

The Corporation Board of Accrington and Rossendale College

Minutes of a Meeting of: The Resources Committee

Date: 2nd December 2014

Location: Conference Room, Broad Oak Centre



Confirmed

Members Present:

Mr B Stephenson	Chair of the Committee and Independent Member
Mr M Aslam	Independent Member
Mr Z Shah	Independent Member
Mrs L Spencer	Independent Member
Mrs S Taylor	Principal

In Attendance:

Mrs S Collinge	Vice Principal (Business & Innovation)
Mr S During	Director of IT & Facilities (Items 14/15 1.6 and 1.9)
Mrs L Higham	Director of People & Performance (Item 14/15 1.5)
Mrs C Jarvis	Director of Finance
Mr A Armiger	Clerk to the Corporation
Mrs N Tattersall	Minuting Clerk

Apologies were received from:

Draft Minutes Prepared by: NT-AA	Date: 04-12-14
Draft Minutes approved by the Chair:	09-12-14
Minutes Approved by the Committee:	10-03-15

.....*Brian Stephenson*.....
Chair

RC

The Chair welcomed members to the meeting.

14/15-1.1 Apologies for Absence
There were no apologies for absence.

14/15-1.2 Declarations of Interest
There were no declarations of interest.

14/15-1.3 Minutes of the Meeting held on 24th June 2014
The Minutes from the meeting held on 24th June 2014, were approved as a true and accurate record of the meeting.

RESOLVED

14/15-1.3 to approve the Minutes of the Meeting held on 24th June 2014 as a true and accurate record of the meeting

14/15-1.4 Matters arising not otherwise on agenda
The Clerk to the Corporation advised that there were three recommendations made from the previous meeting and all had been actioned as follows:

13/14-3.5 ii) to recommend the College Pension Discretion Policy to the Corporation Board for approval. **Recommendation taken to the Corporation Board and approved at its meeting on 8th July 2014.**

13/14-3.9 to recommend the College Revenue Budget 2014/15 to the Corporation Board for approval. **Recommendation taken to the Corporation Board and approved at its meeting on 8th July 2014.**

13/14-3.11 ii) to recommend that the Legal Charge required by Sport England in relation to the Sports Hall funding be approved by the Corporation Board.

iii) that the Resources Committee recommend to the Corporation Board, that the College can, in principle, work to obtain a loan of up to £1.5m to be drawn down when required to support the finance of the College VEC project.

Recommendation for items ii) and iii) taken to the Corporation Board and approved at its meeting on 8th July 2014.

iv) that Mrs Collinge will provide a report to the next Resources Committee in November 2014 to allow scrutiny of the negotiation of terms with banks for a loan of up to £1.5m. **This item will be discussed under agenda item 14/15-1.8.**

13/14-3.13 ii) to recommend the following three requests to the Corporation Board for approval:
a) To enter into a contract for insurance which may exceed £100k if a multi-year contract is of the better value; and
b) To enter into a new contract for the supply of electricity and gas, again the better off may be for a multi-year contract; and

- c) To extend the sub-contracting arrangements with current partners and negotiate an additional arrangement with another partner if necessary.

Recommendations for all three requests, was taken to the Corporation Board and approved at its meeting on 8th July 2014.

14/15-1.5

HR Report

The Director of People & Performance presented an update on the key HR issues as well as progress towards the key actions focussed on the College Strategic Aims.

Learning Development/Training Support – Mrs Higham reported that a fundamental review had been undertaken in June 2014 to bring new model of personal tutors into College. 14 staff were involved in consultations, 2 of whom requested voluntary redundancy and consultation is still continuing with another member of staff.

