

The Corporation Board of Accrington and Rossendale College

Minutes of a Meeting of: The Resources Committee

Date: 23rd June 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
Dr M Walker	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
Mrs C Jarvis	Director of Finance
Mr S During	Director of IT & Facilities
Mr A Armiger	Clerk to the Corporation
Mrs N Tattersall	Minuting Clerk

Apologies were received from:

Mr Z Shah	Independent Member
Mrs L Spencer	Independent Member

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

Date:
30-06-15
30-06-15
27-11-15

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

The Chair welcomed members to the meeting and introduced Dr Martyn Walker who had recently joined the Corporation Board as an Independent member.

RC

14/15-3.1 Apologies for Absence

Apologies for absence were received from Mr Shah and Mrs Spencer.

14/15-3.2 Declarations of Interest

There were no declarations of interest.

14/15-3.3 Minutes of the Meeting held on 10th March 2015

The Minutes from the meeting held on 10th March 2015 were approved as a true and accurate record of the meeting.

RESOLVED

14/15-3.3 to approve the Minutes of the Meeting held on 10th March 2015 as a true and accurate record of the meeting

14/15-3.4 Matters arising not otherwise on agenda

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

13/14-2.7 ii) to recommend the Skills Funding Agency Financial Health Statement to the Corporation Board for approval.

The Skills Funding Agency Financial Health Statement was presented to the Corporation Board for information on 24th March 2015.

13/14-2.9 ii) to recommend the updated Financial Regulations to the Corporation Board for approval.

The updated Financial Regulations were recommended to the Corporation Board and approved on 24th March 2015.

14/15-3.5 Financial Monitoring: Management Accounts to 30th April 2015 and Outturn Forecast (including cashflow forecast)

The Finance Director presented the management accounts and outturn forecast as at 30th April 2015. Discussing the background to the accounts Mrs Jarvis reminded members that the original budget approved by the Board was a balanced budget before FRS17. It was known when the original budget was presented that it would be hard to achieve taking into account potential cuts in the adult skills budget and the need to maintain growth. Mrs Jarvis went on to remind members that the mid-year forecast in January also projected a balanced budget before exceptional items, which included expenses incurred by moving the Hospitality and Catering provision from the Globe Centre to the main campus.

Mrs Jarvis moved on to a summary of the current position. Members were informed that it was expected that there would now be a deficit of £295k. (£125k before exception items and £170k of exceptional costs) with a final probable deficit after FRS17 projections of £346K It was noted that the HEFCE adjustment received in 2013/14 and treated as an exceptional item had now been moved into the 2014/15 accounts with auditors agreement.

Dr Walker asked about the continuing rental costs of the Globe centre and how they could be minimised. Mrs Collinge replied that the College was looking at opportunities to come out of the lease early, sublet or use the premises as additional classroom space.

Moving on Mrs Jarvis reported that there were expected adverse variances within the fees relating to Advance Learner loans (ALL), HE Fees and Commercial Income. It was also noted that the expected earnings from apprenticeship income was expected to reduce. Mr Stephenson advised that he had always felt that the college had been able to find ways of earning and deliver on any additional income released, such as apprenticeships funding, but it appeared that this was becoming harder to do particularly in recent years. It seemed that the college was now having to work even harder to achieve reasonable incomes. He expected that there were many colleges in the same position and struggling to achieve viable income streams.

Mrs Jarvis explained the reasons for loss of income relating to ALL and HE learners. With regard to HE income it was mostly due to retention and the changes made this year to HE income structures. Dr Walker asked if there was a pattern of why HE learners had withdrawn. Mrs Taylor advised that the college examines the case of each HE learner who withdraws and it was felt that there was a valid story behind each one of them (mainly for personal reasons).

Members were advised that the setting of challenging targets on the College's Commercial Income line particularly in regard to Full Cost Recovery (FCR) had resulted in adverse variance compared to January forecast.

Mrs Jarvis noted that the College has continued to prudently manage expenditure costs with a favourable variance of £185K. There have also been savings made within the staffing budget, partnership (subcontracting) expenditure and learner support spending.

Members were informed that the new predicted budget now places the college at an increased risk of breaching covenants associated with the Lloyds Bank loan agreement. Mrs Jarvis reported that, to demonstrate early action and good financial management, with the agreement of the Principal and Chair, she had contacted Lloyds to allow an early discussion regarding the potential effects upon the covenants currently proposed.

