



**Accrington and Rossendale College  
Corporation Board – Resources Committee**

**Minutes of the Meeting Held at  
5.00pm on Tuesday 25<sup>th</sup> June 2013  
in the Board Room, Broad Oak Centre**

**Confirmed**

**Present:**

Mr B Stephenson	Chair of the Committee and Independent Member
Mr R Grigorjevs	Independent Member
Mr A Mohammed	Independent Member
Mrs S Taylor	Principal Designate

**In Attendance:**

Mrs S Collinge	Vice-Principal (Corporate Services)
Mrs C Jarvis	Director of Finance
Mr S During	Director of IT & Facilities – Item 53.9
Mr A Armiger	Clerk to the Corporation
Mrs N Tattersall	Minuting Clerk
Miss C Robinson	Observer

**Apologies were received from / other members not in attendance:**

Mr D Ingham	Independent Member
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Draft Minutes Prepared by: NT	Date: 26.06.13
Draft Minutes approved by the Chair of the Committee:	27.06.13
Minutes Approved by the Committee:	

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

**Chair**

### **53.1 Apologies for Absence**

Apologies for absence were received from Mr D Ingham.

The Chair welcomed members to the first meeting of the new Resources Committee (formerly Finance & Employment Committee). The Chair also welcomed Cath Robinson who will be joining the Corporation Board as a Staff Member from 9 July 2013. The Clerk to the Corporation also advised members that at the Curriculum & Quality Standards Committee held on 18<sup>th</sup> June 2013, Dr Lee, as Chair of the Corporation Board, used Chair's Action to bring Mrs Sue Taylor, as Principal Designate on to the Corporation Board with immediate effect. Mrs Taylor was welcomed to the meeting.

Members were then asked to introduce themselves to the new members.

### **53.2 Declaration of Interest**

The Chair declared a possible declaration of interest in relation to Item 53.9 should the banking arrangements be discussed. (These arrangements were not subsequently discussed).

### **53.3 Minutes of the Meeting held on 12<sup>th</sup> March 2013**

The Resource Committee members approved the Minutes of the Finance and Employment Committee Meeting held on 12<sup>th</sup> March 2013 as a true and accurate record of the meeting.

### **53.4 Matters Arising (not otherwise on agenda)**

The Chair advised that the Clerk had prepared his Resolutions with Actions Required report and that all actions had been undertaken. Mr Armiger updated members on the resolutions as follows:

**457 iii) Clerk to the Corporation to provide Governors with information relating to the Employee Assistance Programme** – information was e-mailed to members on 20<sup>th</sup> March 2013.

**459 iii) Capital bids for 2013/14 will be presented by the Finance Director at the next meeting** – this will be discussed under agenda item 53.7.

**460 to recommend the Further Education Tuition Fee Strategy for 2013/14 to the Corporation Board for approval** – this was approved by the Corporation Board at its meeting on 26<sup>th</sup> March 2013.

**462 i) that the Finance Director would check that the Learning and Skills Act 2000 was the most recent; and ii) recommended the Financial Regulations to the Corporation Board for approval** – the Finance Director advised that she had updated the Financial Regulations with the most up to date Learning and Skills Act 2000 information and the Financial Regulations were then approved by the Corporation Board at its meeting on 26<sup>th</sup> March 2013.

**463 ii) the Vice Principal – Corporate Services will update members at the next meeting in relation to the Property Strategy** – this will be discussed under agenda item 53.9.

Members

**464 RESOLVED To note the report**

*The Chair advised that as the Director of IT & Facilities had been asked to attend the meeting to discuss the property strategy, Item 53.9 would be taken first. The Vice Principal – Corporate Services noted that the new Property Strategy would be dependent on the outcome of the Revenue Budget for 2013/14 which would be discussed later.*

**Miscellaneous Items**

**53.9 Property Strategy Update**

The Vice Principal – Corporate Services reminded members that approval was given for the College to submit a bid for the Enhanced Renewal Grant Phase 3 from the Skills Funding Agency. Mrs Collinge advised that, on the third submission, the College was successful and was granted funding of £696k which would need to be match funded 2:1. The plan, in summary, is to complete the current property strategy which included works already completed, work on the Hameldon access road and the building of a new Sports Hall.

