

The Corporation Board of Accrington and Rossendale College

Minutes of a Meeting of: The Resources Committee

Date: 11th March 2014

Location: The Boardroom, Broad Oak Centre



Confirmed

Members Present:

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|-----------------|---|
| Mr B Stephenson | Chair of the Committee and Independent Member |
| Mr M Aslam | Independent Member |
| Mr J Cassell | Independent Member |
| Mr D Ingham | Independent Member |
| Mrs S Taylor | Principal |

In Attendance:

| | |
|------------------|---|
| Mr S During | Director of IT & Facilities (Items 13/14-2.5) |
| Mrs L Higham | Director of People & Performance (Item 13/14-2.6) |
| Mrs C Jarvis | Director of Finance |
| Mr A Armiger | Clerk to the Corporation |
| Mrs N Tattersall | Minuting Clerk |

Apologies were received from:

| | |
|-----------------|--------------------|
| Mrs L Spencer | Independent Member |
| Miss C Robinson | Staff Member |

Draft Minutes Prepared by: NT-AA
Draft Minutes approved by the Chair:
Minutes Approved by the Committee:

Date:
13-03-14
13-03-14
24-06-14

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

RC

The Chair welcomed everyone to the meeting.

13/14-2.1 Apologies for Absence

Apologies for absence were received from Mrs L Spencer, Miss C Robinson and Mrs S Collinge.

13/14-2.2 Declarations of Interest

There were no declarations of interest.

13/14-2.3 Minutes of the Meeting held on 26th November 2013

The Minutes from the meeting held on 26th November 2013, were approved as a true and accurate record of the meeting.

RESOLVED

13/14-2.3 to approve the Minutes of the Meeting held on 26th November 2013 as a true and accurate record of the meeting

13/14-2.4 Matters arising not otherwise on agenda

The Clerk to the Corporation advised that there were six recommendations made from the previous meeting and all had been actioned as follows:

1.7 ii) to update the Corporation Board, at its December 10th meeting, on the College's current situation on the payment of the Living Wage to members of College staff. The Corporation Board were updated at its meeting on 10th December 2013.

1.9 ii) to recommend the Financial Statements for the year ending 31st July 2013 to the Corporation Board for approval and signing. The Corporation Board approved the Financial Statements on 10th December 2013 and were subsequently signed by the Chair and Principal.

1.12 ii) to recommend the Further Education Fee Strategy for 2014/15 to the Corporation Board for approval. This was recommended to the Corporation Board and approved on 10th December 2013.

1.13 ii) to recommend the Higher Education Fee Strategy for 2014/15 to the Corporation Board for approval and ii) that the Finance Director will forward details of the National Scholarship Programme to members. The recommendation was made to the Corporation Board and approved on 10th December 2013.

1.14 ii) to recommend the Sub-Contractors Fee Policy to the Corporation Board for approval. This was recommended to the Corporation Board and approved on 10th December 2013.

1.16 to inform the Corporation Board of the request and recommend for Board approval that the overdraft facility continue for a period of 12 months. This was recommended to the Corporation Board and approved on 10th December 2013.

Property Update

The Director of IT & Facilities provided members with a property update and advised members that there had been a significant amount of development since his last report.

Sports and Fitness Centre – Mr During reported that the planning application for this project is currently deferred until 26th March. This is following concerns raised by local residents and councillors. Ahead of the 26th March planning meeting, the Principal will be meeting with local residents to help them to understand the complexity of the project and its funding and to work with them to alleviate their concerns.

Sport England – this funding application is progressing well and Sport England have come back to the College with a proposal of an additional £100k as they feel the bid is low risk, contributions are minimal and the College meets all their conditions. The final decision will be taken on 28th March and is also still subject to planning permission.

CCIF 6 - the College was successful with its funding bid and received an offer from the Skills Funding Agency of 75% funding contribution to a “Visitors Centre” project. A planning application was due to be submitted w/c 17th March, but this has been deferred until the concerns around the Sports Hall have been resolved. However, the College has decided that it will provide details at the Planning Committee on 26th March about the successful funding application, but will inform the Planning Committee that due to restrictions imposed by the funding body this information is “embargoed” and the college is unable to disclose information wider than that committee.