Mr Stephenson advised members that he, on behalf of the Board, Mrs Jarvis and Mrs Taylor had held a very productive meeting at the college with Lloyds. Their representative had said that the sector as a whole was struggling with its finances and the college was not unusual in foreseeing problems ahead. Lloyds were pleased that the college had asked for an early meeting, had a financial action plan in place and that this demonstrated a quality of management that would give the bank confidence in its dealing with the college.

Members asked about further covenants the college held in respect of its previous capital build projects. They were assured that covenants held with Barclays bank were less stringent than the Lloyds covenants as at the time of taking out those loans the economic conditions were better placed for the FE sector and loans were easier to access. Mr Stephenson advised that he felt the College remained in control of the developing position and was taking positive steps to manage the budgets.

Members were reminded of their responsibility for the solvency of the college, but Mr Stephenson confirmed that the college was not in any position currently to become insolvent and was moving ahead in a positive manner.

Mrs Jarvis confirmed to members that the loan facility had not been drawn yet and it seemed unlikely that it would be used before November / December 2015, as the college had used its reserves first alongside the SFA grant to fund the Heartwood project.

Miss Robinson asked what may happen if the Lloyds covenant was breached. Mr Stephenson advised that there were a range of options which could include waiving the breach, renegotiation of the terms of the loan or in the absolute worst case could call the loan in which would then become repayable on demand. He added that the bank were now party to the college's plans and can see what it is doing to ensure action isn't required. There is a good relationship with the bank and this was important in moving forward.

Mrs Jarvis also noted that it was important that the College's Financial Auditors were aware that the College was in discussion with the bank as this will have an effect on their decisions regarding the College as a 'Going Concern' in the yearend audit. Mrs Taylor informed other members that there had been discussion at the Lloyds meeting about the College's longer term strategy and what it is doing in order to sustain the financial stability of the college. Mrs Taylor re-iterated that lending to the FE sector is considered high risk as currently the whole sector unstable and several colleges had found themselves in serious financial difficulties of late. The College could not afford to be complacent in not being in this state, but needs to look at how it can generate cash to rebuild its reserves.

Mr Stephenson reminded members that the Board had been involved in robust discussions prior to it approving the loan and it should retain confidence in its decision.

Mrs Jarvis moved on to inform the members about the current situation regarding the Colleges cash flow reporting that it would be affected by the current capital project and the recently completed Sports Hall project. Members were advised that as normal the lowest point in the year would occur in March and April. Mrs Jarvis also guided members through the situation concerning its General and Cash reserves which could possibly give rise to concern with regards to the previously discussed covenants.

Cashflow forecast – the college is still working through two construction projects and the impact. Compared to last time this item was presented we are now not expecting to draw down the loan until November 2016. Strategic financial objectives – general reserve reduces to £4.4m close to covenant of £4.5m. All other indicators are ok.

Mrs Jarvis concluded her report by re-iterating the risks already discussed by members

Resolved

14/15-3.5 i) to note the report, the risks reported and the actions being taken by the College to minimise those risks

14/15-3.6 Capital Expenditure 2014/15 and 2015/16

The Finance Director presented the capital expenditure report for 2014/15 and proposed minor capital expenditure for 2015/16. Mrs Jarvis noted that the 2014/15

section of the report was predominately for members' information. She reminded members that expenditure committed within the revenue budget 14/15, approved in July 2014 was £300k. To date the college had spent slightly over £247K. Members were informed that as in previous years approximately half of the expenditure has been spent on IT infrastructure. A comprehensive account of capital spending had been supplied to members as an appendix to the report

Mrs Jarvis moved on to the minor capital investment proposed for 2015/16. Mrs Jarvis advised members that the College had made an assumption that it would be approved by the Board, within the 2015/16 Revenue Budget to spend £300k. College teams had as part of their business planning process made bids against this allocation and a list of those bids was provided for members. Members were informed that some spending for IT provision and new cycle shelters had already received grant funding to a value of £31k

Mr Stephenson asked if Mrs Jarvis would be looking at using operating leases again this year. Mrs Jarvis replied that £80k of 2014/15 capital spending had been funded through operating leases which deferred cash of £60k beyond year end. She confirmed that the College will look at this again for 2015/16 expenditure.

