrolments for the 2017/18 year.

The Committee **NOTED** the Report.

9(g) Annual Expenses Report

The Committee **RECEIVED** this Report, which details the expenses paid by the College in the year to 31 March 2017 for the Principal & Chief Executive and other governors in respect of expenses incurred by them in fulfilling their duties.

10. Current Learner Performance (Paper PRC.17.15)

The Committee **RECEIVED** a paper from the Principal & Chief Executive informing them of potential outcomes for students at the end of this year.

The Committee was provided with a spreadsheet identifying projected outcomes by curriculum area with an overall achievement rate of 81.3% against a College KPI of 78% and almost the same as the National Average. However, within this figure are 501 students who are currently assessed as 'At Risk' of not achieving according to the Pro-Monitor tracking system used in College.

Governors were informed that work is being done with these students at present to support them to achieve. They are being closely monitored. If 50% of these students achieve, the percentage would rise to 85.3%, 3.5 percentage points above last year and 1.7 percentage points above the National Average.

It was noted that the predicted achievement data relates to overall achievement including English & Maths.

11.College Policies (Paper PRC.17.16)

The Clerk **TABLED** a revised Anti Bribery Policy and the Ethics Policy for consideration by the Committee. The existing Bribery Policy was approved by the Board in March 2012 and is therefore due for review.

The draft Policy has been amended to reflect changes in the Regulations since it was first adopted and wording has been tidied up. The Policy has been compared to similar policies in other organisations.

The Ethics Policy is unaltered from when originally adopted in 2012.

The Committee reviewed both Policies and **RECOMMENDED** them for approval by the Board at its Meeting on 11 July 2017.

ACTION: CLERK

12. Committee Matters

The Clerk **TABLED** a Schedule of Committee Business for 2017/18, which was **AGREED**. Members noted there will be an additional Meeting of this Committee next year (September 2017) in the light of the requirement for this Committee to exercise regular scrutiny of the College Finances during the period of the College being under a Notice of Financial Concern.

Following the review of Committee Memberships recently carried out by the Search & Governance Committee, there will be no changes proposed to the Board in respect of the Membership of the Committee for 2017/18 and it will remain as follows - Dr R Gray, Mr R Launder, Mr D O'Halloran, Ms A O'Donoghue, Ms M West and Ms O Buck.

This may change if the College is successful in recruiting new Board Members.

13. Forthcoming Events (Paper PRC.17.17)

The Clerk **TABLED** a Schedule of proposed Meeting Dates and Locations for the next academic year 2017-18 and this was **AGREED**.

The Clerk also provided details to the Committee of Forthcoming Events in the College.

14. Any Other Business

There were no items of Any Other Business.

15. Date of Next Meeting

Monday 25 September 2017 at the Southend Campus at 6.00 pm.

There being no further business, the Meeting terminated at 8.40 pm.

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