College Pay Position – Mrs Higham reminded members that there had been lots of discussion in this committee and at the Board around the College's inability to make a pay award to staff for 2013/14. By the end of the year, the College was still not in a position financially to make a pay award and therefore a letter was sent from the Principal to all staff, which highlighted the position. Mrs Higham assured members that the Senior Leadership Team have been open and honest with staff about the College's and, in particular, the Board's commitment to make an award if possible, but also about the financial position the College currently finds itself in. Miss Robinson noted, as a Staff Member, that staff are naturally not pleased about the position, but that it would appear there is a general level of acceptance around the college. Mr Stephenson noted that he had reviewed the letter mentioned before it had been distributed to staff.

College pay position for this year – Mrs Higham advised that following summer negotiations between AoC and Union Representatives a 1% pay increase had been recommended, but rejected by UCU, who were seeking a 3% increase. UCU are now in dispute with the College, and others nationally, and will be seeking strike action by its members (reported to be around 60 members of staff). Mrs Higham reminded members that when the revenue budget was approved in July 2014 for 2014/15, there was no provision made for a pay award.

Mrs Higham informed members that the College's financial position had been discussed recently with a Joint Consultative Committee. The College's commitment to make a pay award, if affordable, had been reiterated along with the challenges being faced in terms of income and expenditure. A suggestion was made at the meeting to look at a "something for something" pay award, where savings can be identified and agreed to cover the cost of making an award.

The Principal commented that she understood that the effect of not making a pay award for two years could produce de-motivating effect on staff. However, the Senior Leadership Team has been totally transparent about the financial position with staff members and she hoped that they understood the situation fully.

The Chair noted that the letter sent to staff had been extremely well written, open and honest and gave a fair reflection of the position and background. Mr Stephenson said that it is important that the Board keeps the matter on the table and that it remains a focus at every meeting going forward.

Mrs Higham then presented members with a table reflecting specific strategic objectives relate to the HR Team and a commentary on actions taken or to be taken. The areas covered included:

- Improving outcomes for teaching and learning observations
- The updated College CPD policy
- Updated approaches to recruitment
- Staff turnover
- The Staff Survey
- The Accross Staff Excellence Awards
- The Accross Staff Monthly 'Star' Awards
- The College Wellbeing Charter – Workplace Wellbeing Charter national Award
- College Communication with Staff
- Savings against the Staffing Budget

The Chair noted that there were a lot of positives in Mrs Higham's report and the actions being taken to ensure the College is able to maintain its Outstanding status. Members asked in terms of sickness, what was the split between Curriculum and Business Support. Mrs Higham confirmed that the sickness level tended to be higher for Business Support staff and explained why this may be the case. She explained that College managers receive regular reports on sick leave within their teams and can establish if there is a pattern to absence which can then be dealt with.

Resolved

14/15-1.5 i) to note the report

The Chair thanked Mrs. Higham for attending and presenting her report

Mrs Higham left the meeting 5.55pm

14/15-1.6 Annual Health and Safety Report for 2013-14

The Director of IT and Facilities presented the Annual Health & Safety Report for 2013/14. Mr During explained to members that given the size of the College the number of incidents have been relatively low and that the College had seen a slight reduction in comparison to previous years. The type of accidents are minor with cuts continuing to be the most prevalent type of accident and that given the types of vocational curriculum areas the College has it would expect a reasonable number of these types of incidents. Mr During reported that the College had again been fortunate that it had had no major accidents to report to the HSE.

Insurance Claims – Mr During reported that a claim had been made by a learner against the College, but that the insurance company dismissed it as there was no cause for complaint against the College. A claim reported last year with an ex member of staff who put in a claim for industrial hearing loss had now been resolved and there is one claim still pending following an accident at the Accrington Carnival held on College premises.

Fire Safety – all fire safety risk assessments are up to date and a new one had been developed for the new Sports and Fitness Centre.

Legislation – Mr During reported that there had been no new legislation to take into consideration, however the College continues monitor new working practice guidance and ensure it is brought to the attention of relevant curriculum teams for implementation.

Work Place Appraisal – Members were informed that this process is now less onerous on College as rules had changed. The College responsibilities have changed so that it now has only to ascertain that employers have risk assessments in place for the organisation. The College has modified its work assessment policy. The College still continues to visit work placements to ensure that it is not placing its students in work places that could be dangerous.