Mrs Jarvis advised that there are some items that get rejected which could be seen as a priority but due to cash restrictions not all requests are possible to meet. The 'bidding' process is robust and all bids must be justified as part of team business plans and the overall curriculum. Following additional scrutiny of the capital spending for 2014/15 and the proposed spending for 2015/16 members

Resolved

- 14/15-3.6** **i) to note the report;**
ii) to note the spending for 2014/15;and
ii) to recommend the proposed 2015/16 expenditure as part of the
2015/16 Revenue Budget to the Corporation Board for approval

14/15-3.7 **Subcontractors Management Report**

The Vice Principal (Business and Innovation) presented her report on College Subcontractor management and began by saying that the purpose of the report was twofold; to update members on the current situation regarding the college main Subcontracting partners and to ensure that the College was compliant with SFA requirements in publishing its approved Subcontract Management Fee before 31st July 2015

Mrs Collinge reminded members that the College has sought to reduce its reliance on subcontracting as a funding stream over last two years due to the risks involved in this type of work. Mrs Collinge advised members that the College works with two subcontracting partners and discussed with the members the rationale for those partnerships.

Moving on to the Quality Assurance aspects of working with the partners, Mrs Collinge noted that this area of work had undergone a robust internal audit by Baker Tilly and had been given 'Substantial Assurance' with only one low level recommendation made. It was also noted that Subcontractor outcomes are monitored in line with other college teams as part of the Colleges' dynamic SAR process

Mrs Collinge moved on to discuss the two partners in detail, including success rates, observed teaching and learning outcomes and progression rates for students

Mrs Collinge went on to inform members that it was possible that one of the partners would in future receive its own SFA contract and that this would have a financial impact on the College. However there was a possibility that the College may be able to work with another partner who it had worked with in the past.

Mrs Collinge informed members that Tor View Specialist School was currently in the process of agreeing to enter into a subcontracting arrangement in order to provide high needs provision for learners who may choose to come to the College. Members were advised that 3 learners were being planned for in 2015/16, but the partnership provides opportunity for bigger provision beyond 2015/16. The arrangement was currently undergoing the College's due diligence process

Mr Stephenson reminded other members that the college has always been highly selective when seeking partners and that the key to these partnerships has been around quality and ensuring partners engage fully with college process.

Member moved on to discuss the updated Subcontractors Management Fee Policy. Mrs Collinge pointed out to members where changes had been made to the previous policy and following further scrutiny members

Resolved

- 14/15-3.7 (i) To note report; and
(ii) to recommend the Subcontractors Management Fee Policy
2015 to the Corporation Board for approval**

14/15-3.8 Revenue Budget 2015/16

The Director of Finance presented members with the proposed Revenue Budget for 2015/16. Mrs Jarvis advised members that in preparing the budget she had used the same context as in previous years, that is stretching income targets and building efficiencies, but the budget was also subject to significant funding reduction of 24% on the Adult Skills Budget line and in order to maintain turnover the College would have to backfill with uncertain income streams like FCR.

Mrs Jarvis went on to say that she had started to look at the level of cost savings that would need to be made against the increases to expenditure which are unavoidable such as increases to National Insurance and Pension contributions which may cost the College up to an additional £160k. Mrs Jarvis informed members that in the first draft of the budget it showed a deficit of £600k. The Principalship team carried out further work down to bring the deficit down to £100k deficit. Additional work finally produced a budget with a deficit for 2015/16.

Mrs Jarvis advised members that a balanced budget is not acceptable for the College's financial sustainability and does not increase its cash reserves. This situation will be

challenging to manage, as it always is, at certain points of the year and makes the College vulnerable, as previously discussed in terms of bank covenants.

Mrs Taylor informed members that the College's Senior Leadership Team (SLT) has recognised that the current financial situation is not maintainable and has moved forward, committing to challenging income targets to reposition the College as a £14m college to allow sustainability and future incremental growth. This is based against further cuts to grant funding year on year, reductions in the school leaver cohort until 2020 and increased competition for learners

Mrs Taylor went on to remind other members that the College has, for the past three years, not been able to meet the challenging targets required for growing non-core income. Strategies around moving resources quickly from one growing income stream to another which has worked well in previous years is no longer going to work into the future with lines being cut. Mrs Taylor advised that the Board will need to consider and express its views on what a £14m college will look like in the future and provide a further steer in its advisory capacity.

Mr Stephenson reminded members that this had been discussed many times at Strategic and Development events, but the future now appeared to be much clearer in terms of government thinking and cuts to funding streams. The Board working with the Principalship and SLT would now need to consider the options available and start making strong decisions about the College's future.

Mr Stephenson went on to say that the Revenue Budget for 2015/16 would need to be ready for 31st July. He confirmed with Mrs Jarvis that there was still work to be carried out in the time available before the Board meets on the 9th July with the final draft version for approval.

Mrs Jarvis informed members that 2015/16 would be a transitional year incorporating restructuring and reshaping built in contingencies. Beyond 2015/16 the College would be targeting a surplus of £200k to begin to increase reserves and increase financial sustainability. It was felt that this was, although challenging, achievable.

