

## The Corporation Board of Accrington and Rossendale College

### Minutes of a Meeting of: The Resources Committee

Date: 10<sup>th</sup> March 2015

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
Miss C Robinson	Staff Governor

### In Attendance:

Mrs S Collinge	Vice Principal (Business & Innovation)
Mrs L Higham	Director of People & Performance (Item 14/15 2.6)
Mrs C Jarvis	Director of Finance
Mr A Armiger	Clerk to the Corporation
Mrs N Tattersall	Minuting Clerk

### Apologies were received from:

Mr S During	Director of IT & Facilities
-------------	-----------------------------

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

Date:  
12-03-15  
13-03-15  
23-06-15

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

## RC

The Chair welcomed members to the meeting.

### **14/15-2.1 Apologies for Absence**

Apologies for absence were received from Mr During.

### **14/15-2.2 Declarations of Interest**

The Chair declared an interest ahead of the discussions relating to Lloyds Bank, due to his current position with HSBC.

### **14/15-2.3 Minutes of the Meeting held on 2<sup>nd</sup> December 2014**

The Minutes from the meeting held on 2<sup>nd</sup> December 2014, were approved as a true and accurate record of the meeting.

## **RESOLVED**

**14/15-2.3 to approve the Minutes of the Meeting held on 2<sup>nd</sup> December 2014 as a true and accurate record of the meeting**

In relation to Item 1.8 of the 2<sup>nd</sup> December 2014 meeting, the Vice Principal (Business and Innovation) advised members that following this meeting, she had another meeting with Lloyds Bank to propose less stringent covenants. These have now been accepted.

### **14/15-2.4 Matters arising not otherwise on agenda**

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

**13/14-1.8 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**

Corporation Board advised of the Committee's scrutiny of the Heads of Terms and recommended to the Corporation Board and approved at its meeting on 18<sup>th</sup> December 2014. The Loan Facilities letter was signed, as required, by the Chair of the Corporation and the Clerk to the Corporation on 16<sup>th</sup> January 2015.

**13/14-1.9 ii) to recommend the College Property Strategy for 2014-17 to the Corporation Board for approval.** The Property Strategy was recommended to and approved by the Corporation Board on 18<sup>th</sup> December 2014.

**13/14-1.11 ii) to recommend the Audited Financial Statement for the year ended 31<sup>st</sup> July 2014 to the Corporation Board for approval.** The Audited Financial Statements were recommended to and approved by the Corporation Board on 18<sup>th</sup> December 2014.

- 13/14-1.14**      **ii) to recommend the Further Education Fee Strategy 2015/16 to the Corporation Board for approval.** The Further Education Fee Strategy for 2015/16 was recommended to and approved by the Corporation Board on 18<sup>th</sup> December 2014.
- 13/14-1.15**      **ii) to recommend the Higher Education Fee Strategy 2015/16 to the Corporation Board for approval.** The Higher Education Fee Strategy for 2015/16 was recommended to and approved by the Corporation Board on 18<sup>th</sup> December 2014.

With reference to item **RC 14/15-1.8**. The Vice Principal (Business and Innovation) then presented members with a proposal from Lloyds Bank for “Hedging” (Fixing) the £1m loan repayments for the Heartwood Centre (VEC). The proposal was favourable, however not without risk due to the current volatility of financial markets and uncertainty around when interest rates may begin to change. Mrs Collinge advised members that the decision required is how much of the loan repayment should be fixed, if any. Mrs Collinge advised members that Lloyds Bank would ideally like a reply within 5 days.

The Chair commented that it was an interesting presentation from Lloyds Bank with a range of ideas on where markets are heading. The College currently has borrowings which were, now, fixed at disadvantageous rates compared to current Base and LIBOR rates.

There followed a discussion about leaving the loan ‘floating’ to enable the college to benefit from current low interest rates. Mr Stephenson advised that he had reviewed the markets and spoken to colleagues and it was apparent that the current financial situation remains uncertain but there is virtually no opinion suggesting imminent rises significant enough to make up the difference that would be paid under this fixed arrangement. Mrs Collinge also advised that the College would need to pay a premium (in terms of higher interest rates) at the start and it was unlikely to see a benefit for a number of years.

It was agreed after further discussion between members that the matter required additional discussion and that Mr Stephenson and Mrs Collinge would be delegated to consider the matter further and bring a further proposal to the Resources Committee in June. It was recognised that the loan will not be drawn until later in the year and hence there was time available to continue to review the markets and make an informed decision.

#### **14/15-2.5      Property Update**

The Vice Principal – Business and Innovation presented members with an update on behalf of the Director of IT and Facilities. Mrs Collinge confirmed that Heartwood (Visitor Economy Centre) Project was progressing on target both time wise and within budget.