Disaster Management – Mr During noted that training had been provided by LCC last year to Managers and Senior Leadership Team. Disaster Management plan now displayed around college for staff to refer to.

Members thanked Mr During for an excellent report and noted that it was certainly positive that, given the size of the College and number of students, few incidents have been reported. The Chair asked about possible health and safety concerns around the new VEC centre construction site and what had been put in place. Mr During confirmed that a pre meeting takes place before the start of any construction project and arrangements for Health & Safety are key. Detailed reports on H&S matters are kept and there is always a person responsible on site to assist in managing H&S. Every project meeting had any incidents noted and action taken to minimise any possible risk reported. Also at the end of each project a summary of all H&S issues encountered is presented and will form part of the final project report. Mr During told members the Contractor, John Turner, have responded very quickly to any incidents reported.

Resolved

14/15-1.6 i) to note the report

14/15-1.7

Property Update

The Vice Principal Business & Innovation updated members in relation to the Sports Hall and Visitor Economy Centre projects.

Sports Hall – Mrs Collinge reported that the project had achieved practical completion and was now occupied. She informed members that this had been a very successful project and E3 Cube has done a marvellous job. Sport England have commended the College on how it had met criteria for a BREEM excellent building within the budget available and that they had also said the facility was one of the most guidance compliant projects they had worked with. Mrs Collinge summarised the financial position, pending the final accounts of the project, saying that it was in line with figures reported to this committee. Mrs Collinge said that she expected there to be an official opening in the New Year and that Members would be invited to attend. The Clerk said that he would arrange for all members of the Board to see the facility prior to the Board meeting on December 18th.

Visitor Economy Centre “Heartwood” – Mrs Collinge reported that work had started on 20th October 2014 following planning permission, surveys, tenders processing, value engineering and it is expected to be completed on time within project funding made available from the SFA and the use of loan facilities with Lloyds Bank. The College Marketing department are leading promotional activities to launch ‘Heartwood Centre’ and ‘Roots’ Restaurant ahead of the planned opening in September 2015. Mrs Collinge detailed the types of actions being taken.

Mrs Collinge advised members that there was a risk that some of the SFA grant will not be received if sufficient expenditure has not been incurred by 31st March. In order to manage the risk, all items that can be purchased in advance are being purchased.

E3 Cube is working on an insurance bond to secure purchases made prior to 31st March.

Resolved

14/15-1.7 to note the report and the actions being taken in respect of the Sport Hall and VEC project.

14/15-1.8 Loan Agreement with Lloyds Bank

The Vice Principal Business & Innovation presented her report on the loan offer from Lloyds Bank. Following an analysis of requirements for drawing down the loan and its effect on the College's cash flow it had become clear that the level of borrowing required was £1m.

Mrs Collinge referred to the Heads of Terms Document which had been circulated to members prior to the meeting. She informed members that although the Lloyds offer expires on 6th December, as long as the Committee can confirm that it will recommend it to the Corporation Board and that the Corporation Board can sign full agreement on 18th December, Lloyds Bank are prepared to hold this offer.

Mr Stephenson and Mrs Collinge met with representatives of Lloyds Bank on 26th September to ensure that the College and the Board understood fully the terms offered for the loan which will be taken out over a 10 year period. It was noted that terms offered would only last for 5 years and renegotiated every year beyond that (to 11 years).

Members noted that there was a requirement to arrange that the College's day to day banking was transferred to Lloyds Bank within a year of the loan agreement. Mrs Collinge pointed out that Lloyds had been asked for information to ensure that this arrangement would be more favourable than the current HSBC agreement and this has proved to be the case.

Members recommended that in terms of interest rate 'Hedging', authority would be delegated to Mrs Collinge and Mr Stephenson to explore the options and come back with proposals to the Committee.