Work has already begun to complete the works previously agreed in terms of the Science/Sports Labs and the Hameldon access road. The only outstanding item is the Sports Hall which requires approval. Mrs Collinge advised that Governors agreed previously that they would like the College to continue with a Sports Hall project. However, the terms of the grant now requires the College to enter into contractual commitments by 24<sup>th</sup> October 2013. Therefore final approval to proceed with the Sports Hall will need to happen before this date.

Mrs Collinge noted that the Corporation Board needs to make its final decision at its meeting in September, but it must take into account the current and future financial situation. The indicative cost of the Sports Hall is £1.74m for which the College will receive £580k of Grant monies. The balance could be funded from cash reserves or borrowings. If the decision to proceed is approved and the College cash reserves are used this will mean there is no cash available for future investment. The Revenue Budget for 2013/14 shows the impact on the cash flow which shows that the project is likely to be affordable.

In terms of the new property strategy, Mrs Collinge advised that the College submitted a bid for a new round of funding and it was successful in the first phase but it is unlikely the College will get through the next stage as it is dependent on the condition of the buildings. The purpose of the new property strategy is to take the College forward over the next few years and if and when the next round of funding is available the College will have a strategy in place which can be used in the bidding process.

Before update on the future plans for the College, the Director of IT & Facilities noted that the Functionality Rating of “B” for the Hameldon Building as outlined in the report was being reviewed and surveyed again and was likely to be reclassified as a “C”.

The Director of IT & Facilities then updated members on the future plans for the College. Mr Daring advised that growth figures for the curriculum across all areas had been reviewed and that most of the growth can be accommodated within Broad Oak following refurbishment. One area which requires further consideration is the Catering provision currently based at the Globe Centre.

Mr During advised that a full description of each of the buildings was outlined in the Property Strategy highlighting their functionality and state of repair. The Hameldon building has always been for Construction and Technology, but that it now included some of the Sports Facilities.

Mr During then detailed the options available in terms of the Catering provision as this was the main part of the Property Strategy:

**Option 1:**

Continue to deliver the provision from the existing leased premises at the Globe which is due to expire in 2016. Currently the facilities are not fit for purpose and the offsite location is inefficient and costly.

**Option 2:**

Implement a programme of refurbishment works to improve efficiency and create sufficient space to accommodate the catering provision at the Broad Oak campus. This option would be expensive and 500m<sup>2</sup> of space would be required at £750k. The Chair queried the area as it relates to 1000m<sup>2</sup> in the property strategy, Mr During confirmed that this should be 500m<sup>2</sup>.

**Option 3:**

Re-negotiate the current lease or acquire alternative facilities to deliver the catering provision. It is difficult to quantify the cost of this option as it would be dependent on the size and location of premises in the case of acquisition.

**Option 4:**

Consider the possibility of a purpose built new build at the main campus in order to provide fit for purpose facilities. At around 500 m<sup>2</sup> the estimated cost would be £1.5m.

Members asked whether the provision was still Graded at 1 and this was confirmed but it was also noted that the catering provision was still a high cost to deliver. Even though the provision is key to the College there is no guarantee that learner numbers will increase with better facilities due to the local competition of other providers.

Mr Grigorjevs noted that the cohort is likely to increase over the next few years which needs to be considered when making a decision. He also asked what the biggest costs were. Mrs Taylor advised that if catering is treated like every other team then Contributions are low and if this is taken into account it is the one area sitting in expensive facilities.

Mrs Taylor commented that the Property Strategy is only a plan and approval of it by the Board doesn't commit the College to do anything, rather it is building a case for additional funding if a new round of ERG is announced. However, a decision on Catering facilities will need to be taken very soon as the lease at the Globe is due to expire.

Mr Grigorjevs advised that the question needs to be asked of what the College wants from a catering provision and does it also include a restaurant open to the public. The College could offer provision for adults out in the workplace and for 16-18 year olds training through a training kitchen but a restaurant would be needed for front of house training.

The Chair advised that the Property Strategy made sense and asked members if they were in agreement and all confirmed. Members

**465 RESOLVED to approve the Property Strategy as presented**

**Finance Items**

**53.6 Financial Monitoring: Management Accounts to 30 April 2013 and Outturn Forecast (including cashflow forecast)**

The Finance Director presented the Management Accounts to 30 April 2013 and the Outturn Forecast. Mrs Jarvis advised that the College conducted a review mid-way through the financial year, which was presented to this committee and continued to suggest the College would achieve a £350k surplus. The Management Accounts presented to the 30<sup>th</sup> April 2013 which highlights the actual income and expenditure now predicts that the full year surplus will be £200k, which is a reduction of £150k.