Dr Walker commented that the College should expand its ability to pick out niche markets and expand its provision as a way of increasing income. Mrs Taylor agreed adding that the College also recognises government priorities and seeks to line up against them. She noted that 16-18 line will be fairly stable even though numbers available will continue to fall for the next few years, but ASB likely to disappear completely over next few years. It was important to ensure that the College curriculum is pointing at areas where there is a financial return and that the college needs to be smarter and even ruthless in order to secure its future.

Mr Stephenson advised that as Chair of the Board he was content with the direction this draft budget is taking the college in, was understanding of the reasons behind the proposed deficit for 2015/16 and was assured of the continuing solvency of college. The College is able to meet payments as and when due, there are reserves, and the

Lloyds bank loan has not had to be drawn down yet. The outlook appeared positive, but the College needs to begin the work required to rebuild for the future. Mr Stephenson noted that he hoped to see the college moving back to a position where it could have regular annual surpluses, as in the past, of £300-£350k.

After final discussions Members noted the reports and agreed that they had provided full scrutiny of the current proposals. The Committee accepted in principle the current draft budget presented and agreed that further work still needed to be done by the College SLT before a final draft budget could be presented at the Board meeting on July 9th. Members

Resolved

**13/14-3.8 (i) to note the report and risks associated; and
(ii) that a final draft Revenue Budget for 2015/16 will be presented to the Corporation Board for consideration and approval**

Mr Stephenson thanked Mrs Jarvis for presenting her meticulous reports

14/15-3.9 Property Update incl. Post Occupancy Evaluation of ERG3 Project

The Director of IT & Facilities presented his report noting that he would begin by looking at the progress being made in terms of the construction of the Heartwood Visitor Economy Centre (VEC) centre project.

Mr During advised that the project was 35 hours behind schedule, but contractors will do everything they can do to ensure that the project is delivered on time for the 14th August 2015. He reported that the construction was progressing well and it was hoped that the building will be fully water tight very soon which will allow interior work to progress swiftly. The one real problem concerning the build has been around parking for students and visitors, but new parking areas have been created as part of the project with these new parking spaces now being released.

Mr During reported that the project has been successful in drawing down the full SFA grant in a timely manner and therefore all of the grant money had been secured.

Mr During moved on to other property matters and informed members that the College had made a decision to cease its full time activities in the Maden Centre in Bacup as most of programmes were funded under the ASB and due to the reduced funding available it has become uneconomical to maintain the lease which will expire at end of August 2015.

Continuing, Mr During informed members that a Post Project Evaluation had been conducted on the ERG 3 projects. He reminded members that this had been an extensive project over a long period of time and included 4 'mini' projects concluding with the building of the Sports Hall. Mr During was pleased to report that all projects were delivered on budget. There had been a small delay in practical completion of the overall project but it was known from the outset that the timetable was tight and

some delay was expected. Members were told that the College was particularly pleased with the work of E3 Cube who managed the project.

Mrs Taylor advised that the Sports Team now have a facility where it can deliver its curriculum effectively and new sports programmes have been introduced because of the environments available. The creation of the sports complex has also created new areas for programmes such as Interior Design to be re-introduced in the space formally occupied by the College gym.

Mr During advised that lessons had been learnt, but the tender process was robust and the college benefitted by employing a reputable project manager with a proven track record. The College has also realised that earlier consultation with local residents assists with communication and this has been done with the current VEC project. It was recognised that seeking pre-planning advice from the local authority also aided the project in terms of pre-empting planning issues

Members were informed that a Financial Analysis of Post Project Evaluation of ERG3 had been completed and a summary of this had been presented to the committee. Mr During also advised that there had been an internal audit of Capital projects requested by the Audit Committee. This had received 'Substantial Assurance' which had confirmed confidence in the College's processes for this type of work.

Mr Stephenson said that it was extremely useful to be able to look back on these major projects and to see that whilst the College had performed very well it was still possible to learn lessons from projects such as ERG 3 which have benefitted the more recent VEC project.

Mrs Taylor added that Sport England said the College were exemplary in its project management and this had assisted in additional funding being made available for the project.

Returning to the matter of the Maden Centre, Members asked if the premises could be used on ad hoc basis in the future. Members were concerned that learners in the Rossendale Valley should have access to College programmes. Mrs Taylor confirmed that the college would be able to use the facility for short programmes. She went on to report that numbers of learners from Rossendale had increased but they were mainly on the College's Workbased learning programmes.