Other Capital Grant Opportunities - the College submitted a further bid to the Skills Funding Agency (SFA) for funding from the Further Education College Condition Fund to assist with work around the College estate. Mr During advised members that the College had received news that its bid had been unsuccessful but there is a right to appeal. The SFA’s decision is based on their approval of the CCIF grant as when the CCIF project is completed the application stated that the college will only have 16% of its estate in condition categories C or D. This is less than the 20% needed to qualify. The College will be making a case that its lease for premises at the Globe Centre does not expire until 2016 at the earliest and the new Visitor Economy centre won’t be ready until at least 12 months prior to this.

Mr During noted that the College is also currently working on a bid to the Heritage Lottery Enterprise Fund for funding to purchase and refurbish a building in Accrington. This application would be on a funded basis rather than match funding. There are no financial commitments to the College at the moment other than the cost for putting the bid together. Until an expression of interest is submitted to the fund there are no timescales for this project.

Members discussed the points raised by Mr During. They were concerned about the delay to the Sports hall project, particularly as there was a timescale requirement for the SFA funding for the project. Mrs Taylor said that she hoped that this matter could be resolved soon. She advised members that the Planning committee had visited the college to see the site and that she was looking forward to meeting with local residents to discuss the situation with them and try to explain the complex funding arrangements required to progress with the project.

Members then discussed the other projects and expressed their appreciation of the work carried out to improve and modernise the college estate to make it fit for purpose and also make a positive contribution to the local community. Members also noted the complexities of the funding required for the various projects and associated restrictions that the College, its managers and its staff have to work with to successfully implement the projects. Members

Resolved

13/14-2.5 to note the report and the issues involved in improving the College estate

The Chair thanked Mr During for his report and Mr During left the meeting

13/14-2.6 HR Report

The Director of People & Performance provided members with an update in relation to the College staffing Reviews and Restructures, which have now been brought to a conclusion. Mrs Higham outlined to members the number of staff who had been made redundant either voluntary or compulsory following these reviews and also about two members of staff who have stepped back into teaching posts.

Mrs Higham reported that following discussions with the Principalship, the decision has now been taken to close the Business & Administration curriculum provision for 12 months. This decision has been made based on the decline in numbers, perceived poor student experience and the need to re-examine the curriculum required to meet the needs of employers. Consultation will commence with two members of staff.

The Chair asked if there was a pattern of reviewing teams and making staff redundant rather than performance managing them. Mrs Higham advised that teams in the special measures process go down the performance management route as the process starts to identify staff who are under performing. The Business & Administration Team have been performance managed and given the opportunity to revitalise the curriculum offer, but without success. A new Head of Faculty has recently been appointed who has a vision for the area, so the decision was taken to rest the provision for 12 months before re-launching new provision

A discussion took place about whether the programme should be rested for 12 months and whether it could be revamped in time for either a September 14 or January 15 start. Mrs Taylor said that this was being worked on at present and a final decision would be made soon, but it was important to ensure that any new provision was fit for purpose in terms of progression and employability of learners.

Mrs Higham then continued to update members on the following:

Pension Auto Enrolment - 64 members of staff were eligible for auto enrolment from 1st January 2014. 31 staff members enrolled and 33 opted out. The College is now on an auto repeat to enrol every three years. She asked members to note that there will be additional costs incurred by the College for those 31 members of staff who enrolled.

Changes to Local Government Pension Scheme - from 1st April 2014 the scheme is changing from a final salary scheme to a career average revalued earnings (CARE) scheme. This will affect all staff currently in the scheme. The College contribution rates will also be revised from 1st April.

Industrial Action - UCU held a national ballot strike last December and 5 members of staff took industrial action.