Mrs Jarvis highlighted the key reasons for the reduction in the College Surplus:

**Redundancy Costs** – the costs incurred have increased considerably following the recent restructure.

**HEFCE recurrent grant** – adverse variance following withdrawals which exceeded the tolerance built into the contract. The College also faces the possibility of in-year clawback for the first time whilst historical retention data suggested that there was little risk of this occurring. The reasons behind the poor retention rates are being investigated.

**Grant Income** – favourable variance as current forecasts anticipate higher contributions than originally expected.

**Part Time Teaching** – biggest variance as assumed expenditure would be in part time teaching but actually costs turned up in other areas.

**Permanent Pay** – savings made compared to the January forecast.

**Building Maintenance** – unfortunately unplanned essential repairs have had to take place.

**Non-Teaching Consumables** – increase in expenditure, but it is known where and when this happened. Additional costs mainly due to marketing and extra IT investment relating to the licensing of some new LMI and Career Coach software to enhance the College's career-focused USPs and to support the business/employer focus on curriculum development.

Mrs Jarvis advised that even though the College is predicting a £200k surplus there is still some work to be done in ensuring the surplus is as high as possible to be able to offset against the financial situation for next year.

The Chair asked about the accounting of the redundancy costs that the College has undertaken this year but won't actually happen until next year. Mrs Jarvis confirmed that they had already been included in the accounts and the Auditors had been assisting. The Chair also asked if the College was realistic about achieving the £200k surplus and Mrs Jarvis confirmed that the College is optimistic about achieving it.

The Chair thanked Mrs Jarvis for the report and noted that given the challenges and the current economic environment if the College can achieve a surplus of £200k this would be commendable. Members

**466 RESOLVED To note the report outlining a surplus of £200k**

*Mr Grigorjevs left the meeting at 6.15pm*

### **53.7 Capital Expenditure 2012/13 and 2013/14**

The Finance Director presented the Capital Expenditure report which highlighted the expenditure incurred in 2012/13 and expenditure for the coming year 2013/14. Mrs Jarvis reminded members that £350k was approved by this committee last year and £312k has been committed.

However, Mrs Jarvis requested approval for the College to invest in a new telephone system which would enable the College to reduce the number of mobile phones being used by staff and also enable the switchboard system to operate much more efficiently. The College has previously looked at new telephone systems, but put them on hold due to the significant costs. Costs have now reduced and the College would like to invest in a new telephone system at a cost of £54,109 overall. If the system is implemented in the current year it would mean the capital expenditure budget 12/13 would be overspent by £16k.

Mrs Jarvis advised that depreciation on the system cost would be £5,411 per annum over 10 years and the additional depreciation on the overspend over £350k allocated would amount to £1,600 per annum compared to the projected revenue savings of up to £17k per annum.

Members asked how the system would allow members of staff to use their own mobile phones instead of College mobiles. Mrs Jarvis advised that as part of the system there is the potential for staff to use their own mobile phones but the costs go through the new system.

In terms of Minor Equipment, the Revenue Budget for 2012/13 made a provision of £90k to purchase minor equipment and the most recent outturn forecast projected a requirement for £100k.

Mrs Jarvis then advised members that bids to the value of £562k had been received for 2013/14 capital expenditure and to date £234,654 had been committed. Members

**467 RESOLVED i) to approve the purchase of a new Telephone System; and**

## ii) to approve the Capital Expenditure programme for 2013/14

### 53.8 Revenue Budget 2013/14

The Finance Director presented the Revenue Budget for 2013/14 and highlighted a correction in relation to Item 4.1 the cash reserves are at 31<sup>st</sup> July 2014 and not 2013 as stated. Mrs Jarvis advised members that this budget had been the most challenging to put in place and for that reason, the College is predicting a balanced budget thus targeted surplus of Nil. Mrs Jarvis explained that the College needs to maintain its financial stability and having a nil surplus doesn't deplete the cash reserves (considering non cash depreciation items).

Mrs Jarvis highlighted the key assumptions that had been made in preparing the Revenue Budget for 2013/14.