Members discussed the covenants applicable to the loan

- a) borrowing costs must not exceed 7% of total income per year;
- b) The College must not have deficits in three consecutive years and must not exceed £500k.
- c) I&E Reserves (excluding pension) must exceed £4.5m.
- d) Net Cash inflow from 31st July 2015 must not be less than 100% of the borrowing costs and from 31st July 2017 not less than 150%.

Mrs Collinge advised that the College was comfortable with covenants a) and b) but had some concerns in relation to c) and d). Mrs Collinge informed members that the last covenant d) was most onerous as doesn't give much leeway on the College's three year financial plan. Responding to a question from the Chair, Mrs Collinge advised Members that in technical terms, the impact of breaching the financial covenants could mean that repayment of the loan was requested by the bank, a more pragmatic stance may be for them to seek renegotiation of the terms.

Mrs Collinge noted that the decision to take out the loan was hard but the College had minimal alternative options available as without the loan the VEC project could not be funded and capital funding opportunities through the LEP would likely to be limited in the future. Mr During added that if the College doesn't build the VEC, the

lease on the Eatery 1853 premises in Globe Centre was about to run out and if the College were agree to renew the lease, there is a likelihood of increased rates, outgoings and refurbishment costs. Mrs Jarvis, as the Director of Finance, confirmed that she was confident that the College can manage the repayment of the loan.

Mr Stephenson advised that Members need to be confident about the project and importantly the potential issues regarding the solvency of the college. The figures have shown that borrowing is affordable with current curriculum plan projections and anticipated student numbers. The Chair confirmed that from that point of view he was comfortable and asked members if they also shared this view. Mr Shah noted the solvency requirements and commented that the asset being created would provide excellent value. Following extensive discussion Members confirmed that they also felt the college was able to take on the loan and that to not take it on could prove a higher risk strategy in terms of provision of future curriculum for potential learners and use of the facility by the community

Members had scrutinised the loan agreements and were aware of how tight the College financial position is. The loan enables completion of the project and all members were confident that a positive decision would be for the benefit of the college and its stakeholders.

The Chair thanked members for their input on this very important matter.

With reference to Corporation Board Resolution **CB14/15-1.12** (23rd September 2014):

ii) that Mr Stephenson, Mr Ireland, Mrs Taylor with Mrs Collinge as a Senior Post Holder be authorised on behalf of the Corporation Board to enter into, after careful final deliberation, a loan agreement for up to £1.5m to facilitate the College's Visitor Economy Centre project

approval was given to Mr Stephenson and Mrs Taylor to sign the Heads of Terms agreement on behalf of the Corporation Board.

Following final discussion members

Resolved

14/15-1.8

- i) to the note the report; and**
- ii) to advise the Corporation Board that the Members of the Resources Committee have scrutinised the Lloyds Heads of Terms document and the Loan Facility Letter and:**
 - a) have authorised Mr Stephenson and Mrs Taylor to sign the Heads of Terms agreement**
 - b) recommend that the required resolutions as detailed on the Loan Facilities letter are passed by the Corporation and are signed as required by the Chair of Board and the Clerk to the Board**

14/15-1.9

College Property Strategy 2014-17

The Director of IT and Facilities presented his report on the College Property Strategy 2014-17. Mr During advised that the Strategy has a completed education case and aligns with the Lancashire Educational Priorities and the STEM Manifesto noting that the College is looking to extend further current its STEM curriculum provision.

The draft strategy was been developed against the backdrop of the LEP priorities and STEM manifesto, and the options presented in the report itself consider how to further develop the estate to support STEM in college. Mr During advised that there are 4 options presented for members to consider:

1. Do the minimum. Mr During advised that this is the base case. Under this option the college will continue to deliver HE in the College's Broad Oak Centre, but space for growth is limited. This option will also see the resolution of some of the Health & Safety issues identified in Hameldon building and resolve accessibility issues across the college campus. The cost of implementing this option is approximately £360k. This is an expensive option and fraught with a lot of difficulties as it does not resolve growth of space issues
2. This option involves implementing a programme of significant refurbishment to improve the condition and functionality of the Hameldon building. It includes major refurbishment to some areas to provide 'fit for purpose' space enabling the accommodation of the planned reintroduction of electrical engineering along with additional space for other programme areas and industry standard facilities for the delivery of new Technical Baccalaureates. The estimated cost of this option would be in the region of £1m.
3. This option enables new accommodation to allow growth in HE, either identifying new accommodation, new build on the estate or the possible purchase and refurbishment of suitable offsite property. The College is also continues to consider the implications of owned or leased property options for student accommodation. The estimated costs of this option are around £2m.
4. The final option looks at combining 2 and 3, to create spaces fit for purpose and also creating suitable accommodation for taking advantage of the opportunities as presented in the strategy's curriculum case.

Mr During advised that in any of the options presented resolving of all issues of accessibility around college is crucial.

Mr During advised that members are fully aware that College reserves are limited and it requires a £1m loan to support the Visitor Economy Centre and that he was under no illusion of the College currently being able to find the money to satisfy any of these options. He noted however that from time to time capital investment opportunities do present themselves and therefore the College needs to have the property strategy ready to go when they do arise. The Principal advised that the College had recently submitted its 10 year Capital Development Plan to the LEP and had asked for £5m for capital investment. Feedback from the LEP was that the College had no development projects in the Priority 1 category, some in the priority 2 category, but indications are that funding won't be readily available. The College continues to review every opportunity to engage with LEP and other capital funding bodies. Mr During advised members that the College needs to be ready with its plans to make the most of any opportunity that may come through but Option 1 has to happen whether or not any funding becomes available.

The Chair and members confirmed they were in agreement to take the property strategy to the Corporation Board for approval.

Mrs Spencer said the discussion posed a question concerning how far the College was intending to move to expand its HE provision. Mrs Taylor noted that future plans were predicting incremental growth, within the higher level skills gap presenting the one of the biggest opportunities for the College with local progression from L3 programmes. The college could, and already does, attract higher level learners from a wider area but has in the past lost potential learners as it was not able to offer accommodation. If growth beyond 100 HE additional learners is to be achieved the College will have to look at providing accommodation. Mrs Collinge noted that it was not just HE that required accommodation; the college could attract additional FE learners, particularly to the College's very successful sports academy programmes, if accommodation was available. Following final discussion members

Resolved

- 14/15-1.9** **i) to note the report; and**
li) to recommend to the College Property Strategy for 2014-17 to the Corporation Board for approval

The Chair thanked Mr During for attending and presenting his two reports.

Mr During left the meeting at 7.05pm

14/15-1.10 Financial Situation to July 31st 2014

The Director of Finance presented her report on the College's Financial Situation to 31st July 2014. Mrs Jarvis began by reminding members that in the Board approved Revenue Budget the College had forecast a balanced budget, but that this had been reforecast to a £100k deficit. The final financial situation can be reconciled in full to the Financial Statements, which have been reviewed by the external financial auditors, Grant Thornton.

Mrs Jarvis advised that the final full deficit was £67k, which represents a comparatively good result for the College. When the effect of FRS17 £222k is included, this increases the deficit to £289k. The FRS17 charge was £53k better than predicted.

Income - Mrs Jarvis reported that there is a slightly favourable variance in relation to income due to the College being awarded an additional allocation in year for non-apprenticeship provision. This has now been offset by underachievement of the Apprenticeship element within the Skills Funding Agency Adult budget. It was also reported that there was an adverse variance in relation to fees collected due to underachievement of the forecast income for Advance Learner Loans.

Expenditure – Mrs Jarvis advised members that there had been an overall favourable variance, but an adverse variance in Pay which related mainly to redundancy costs.

Commercial Activities – Mrs Jarvis reported a relatively small under achievement in this area.

Members were told that the final position against Key Performance Indicator targets were all positive and overall cash balances were better than forecast in the approved Revenue Budget presented to Corporation Board in July 2014.