College Pay Position - The Principal and Mrs Higham met with the College UCU representatives in January to update them in relation to the situation regarding the pay award and also shared with them the letter to be sent to staff. Mrs Higham reported that she felt that the representatives weren't surprised about there being no pay award, understood the College's position and recognised it was a national issue. Mrs Higham advised members that she had told the UCU representatives that the Corporation Board hadn't taken the budgeting decision lightly and had committed to review at every opportunity throughout the year.

Staff Satisfaction Survey - Mrs Higham advised members that a new staff satisfaction survey will be launched for completion by Easter this year. The Chair suggested including one or two questions around staff views on what the Corporation Board does. Members agreed and Mrs Higham will draft questions for the Chair to approve.

Protocol National – the use of Protocol National has proved to be an effective way of managing agency staff but it is not without its disadvantages. There are significant management costs attached to each booking and this has had an impact on College budgets over successive years. Mrs Higham advised she is currently exploring opportunities to provide an in-house system and has consulted with other local colleges who use this type of arrangement. Mrs Higham will be preparing a report to the Senior Management Team around the risks and benefits of bringing this service in-house and will update the Resources Committee in her update report at its next meeting.

In terms of recent Employment Legislation changes, it is not anticipated that there would be any significant affects to the College. The Employment areas were noted:

- TUPE
- Right to request flexible working extended to all employees
- Early conciliation comes into force
- Financial penalties imposed on employers who breach employment rights
- Statutory limits increase from February 2014

The Chair then referred back to the Industrial Action in December 2013 and thanked everyone involved in this for managing the process. After final discussions members

Resolved

13/14-2.6

- i) to note the report
- ii) that the Director of People & Performance will prepare questions for the Staff Satisfaction Survey for the Chair to review
- iii) that the Director of People & Performance will update members at its meeting in June with regard to possible opportunities to move to an in-house system of recruiting and facilitating the use hourly paid staff.

The Chair thanked Mrs Higham for her comprehensive report and she left the meeting.

13/14-2.7 Financial Situation to 31st January 2014 and Outturn Forecast (including cash flow forecast)

The Director of Finance presented the financial situation to 31st January 2014 and the Outturn forecast. Mrs Jarvis reminded members that the Corporation Board approved a balanced budget before FRS17. She noted that it has been a challenge to put the approved budget together and the College has had to make provision for some assumed savings and, unfortunately, no contingency for a pay award. Having spent time putting the outturn forecast together, Mrs Jarvis confirmed that the College is still predicting a balanced budget at the end of the year but she stressed it will continue to be a challenge.

Referring to her report, Mrs Jarvis advised that the appendices relating to Income and Expenditure have now been RAG rated in terms of risk which provided a clear indication of high risk areas. Members agreed that this was useful.

Mrs Jarvis reported that the biggest area of concern is the Adult Skills Budget which relates to half of the College's funding income. The College has secured an extra £48k against this contract and although there is confidence the increased target will be met, it is still quite sensitive. Unlike 16-18 funding this student body is subject to enrolment throughout the year. Mrs Jarvis reminded members that the methodology for this funding stream has changed and the College will be subject to in year reductions if learners are not retained or do not achieve. To mitigate this, Mrs Jarvis advised that the College does have high overall achievement rates. However, this line could be sensitive upwards of £500k, but she noted the College has over achieved in this provision area in previous years. Mrs Jarvis advised members that the College is currently seeking alternative sources of funding for any potential overachievement of the adult skills provision.

Adult Apprentices – recent growth bids have been successful in securing additional funding of £400k for this provision. Current analysis indicates that this will be achievable but it still remains a challenge.

16-18 Apprentices - the contract was revised downwards in year and this area remains a risk and accurate predictions to year end remain difficult.

ESF & Other Projects - the College is increasingly reliant on other sources of income to balance the budget. The most significant of these is an ESF contract for small employer focused provision, which is an important area of work for the College this year. This contract has only just commenced and contains some challenges but should provide substantial funding this year.