#### **INCOME**

**EFA 16-18** – a target of 1109 learners has been allocated which has resulted in a decreased allocation of £1.2m over the 2012/13 contract. The reduction is attributable to lagged numbers and changes to the funding methodology, which reduces average funding per learner. This contract is not subject to in year reconciliation, so no contingency has been incorporated into this line.

Included in this allocation is the “transitional protection” of £338k and “formula protection” of £538k. The transitional protection is gradually being withdrawn and the formula protection will remain at the same level per learner for three years.

Within the Curriculum Plan a target of 1400 learners has been included but in practice the College is looking to recruit more than the 1109 which in reality will mean it is carrying unfunded learners.

**EFA 14-16** – the College is currently in the process of being granted permission to directly recruit 14-16 year olds, but initially the 14-16 provision will only include the absorption of the Hyndburn Studio School's continuing learners, of which there are 20. The College isn't actively seeking to directly recruit 14-16 year olds.

**SFA Adult Skills Budget** – overall adult grant which includes the adult apprenticeship element and ALS has been confirmed at £4.6m. This represents a decrease in allocation of £988k compared to 2012/13. However, this reduction almost entirely reflects the exclusion of funding for level 3 and above provision for learners aged 24+, as funding for these learners will now be accessed through a loan system similar to HE loans.

**Advanced Learner Loan Fees** – the fee income replaces the SFA funding for level 3 and above provision for learners aged 24+. The SFA Adult Skills budget has been reduced to reflect this by £988k and the 24+ Advanced Learner Loan allocation has been set at £975k. However, the College has allocated £620k in the Revenue Budget as it is difficult to predict the effect the introduction of loans funding will have on recruitment.

**16-18 Apprentices** - this line has proved a challenge over the last few years and therefore a small contingency has been provided for in the Revenue Budget.

**HEFCE recurrent grant** – the Revenue Budget includes a small contingency for potential “in year” clawback related to poor retention figures.

**Higher Education Tuition Fees** – more reliance on tuition fees than funding. Three payments for fees will be made in year which will reduce if a learner withdraws.

## **EXPENDITURE**

**Pay Costs** – reduction in part time hours reflects the planned reduction in the costs of delivering 16-18 study programmes. Permanent Pay assumes further savings which are being worked towards. This area remains a risk.

**Partnerships** – due to the reduction in the adult budget no new contracts are being offered to reduce the reliance on sub-contractors.

**Exam & Validation Fees** – as a result of the new study programmes for 16-18 learners, planned programmes now involve the delivery of fewer individual qualifications. Savings will be in registration and examination costs.

**Payroll Bureau** – following the purchase and implementation of a new HR and Payroll system savings will be made as no longer outsourcing.

**Learner Support** – the increase relates to an extension of the current offer to 16-18 learners to provide them with free transport etc. The College needs to maintain its position in a very competitive market.

In terms of other activities, Mrs Jarvis advised that the College has increased the target for many of the commercial activities. This is a key part of the College Strategy and necessary to ensure overall turnover of the College is sufficient. It is also in line with the College’s Employability strategy.

Mrs Jarvis then reported on the cashflow forecast and advised that as at 31<sup>st</sup> July 2014 the predicted cash reserves are £1.4m which would represent 32 days cash in hand. This amount has been projected after incorporating the effects of a Property Strategy of £2m supported by the ERG3 Grant. Without the investment in the Property Strategy the cash reserves within the Revenue Budget would be £2.5m and 57 days cash in hand.

The Chair asked about the effects on the Net Current Asset ratio if the implementation of the property strategy went ahead. Mrs Jarvis confirmed that the College would be fine in terms of cash management and as long as it maintains a balanced budget, she felt comfortable with the College’s position. The picture would change if the College didn’t achieve a balanced budget.



The Chair also asked where the College stood in relation to a pay award for staff. Mrs Taylor confirmed that there is currently no agreement nationally in terms of a pay award but the College had taken the decision not to include a pay award in the Revenue Budget but would like the opportunity to review again in January 2014. The Chair advised that he would like to see a commitment to review in year and prioritise the shortfalls identified.

Mrs Taylor was asked as Principal Designate, and from her point of view, was the Revenue Budget for 2013/14 acceptable for taking the College forward. Mrs Taylor confirmed that achievement of the Revenue Budget wouldn't be easy and it had been a challenge to set, but if it isn't achieved it will have implications for staffing across the College.