Mrs Jarvis reported the following issues/risks and actions:

- The final reported deficit represents a good result for the College.
- Cash balance better than expected putting the College in a good position for 2014/15
- No breach of bank covenant in year
- There had been an underachievement of both apprenticeship contracts and this may result in reductions to contracts going forward.
- Final deficit position doesn't put College in a position to make a pay award to staff

Following discussion of the results presented and the issues identified members

Resolved

14/15-1.10 To note report

14/15-1.11 Audited Financial Statements for the year ending 31st July 2014

The Director of Finance presented the Audited Financial Statements for the year ending 31st July 2014. Mrs Jarvis reported that the external financial auditors Grant Thornton have completed most of their audit work, but the final funding claims have only recently been submitted to the SFA. An estimate of the final funding claim was included within the final accounts and Grant Thornton do not expect there will be any fundamental changes. The Clerk confirmed that the Audit Committee had scrutinised the Financial Statements at their meeting on the 18th November 2014 and had resolved to recommend them to the Corporation Board for approval.

Mrs Jarvis advised that once Corporation Board approval was received, the Financial Statements would be sent off to the various organisations requiring them by 31st December 2014.

Mrs Collinge reported to members that the College's wholly owned subsidiary, ARC Enterprises Ltd has been dormant during 2012/13 and 2013/14.

Mrs Jarvis advised that there was one particular item relating to HE income members should be aware of. The College had been allocated an additional sum of £240k in-year from HEFCE on the back of the reconciliation of the ILR. It was unclear how the College had earned this allocation and following discussions with the Financial Auditors, this amount has not been included within the Revenue for 2013-14. The College will make the decision during 2014/15 as to whether to recognise the £240k as income. Mrs Jarvis confirmed that the Auditors had scrutinised the documentation from HEFCE at length to try to ascertain the reason for payment and had finally come to the conclusion that the College should not take the amount into account during in the 2013-14 financial statements.

The Chair asked who had written the Operational Financial Review. He was advised that it was written by Mrs Jarvis, the College Vice-Principals and members of the College SLT. Mr Stephenson commented that it was an exceptional summary of where the College currently stands and should be disseminated throughout the college to enable its staff to understand the College Position.

Mrs Jarvis informed members that new formats of financial statements will come into play from for the year ended 2014-15 and will ensure that members of the committee are provided with information on changes, and their impacts, as they become available.

Members queried small matters within the statements and received satisfactory replies from the Clerk, Mrs Jarvis and Mrs Collinge. After final discussion members

Resolved

- 14/15-1.11** **i) to note the Financial Statements report; and**
ii) to recommended the Audited Financial Statements for the year ended 31st July 2014 to the Corporation Board for approval

14/15-1.12 **Financial Situation to September 30th 2014**

The Director of Finance presented the financial situation to 30th September 2014 against the approved revenue budget for 2014-15 Mrs Jarvis reported that there were no contingencies within the income target as all contracts were included at their full value. Achievement of a balanced budget also relies more on the generation of commercial income and a requirement to save over £700k. Mrs Jarvis advised that early indications show it will be, as expected, a challenging year. Main income overall currently doesn't show an adverse variance, but it was not true picture of income as lot of assumptions have to made at this point in the year.

Main Adult Funding Grant - Mrs Jarvis reported that there was currently no variance and there was good chance of reaching targets.

ESF & Advanced Learner Loans – Members were advised that there were concerns around these two areas as targets are challenging. The College was currently behind profile on ESF funding targets and was working hard to ensure achievement. There were also current indications that quite a lot more needs to be done to reach targets for Advanced Learner Loans.

Commercial Income – generally below expectations and again lot of work will be required to make this up. Challenging targets were set for commercial income, in particular self-funded provision and Sports and Catering income.