Advanced Learner Loans – Mrs Jarvis reminded members that the advanced learner loan policy is in its first year and noted that the College, along with many others, were struggling with the numbers using the system. Approximately 50% of the loans income has now been secured through contracts with Focus Training, a long established subcontract partner. Focus Training have been able to attract learners accessing the loans due to the niche sector it works in. Mr Ingham asked what the margin was on the contract with Focus, Mrs Jarvis confirmed that it was in line with the College's Sub Contracting Fee Policy which members had scrutinised at its last meeting and that the Board had then approved. Access to HE is the main area within the College that it is expected see an increase in the number of learners with loans.

HE Fees – the income has moved from funding to loans which makes income less reliable than in previous years. Mrs Jarvis noted that again the College is now penalised for learners who are not retained.

Mrs Jarvis discussed with members the difficulties of predicting and then maintaining the budget given the complex funding methodologies and learner numbers. Members said that they were assured that the College, its management and its staff were doing all they can to maximise income and ensure the achievement of the balanced budget

In terms of expenditure, Mrs Jarvis reported that there were issues around:

Part Time Teachers – this expenditure continues to be a high risk area which affects the budget

Permanent Pay – the original budget included an assumption of significant savings against most pay lines. The Staffing Group have been overseeing an action plan and almost half of the savings have been achieved. The College still needs to make some of the additional savings but doesn't anticipate the full amount allocated to this item being required.

Building Remodelling - work was undertaken on the workshop space in the Hameldon building and once fully costed it became apparent that significant expenditure would be required on Mechanical & Electrical works. The decision was made to proceed as the College is short of classroom space for this provision. Mrs Jarvis advised members that the College is expecting to capitalise the expenditure given the nature of the investment, but is awaiting advice from the Auditors. All financial forecasts have assumed this as capital expenditure but there would be a detrimental impact on the revenue budget of £180k if the auditors do not agree to the capitalisation.

Mrs Jarvis reported that the College is doing all it can to achieve the balanced budget and has an action plan in place which is constantly monitored, but it still remains a massive challenge. The Chair commented that the work undertaken so far has to be commended and members agreed

Mr Ingham asked if it was high risk coming in at a balanced budget. Mrs Jarvis confirmed that £100k/£200k either way in 'Financial Health' terms could be seen as "acceptable", but it still maintained an element of risk in terms of the College's financial standing with external bodies.

Mrs Jarvis then went on to update on the Cashflow and Balance Sheet and reported on the key items. Included in the forecast is the impact of three major capital investment projects:

- Construction of Sports Hall and Hameldon workshops
- Visitor Economy Centre
- Refurbishment of Hameldon Centre

Although loan funding is being explored to support the Visitor Economy Centre (around £500k) this has not been included within the cash flow forecast. A decision regarding the timing and level of loan required will be taken in early 2015 in consultation with this Committee.

Mrs Jarvis reported that the projected cash balance at 31st July 2014 is £880k greater than previously reported, this favourable balance is due to the additional Skills Funding Agency capital grants being included where the payments are received in advance of planned expenditure. The projected cash balance by 31st July 2015 is £763k less than previously reported which reflects the Colleges required investment in the Visitor Economy Centre.

The cash flow is reliant on the College returning a balanced budget and achieving a £350k surplus next year. A balanced budget is forecast up to 31st July 2014 and all KPIs are still favourable despite the capital investments.

The Chair asked about cash days in hand and what the College would feel comfortable with. Mrs Jarvis confirmed it would like to see at least 25/30 cash days in hand.

Mrs Jarvis was thanked for her comprehensive report and the work under taken to achieve a balanced budget. Members

Resolved

13/14-2.7 to note the report and the implications of current and projected College income and expenditure on an approved balanced budget

13/14-2.7A Review of the payment of the Living Wage

The Chair led a discussion around the payment of the Living Wage to college staff and alongside the discussion of the possibility of making a pay award to staff given the information presented in the previous item. The Chair asked the Principal for her thoughts on both matters. Mrs Taylor confirmed that it was hoped the College would be in a position to predict a surplus and therefore consider making a pay award, but unfortunately it is not yet in that position. She noted that her team will continue to monitor the situation and it will be reviewed again in April. Mrs Jarvis also commented that the College had expected at this point in the year to have been notified of its funding allocations for next year, but, to date, these have not been received making the prediction of funding available for pay awards impossible.