The Chair asked members to revisit Item 53.9 in relation to the Sports Hall following review of the Revenue Budget for 13/14. The recommendation is to provide initial indications to the Corporation Board in September and then a meeting of the Resources Committee to be called to discuss the approval of the Sports Hall. The Clerk to the Corporation advised that if it was difficult to set up a separate group of members then an e-mail vote would be acceptable. It was noted that the College would have early indications in relation to student recruitment, to aid in the decision, by the end of September. After further discussion Members

- 468     RESOLVED     i) to recommend the Revenue Budget 2013/14 to the Corporation Board for approval; and**  
**ii) to discuss with members of the Corporation Board, at its meeting on 9th July 2013, the process to be adopted in approving the Sports Hall project**

### HR Items

#### **53.5     HR Strategy Monitoring**

The Principal Designate presented the HR Strategy Monitoring report on behalf of the Director of People and Performance. Mrs Taylor advised that this report provides an update on the work undertaken to realign the staffing in the College following a reduction in College income next year. The College has recently completed a call for voluntary redundancy and reductions in working hours or weeks. 19 formal expressions of interest were received and 8 were rejected. 4 members of staff have either reduced their hours of work or working weeks and 7 members of staff requested voluntary redundancy which was been accepted. This provides a saving of approximately £143k off the staffing budget next year.

In terms of the Curriculum Management, a comprehensive review was undertaken initially in November and December last year and then concluded in May this year. This review resulted in a revised curriculum management structure being proposed to provide coherence for curriculum teams and to enable growth and flexibility. The new management structure consists of 6 Faculties. Mrs Taylor advised that the overall aim of the review was to:

- Ensure the college has a curriculum offer that is sustainable into the future

- Identify any underperforming areas to be withdrawn
- Identify areas for future growth

Mrs Taylor noted that following the Curriculum Management review, 2 members of staff were now in a redundancy position. Mrs Taylor pointed out that the College has had to make very few compulsory redundancies compared to other colleges, as identified in a recent FE Week publication, where other colleges have had to make 30 to 40 compulsory redundancies.

The Chair commended the College for handling the curriculum management review in such a positive way.

Mrs Taylor then updated members on the following areas:

### **Teaching Staff Utilisation**

The final staff utilisation report is expected at the end of this academic year and Mrs Taylor reported that improvements have been made this year.

### **Pay Negotiations**

There are currently no pay agreements on the table and given the financial constraints the College has not made a provision in the 2013/14 Budget for a staff pay award next year.

The Chair asked the question of the Living Wage for the 13 members of staff for whom it would apply from 1<sup>st</sup> August 2013 (as per resolution 457). Mrs Jarvis replied that this had not been incorporated into the Revenue Budget for 13/14. At this point the Clerk to the Corporation reminded members and those attending that through the resolution board members had expressed their wishes with regard to this situation and they should be respected. Mr Armiger advised senior post holders present that should the resolution not be carried out they would need to come to the Board and explain why this action hadn't been carried out to the satisfaction of the board members. The Chair asked Mrs Jarvis to incorporate the reasonings within the narrative of the Revenue Budget so that when the Revenue Budget is recommended to the corporation board at its meeting on 9 July 2013 members can take a further view on this matter.

In terms of new legislation and regulations, Mrs Taylor advised members that college policies and procedures would be updated in line with any new recommendations. In relation to the Disclosure and Barring Service and convictions, the Clerk to the Corporation commented that the Curriculum and Quality Standards Committee commended the College for recruiting learners with convictions.

Mrs Taylor concluded by confirming that the HR Strategic Priorities were being reviewed over the Summer to realign with other College policies.

The Chair thanked the Director of People and Performance for her comprehensive report and the Principal Designate for her presentation.

Members

- 469 RESOLVED**
- i) To note the report; and**
  - ii) that the Director Finance will provide an update within the Revenue Budget 13/14, to be presented to the Corporation Board for approval, in relation to the Living Wage**

**53.10 Declaration of any Confidential Items**

There were no items deemed to be confidential.

**52.11 Date and Time of Next Meeting**

The next meeting of the Resources Committee will be confirmed in the schedule of meetings dates to be presented to the Corporation Board on 9 July 2013.

**The meeting closed at 6.45pm**