Expenditure - Mrs Jarvis advised members that Pay overall is already £55k over budget which would mean a £400k overspend for full year. Members were informed that the College Staffing Group meets regularly to review, and where possible defer, appointments to vacant post. The College has made some inroads in this area meeting the target set for 2104-15 will be a real challenge.

Exception Item - Mrs Jarvis informed members that when the College give notice on the Catering and Hospitality premises it leases in the Globe Centre, it may give rise to an onerous lease and dilapidation provision, but it was noted that this would not affect cash in year. Members asked when notice would be given. They were advised that notice will be given when the College has the confidence that construction of Visitor Economy Centre will be completed on time and the catering team will be able to move to the College's main campus

Cashflow & Balanced Budget - Key Performance Indicators, apart from general reserve are currently looking in line but it would be expected that as the year progresses indicators will start to change. Mrs Jarvis told members that cash balances as at September are slightly better than forecast.

Mrs Jarvis then outlined the risks/arising/actions to members:

- Potential underachievement of Commercial and 24+ Advanced Learner Loan targets
- Reducing pay costs continues to be a key focus for the College and SLT
- It was apparent that even with the achievement of a balanced budget it would not be possible to make pay award to College staff in year
- If required any Onerous lease that came about would be treated as an exceptional item in the College accounts for 2014-15
- If balanced budget is not achieved there will be a negative impact on College cash reserves. This was important to note given that, as discussed in Item 1.8, the college could not afford to allow its reserves to fall below specified levels as this would break bank covenants. Members acknowledged the seriousness of this situation.

Members were advised that the College has a financial action plan in place, which is continually monitored by the SLT and at a range of high level meetings.

Resolved

14/15-1.12 **i) to note the report, the College wide issues presented within it and the actions being taken to monitor and improve the financial situation of the College**

14/15-1.13 **Capital Expenditure 2013/14: Final Outcome and Capital Expenditure 2014/15**
The Director of Finance presented members with an update in relation to the College's final capital expenditure for 2013/14 and the planned capital expenditure for 2014/15. Mrs Jarvis noted that included within the College's Board approved two year financial plan was the assumption that the college would invest £350k on minor capital works. This allocation included an unspent amount of £50k brought forward from 2012/13. Mrs Jarvis advised that a full list of expenditure was contained with Appendix 1 of her report and again the largest expenditure related to IT Infrastructure. IT equipment with a depreciated value of £78k was also transferred from the Studio School.

Mrs Jarvis reported that £260k of expenditure was also incurred on road works to access the Sports Facilities and works to change the use of workshops in the Hameldon Building. SFA ERG3 Grant Funding of £31k was used to support this investment.

In terms of 2014/15, the College was authorised within the Board approved revenue budget to spend £300k on capital investment. To date, £267k has been approved and a full list of approved items was contained within Appendix 2 of the report.

Mrs Jarvis then explained that given the challenges to the cash flow during 2015 and 2016, the College, for the first time, has had to look at other purchasing options, such as operating leases rather than direct purchasing. The College has looked at opportunities to convert 2014/15 expenditure into leasing options, starting with Gym equipment. Mrs Jarvis noted that quotes obtained are reasonable with lease terms over three years with minimal additional costs to purchase outright.

The College, dependent on the final outturn for 2014/15, would like the option to convert some or all of the planned 2015/16 £300k capital investment to operating leases. Mrs Jarvis explained that in doing this, it would change the accounting treatment compared to the plan approved by the Corporation Board and the way reports on capital investment are presented to the committee in the future. Members were advised that the effect to bottom line would not be significant as the amounts would be shown as rental rather than depreciation and spread over three years. There would also not be a significant effect on the asset base of the College, as the cost of the new Visitor Economy Centre will be added to fixed assets in this year.