Following Value Engineering the BREEAM sustainability rating has reduced from ‘Excellent’ to ‘Very Good’. This is still acceptable to the SFA under the terms of the funding grant

The main risks associated to the project were noted by Mrs Collinge:

- Contractor not achieving the target completion date of Mid-August
- Insufficient expenditure incurred by 31<sup>st</sup> March 2015 may invalidate a claim for the SFA grant not yet spent. Mrs Collinge advised that E3 Cube are working with the contractors to accelerate all purchases and maximise the payment to contractors and suppliers. Advanced payment will be made and covered by a bond to protect the College

The Chair asked about the planning conditions and whether there were any concerns to note. Mrs Collinge advised that there should be no concerns as nothing had been raised at any of the planning meetings. Mrs Collinge advised that she will check with Mr During as he is due to have further meeting with planners and report to members through the Clerk if there are issues or risks raised.

#### **Resolved**

**14/15-2.5 i) to note the report and risks reported**

#### **14/15-2.6**

##### **HR Update**

The Director of People and Performance presented her report and updated members on the key areas:

##### **College Pay Position 2014/15 including National Position**

The mid-year outturn has now been finalised and it is clear that the College still faces a challenge to meet the original planned balanced budget. Due to the uncertainty across a number of income lines, the College is still not in a position to make a decision about a pay award. Mrs Higham noted that the Finance Director will be presenting an update on the financial position later on in the meeting. Mrs Higham advised that staff and union representatives have been kept informed about the College's current and financial position.

On the national front, the AoC met with unions at the end of February, where the unions advised that they expected to present a pay claim to the NJF in mid-March and that claim could be up to 10%, to include a pay element tied to the cost of living.

Mrs Higham noted that UCU are no longer considering going to a ballot for national industrial action in relation to pay awards not being received in 2013/14, however they may target individual colleges who haven't made an award for several years. The Association of Colleges will be undertaking a survey in April 2015 to ascertain what pay provision colleges are considering within their budgets.

In relation to the related College Key Strategic Objective related to HR, Mrs Higham provided members with the following update:

##### **Effective Performance Management Systems**

- All appraisals for teaching staff have been completed;
- two staff are currently in a formal performance management process; and
- observations of teaching and learning profiles, currently stand at:  
87% good or better which is above the College target of 85%  
33% outstanding which is just below the College target of 35%

Mrs Higham noted that these results are testament to the quality processes in place.

A new CPD policy was launched as part of Staff Development day in February called "Development Season". For the first 18 weeks of the academic year all teaching staff

will be observed and the second half of the year looks at development related to the observation and where teaching staff have the opportunity to engage in initiatives run by the college's Advanced Practitioners. These include:

- Development observations
- Teaching Squares
- Good to Great Groups
- Professional Learning Groups

#### **Employer of First Choice**

The College is currently struggling to recruit to a number of posts within Accountancy, Software Engineering and English and Maths. The College Staffing Group has discussed at length and agreed that there may possibly be the need to pay a premium for some of these staff where there is evidence of a serious skills shortage. Discussion will continue on this subject at Senior Leadership team meetings Mrs Higham advised that the College has looked at employing graduate teachers within other areas of the College and a Maths Graduate has now been appointed.

#### **Monthly STAR Awards**

Mrs Higham informed members that the new initiative undertaken this academic year to celebrate excellence on a monthly basis has grown with 32 nomination being made for the February Star award. Nomination are received each month and the winner is presented with their award by the Senior Leadership Team.

#### **Competitive Pay Levels**

The annual AoC survey was published in January which compares different levels of management pay in the sector. Mrs Higham gave a breakdown of the salary levels within her report. Mrs Higham noted that real comparisons against local competitor employment packages was difficult, as the actual salary is the only element available to compare. Full details were again contained within the report. Mrs Higham and the College HR Manager are looking at putting together a "glossy" publication for staff to highlight the benefits of working at the college which can also be used during recruitment of new staff.

The Chair asked about the feeling within College about paying a premium for staff. Mrs Higham replied that there is a lack of parity and it was discussed at great detail by the Staffing Group. There are other options to be considered such the introduction of 'Golden Hello' payments but decisions to provide additional salaries or one off payments is not without its risks.

#### **Staff and student Wellbeing**

It was noted nine Board members will be attending a Challenging Wellbeing in College workshop with Lisa Hartley on 27<sup>th</sup> March at 9am.

Following further discussion on Mrs Higham's HR update members

#### **Resolved**

- 14/15-2.6**      **i) to note the report and progress against College Strategic Objectives**

*Mrs Higham left the meeting at 6.25pm*

## **14/15-2.7 Financial Situation to 31<sup>st</sup> January 2015 and Outturn Forecast (including cash flow forecast)**

The Director of Finance presented her report on the College's Financial Situation to 31<sup>st</sup> January 2015. Mrs Jarvis reminded members of the difficulties the College had when setting the Board approved balanced 2014/15 budget. Mrs Jarvis advised that a financial action plan was put in place to assist with the achievement of a balanced budget. Mrs Jarvis informed members that she had already begun work on an initial draft budget for 2015/16, as due to continual financial pressure on the College it is essential to maintain a medium term focus.