The Chair had asked Mrs Jarvis for a breakdown of what it would cost the College to pay the following:

- **0.5% Pay Award to staff** – cost £17,000 in year, but add an additional £54,000 to annual on-going costs next year. Also adding potential £80k next year if a further pay award is made in 2014/15
- **Living Wage** – would cost £7,000 in year with effect from April 2014, with an additional annual impact of £21,000 at current UK Living Wage rates.

The Chair advised that he was conscious that the decision regarding those on Minimum Wage being paid the Living Wage had been ongoing and discussed by the Board for over 12 months. Mrs Jarvis reminded members of the challenge it had been to reach a balanced budget and that there will also be additional costs to take into consideration relating to Pension Auto Enrolment and employer contributions to the Local Government Pension will also be increasing.

Mr Ingham asked about the sensitivities of the budget and what impact it would have if it was agreed to pay the Living Wage. Mrs Jarvis commented that in the overall scheme of things if there was agreement to pay the Living wage to staff it

won't have a massive impact, but it has to be noted that any additional expenditure will have a bearing on this year's balanced budget and then possibly subsequent budgets. The Chair noted that he would feel comfortable honouring a commitment to the payment of a Living Wage even given the current financial situation of the college, and Mrs Taylor said that she would also find it difficult not to recommend.

It was agreed that a recommendation would be taken to the full Corporation Board to allow them to take a formal vote on paying the Living Wage to those members of staff currently being paid below this level. In terms of the Pay Award to College Staff, it was agreed that members would need to see the April Outturn which won't be reviewed until the Resources Committee meets again in June before making any consideration of the matter.

After final discussion members

Resolved

- 13/14-2.7**
- i) to review the possibility of a pay award to College staff at its June 2014 meeting when the April Outturn is produced and considered; and**
 - ii) that the Corporation Board take a formal vote on the matter of increasing the pay of college staff currently being paid the National Minimum Wage to the UK Living Wage from the 1st April 2014**

13/14-2.8 Capital Expenditure 2013/14

The Director of Finance presented an update on the approved capital expenditure for 2013/14. In terms of the minor works, Members were directed to the list of all the items approved for this year, which total £341k. Mrs Jarvis reminded members that the College had an overall spend this year of £350k due to an underspend of £50k from the previous year, which was brought forward following approval from this committee. The largest expenditure relates to the IT Infrastructure which has allowed the College to invest in more "end user technology".

Mrs Jarvis confirmed that a small provision for minor equipment had been allocated to the revenue budget of £70k. £45k of this allocation has now been committed

In relation to the new Telephone System Mrs Jarvis noted, and Mrs Taylor confirmed, that from a user point of view there are definite benefits and it is expected that the College will start to see some savings which will become apparent when the budget is set for next year. Members

Resolved

- 13/14-2.8** **to note the report**

13/14-2.9 College Financial Regulations Update

The Director of Finance presented the Financial Regulations which are updated on an annual basis. Mrs Jarvis advised that all the changes were highlighted in "Red" and in the most part were name (due to the recent Principalship restructuring) or date changes. Two significant changes were noted:

- Audit Committee changes – acknowledgement of the new Joint Audit Code of Practice (JACoP) in which there is no longer a requirement to appoint an Internal

Auditor. The College has decided it will however retain its Internal Auditors as they provide excellent value for money and the college would need to develop complex audit systems should it bring these services in-house to ensure it met audit requirements. Under JACoP The Audit Committee is also given more responsibility to consider what areas and systems within the college it wants auditing

- Item 11.4 Capitalisation and Depreciation – recognition to allow the College freedom to look at refurbishment differently as discussed in item 13/14-2.7

The changes to the Financial Regulations were considered by members and following discussion members

Resolved

13/14-2.9 to recommend the College Financial Regulations to the Corporation Board for approval and immediate implementation

13/14-2.10 Dates and Times of Next Meeting
Tuesday 24th June 2014 at 5pm

The Chair thanked members for attending the meeting.

Meeting finished at 7.10pm