The Chair asked if it made any difference with the banking covenants. Mrs Jarvis advised that she did not believe so; however Board approval is required due to the change in accounting treatment. Members discussed the situation and decided that as the impact will be minimal and it would have a benefit to the College cash flow over the next few years, the Chair and members confirmed that they were in agreement to delegate judgement as to whether to purchase capital items via leasing arrangements, within the approved budget, to the Vice Principal Business & Innovation and the Director of Finance. Members are, however, to be kept informed through regular reports at Committee meetings. Members

Resolved

- 13/14-3.13** **i) to note the report; and**
ii) delegate judgement to the Vice Principal Business & Innovation and the Finance Director as to whether to invest some or all of the planned 2015/16 Capital Investment budget of £300k through leasing arrangements rather than outright purchases

14/15-1.14 **Further Education Fee Strategy 2015/16**

The Director of Finance presented the Further Education Fee Strategy for 2015/16. Mrs Jarvis confirmed that there had been no fundamental changes made to the previous year's policy and where there had been changes they were highlighted. The Strategy now includes objectives to support two new strategic aims and wording

around full time learners has been removed. This is in relation to treating full time learners the same as adults and fees being charged around individual circumstances, rather than a set fee.

The Strategy presented contained the 2014/15 SFA Funding Guidance rules as the College is still awaiting confirmation of the 2015/16 funding rules. Members

Resolved

14/15-1.14 i) to note the report; and
ii) to recommend the Further Education Fee Strategy 2015/16 to the Corporation Board for approval

14/15-1.15 Higher Education Fee Strategy 2015/16

The Director of Finance presented the Higher Education Fee Strategy for 2015/16. Mrs Jarvis advised that fundamentally the only change related to a slight increase in the fee by £50.00. New entrants will now be charged £6,000 in order to maximise income. This amount still keeps the College below the level of when an OFFA Access Agreement will be required. Members

Resolved

14/15-1.15 i) to note the report; and
ii) to recommend the Higher Education Fee Strategy 2015/16 to the Corporation Board for approval

14/15-1.16 Curriculum Faculty Contribution Rates 2013/14

The Director of Finance presented the Curriculum Faculty Contribution Rates for 2013/14. Mrs Jarvis noted that this year stood out as the variance around the average contribution rates is far more marked than previous years. Mrs Jarvis noted that the overall contribution to overheads by curriculum teams was about the same but this was against a situation where the College has lost income. All faculty teams were 'R-A-G' rated within Mrs Jarvis' report so that members were able to see where variances had occurred and to what extent.

Mrs Jarvis advised members that as she was concerned about the average contribution rates reported for 2013-14 she had carried out an analysis of the college budget for 2014/15 and the contributions curriculum teams would need to make to cover the budgeted overheads of the College. From this analysis Mrs Jarvis informed members that teams efficiency targets (based on income) will need to be:

- an average contribution rate of 48% based on the original balanced budget target
- an average contribution rate of 49%, if curriculum team income levels are underachieved by £500k
- an average contribution level of 51%, if £500k of overhead savings identified in the original budget are not achieved.

Mrs Jarvis advised members that it will continue to be a real challenge for teams to maintain or improve their contribution levels in the face of continued reductions in

funding in the sector and new funding methodologies. The increase in the number of teams with a reducing contribution rate is a real concern to the College SLT.

Mrs Jarvis confirmed to members that the Team Contributions link into the Curriculum Self-Assessment Review and had been part of the recent November process.

Resolved

14/15-1.16 to note the report and the issues reported on

The Chair thanked Mrs Jarvis for her comprehensive and meticulous reports

The Chair asked members to note that although the Committee was tasked with dealing with matters relating to HR, the College estate and College finances, it was interesting to see the number of items that also had impact on the College's Teaching, Learning and Assessment agenda and that at this meeting he believed this to be at least five items. Mr Stephenson said that this showed that all committees and not just the Curriculum and Quality Standards committee would have an impact on this important agenda.

14/15-1.17 Declaration of any Confidential Items

There were no items deemed to be confidential.

13/14-1.18 Dates and Times of Next Meeting

The next meeting will take place on Tuesday 10th March at 5pm.

The Chair thanked all members and College management for attending the meeting.

Meeting finished at 8.00pm