A draft two year financial forecast is also being prepared and the headline Key Performance Indicators from that will be available shortly. Mrs Jarvis advised that the KPIs will be reasonably healthy and assessed as “satisfactory” financial health.

Mrs Jarvis then reported on the key findings. Although the projected outturn shows a forecast surplus of £92k, this is only after taking into account exceptional income/expenditure items which may or may not come to fruition. It was reported therefore that the College is still planning a balanced budget again with no pay award planned.

### **Income:**

The College received an extra allocation of £200k on the Adult Skills Budget. This has partially been offset by the likely underachievement of adult apprenticeship funding. The targets within the Adult Skills Budget are achievable, but risks lay where there is recruitment on-going throughout the year.

Commercial Income: there is adverse variance of £230k predicted in this area which may be offset by extra ASB income. Some of the commercial targets had been high, but they have been affected by items outside the College's control, for example adverse weather in the winter has resulted in the Sports Pitch not being hired to the capacity expected. The target for learner self-funded provision (FCR) has been challenging and is an area where the College is looking to improve its performance.

### **Expenditure**

Mrs Jarvis reported that there are favourable variances in this area compared to original expenditure budget. The College has achieved to a large extent pay saving targets as it hasn't required the provision set aside for redundancy/restructuring. The College has also made savings on premises costs by rationalising space.

### **Exceptional Items**

The College has now given notice to vacate its rented premises at the Globe Centre, but will still incur rent and service charge costs for the remainder of the lease together with any dilapidation costs. Mrs Jarvis advised that the total dilapidation costs are subject to uncertainty at this point. Mr Stephenson asked if there was anything else the College could do to use the premises whilst the college was still paying rent. Mrs Jarvis said the College would look at the potential to use but it would need to cover any additional costs of having to occupy the facilities i.e. utilities if it was used.

Mrs Jarvis reminded members that the College had received a favourable funding adjustment from HEFCE in 2013/14 relating to a contract in 2012/13. The decision was taken not to account for this adjustment, in agreement with the external financial auditors, in the 2013/14 Financial Statements as the underlying data couldn't be reconciled with the HEFCE. More communication has been had with HEFCE and it is likely the College will account for the additional funding this year, following final advice from Grant Thornton.

Within Mrs Jarvis's report at Appendix 3 and 4 the risks that could affect the achievement of a balanced budget were identified using RAG rating. Members were advised that there are currently no "Red" risks but as the loan covenants are so tight, there is some concern that some the "Amber" risks could move into "Red" at short notice. Mrs Jarvis assured members that she and Mrs Collinge were ever vigilant as to even minute changes in the budget, particularly the expenditure lines

Mrs Jarvis then presented an initial draft of the 2015/16 budget, which indicates the College can achieve a balanced budget, but within this there is no pay award included. The budget will form the basis of the draft two year financial plan. There are a number of growth areas planned particularly in relation to the new Heartwood Centre.

The Senior Leadership Team has reviewed the financial position and an action plan is being put in place with Lead Directors being identified. The proposed budget is based on growth, income and savings, particularly pay, but most of the risks concern the income targets. Additional costs will also have to be taken into account due to National Insurance and Pension cost increases. The College is still working to target the same income as 2014/15, however as members were aware the Adult Skills Budget will see a 24% decrease. Mrs Collinge advised that final funding allocations from the Skills Funding Agency for 2015/16 are due at the end of March 2015.

Mrs Jarvis will present the full draft Revenue Budget for 2015/16 to this committee in June, for recommendation to the Corporation Board for approval.

Mrs Jarvis then updated members on the College's financial cashflow. Members were advised that based on outturn forecast and budget for next year, forecast cash balances at both 2014/15 and 2015/16 year ends are healthy and exceed the Strategic Objective of 20 days cash in hand. All construction costs for the end of Sports Hall Project and the current Heartwood Centre Project are planned into the forecast as is the loan from Lloyds Bank set at £1m.

The forecast balance at 31<sup>st</sup> July 2015 is higher than previously presented due to the payment of construction costs relating to the Heartwood Centre being behind profile. The College may therefore not comply with the strategic objective of 20 days cash in hand during two periods, being March and April, up to 31<sup>st</sup> July 2016. Mrs Jarvis confirmed that the College will work very hard to manage cash around this time to keep balances comfortable as any deviation will impact on cash and achievement of the budget, is important on so many fronts for the college including keeping cash

reserves at a positive level and complying with bank covenants. The Senior Leadership Team are keenly aware of how important it is to achieve a balanced budget over the next two years.

### **Financial Objectives**

Mrs Jarvis informed members that if the College achieves a balanced budget the financial objectives will look healthy. Mrs Jarvis advised that all the risks associated were contained within her report but noted that the biggest risks were around the loan covenants and the uncertainty around the exceptional items, which is why the College isn't in a position to make a decision about a pay award.

The Chair noted that it was difficult for members to concentrate on all the items contained in the report at once and he had therefore taken the opportunity to create and circulate a focused breakdown of the key income and expenditure lines to assist members. In relation to income he had looked at where the College is doing well. 16-18 Apprentices are slightly up with growth potential but this was still a challenging area for the college.

With regard to Project funding, Mr Stephenson advised that this is a definite area of risk and there were also challenges moving into next year such as ESIF contracts. Mrs Jarvis reminded members that the College has a Projects Manager who manages the area from a contractual point of view and then operationally projects are delegated to curriculum teams to deliver. Projects are monitored centrally and report directly to Mrs Jarvis.

The Chair and members discussed learner self-funded provision and noted that this area rarely achieves expectations within budgets. Mrs Collinge noted that this college work is mainly directed at employers. The College has genuinely missed targets which is an issue that is being dealt with but also noted movement between lines where other funding opportunities existed. New management structures are being put in place and the SLT have confidence that this income stream can be improved considerably. It is intended to focus on bigger companies providing bespoke products. It was noted that companies are focused on value for money and return on investment which the college will seek to provide.

Moving into 2015/16 the College should see a reciprocal benefit of bringing all new facilities together on one campus. Mr Shah asked if the College had considered web based training. Mrs Jarvis confirmed that a group had been established to allow staff to come forward with an idea with the opportunity to take forward if viable and that web based training is one of the areas that is being looked at.

Mrs Jarvis presented the Skills Funding Agency financial health statement which confirms the Colleges financial health as "Satisfactory" based on the five year plan submitted 31<sup>st</sup> July 2014. Members discussed the appendix to the document, a financial dashboard, which shows the changes over six years in the College's financial KPIs. Mrs Jarvis noted that this was a useful document and it had already been an item at the weekly SLT meeting. The Chair noted that he received some assurance



from the information. Mrs Jarvis said that it shows a steady recovery and gives members comfort that the College is, with the scrutiny and support of this Committee and Corporation Board, moving in the right direction. Members asked that the SFA statement and its appendix be presented to the full Board for information. Following final discussion members

**Resolved**

**14/15-2.7      To note report and recommend the Skills Funding Agency Financial Health Statement to the Corporation Board for information.**

**14/15-2.8      Capital Expenditure 2014/15**

The Director of Finance presented members with an update in relation to the College's capital expenditure for 2014/15. The report detailed how the College is spending the approved £300k revenue budget allocation. The vast majority has been allocated with a significant amount of expenditure on IT. Mrs Jarvis reminded members that at the December meeting approval was obtained for the College to consider, in some instances, leasing rather than purchase. This was agreed in order to maximise the cash flow and items totalling £81k have now been acquired via an operating lease.

Within Mrs Jarvis's report was an update on property strategy investment. Members noted that in relation to the Sport England Grant for the Sports Hall, a grant of £361k was received leaving the College to fund £852k from its reserves.

The Principal informed members that the allocation provided for capital expenditure was very small in comparison to other colleges and the Curriculum teams work very hard to achieve savings whenever possible within this budget. Members

**Resolved**

**13/14-2.8      to note the report**

**14/15-2.9      College Financial Regulations**

The Director of Finance presented the updated Financial Regulations for the College. Mrs Jarvis advised members that there were only minor changes in terminology and dates and a further slight amendment to one of the points about withholding certificates for learners. Mrs Jarvis pointed out within her cover paper new regulations that are now in place; The Public Contracts Regulations 2015 replacing new requirements to advertise contracts over £20k in a different way. Mrs Jarvis also advised that there had been two minor audit recommendations following an internal audit by Baker Tilly into Capital Projects. The Clerk to the Corporation highlighted pages within the document of particular relevance to members of the Corporation Board regarding members' responsibilities in relation to College finances.

The Chair noted the section in the document about Bribery & Corruption practices and asked if it may be useful for members to have further information provided as to what may constitute a risk in this area. The Clerk said that he would look into this.

After further consideration of the document members

**Resolved**

**14/15-2.9**

**to note the financial statements report and recommend the updated Financial Regulations to the Corporation Board for approval**

The Chair thanked Mrs Jarvis for her comprehensive reports and analysis of the College's financial situation

**14/15-2.10 Declaration of any Confidential Items**

There were no items deemed to be confidential.

**13/14-2.11 Dates and Times of Next Meeting**

The next meeting will take place on Tuesday 23<sup>rd</sup> June 2015 at 5pm

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

**The meeting closed at 7.25pm**