Mrs Taylor agreed that it was very important that the College maintains its presence in the valley and had discussed this with the new Chief Executive of Rossendale Borough Council at a recent meeting. It was very important that it was not perceived in any way that the College was 'pulling out' of Rossendale. It was quite the opposite as the College looks for new effective and efficient ways of working in the borough.

Resolved

14/15-3.9 to note the report and the positive messages contained within it.

14/15-3.10 HR Strategy Monitoring

The Director of People & Performance presented her report beginning with a general update of issues members need to be aware of. Members were informed that with regard pay position for 2014/15 it would not unfortunately be a surprise to members, considering the discussion held at Item 14/15-3.5, that it's unlikely that the college will be able to make a pay award to its staff. Mrs Higham advised that she would be working with Mrs Taylor to draft a letter for staff concerning the matter, this will also come through the Chair.

With regard to national negotiations for 2015/16 the National Joint Forum had met in May. At that meeting the AoC had stated that it didn't have a mandate from colleges to offer a pay award, but would continue to work with the Colleges to obtain that mandate.

Mrs Higham moved on to guide members through actions taken against Strategic Aims and related objectives she was responsible for. Of the many actions reported to members Mrs Higham highlighted:

To remain an outstanding College –

- With regard to performance management 100% of teaching and learning staff were completed by the end of 2014 and 92% of mid-year reviews were complete by March /April.
- Unannounced Observations of Teaching and learning had resulted in 85% being graded good or better and 33% outstanding (which is slightly short of the ambitious 35% KPI for 2014/15).

To be an employer of first choice for talented and innovative staff -

- With regard to the recent Staff Survey 2015 (to be reported on at Item 14/15-3.11) overall satisfaction with working at the college had risen by 6.3% to 74% (against a very ambitious 80 % KPI) with a response rate 79.2% (0.8% below the target set)
- Work to achieve the Commitment to Well Being Award has not yet been completed, but the work done has raised the profile of the issue in College and many staff have taken on the well-being initiative and take part in sports clubs. Well-being information is circulated weekly via e-touch and a range of national initiatives, such as 'On your Feet Britain' and the 'Mid-day Mile' have been promoted and accessed in college.

Resolved

14/15-3.10 to note the report

14/15-3.11 College Staff Survey 2015

The Director of People & Performance presented the highlights of the report which members had received. Mrs Higham began by informing members that targets for participation and overall staff satisfaction had been set at an ambitious level of 80%. The actual results of the anonymous survey were that participation had risen to 79.2% (an increase of 15.25% from 2013/14) and overall satisfaction had risen to 74% (an increase of 6.3% from 2013/14)

Mrs Higham highlighted the 6 areas of greatest agreement of satisfaction and lowest agreement.

The 6 areas of greatest agreement / satisfaction are:

- The College respects the equality and diversity of its staff (95%)
- I know and understand what is expected of me in my role (95%)
- My manager is approachable and supportive (94%)
- In general, I understand the College's priorities, strategic aims and performance (93%)
- I am treated fairly and with dignity and respect in this College (91%)
- My team meet regularly to share information and get feedback from our manager (88%)

Mrs Higham reported that these are the same 6 areas as last year although ordered differently.

The 6 areas of lowest agreement / satisfaction are:

- I can see promotion prospects within the College
- Poor performance is addressed effectively throughout the College
- I feel I have job security *
- The Board of Governors is supportive of the work of the College *
- The morale in my team is high
- I am paid fairly for the work I do

* indicate changes from last year,

With regard to questions asked about the work of the Board at College the responses were as follows:

- **The Board of Governors is supportive of the work of the College**
 - 57% agreed or strongly agreed (compared to 53% last year)
 - 2% disagreed or strongly disagreed (compared to 10% last year)
 - 41% didn't know (compared to 37% last year)
- **I understand the role of the Board of Governors**
 - 64% agreed or strongly agreed (compared to 60% last year)
 - 23% disagreed or strongly disagreed (compared to 36% last year)
 - 13% didn't know (compared to 4% last year)

Members found the results of this section interesting as members as a whole had had a far higher profile in College during the past year attending many events and being involved in many of the college's quality process meetings, such as the SAR and Curriculum Business Planning meetings. Members recognised that there was still some work to do to ensure that College staff were aware of the effective work the Board carries out on behalf of the College and its stakeholders.

Mrs Higham advised members that there was now work to be done with the survey, particularly at team level, over the summer and an action plan produced to tackle areas receiving the lowest agreement / satisfaction .

The Chair asked that the report be distributed to all members of the Board for their information. The Clerk said that he would do that and also that he would place the spreadsheet with all the comments from the free answer section of the survey on the Governors Portal so that all members could access the many answers given.

Following final discussions on the report members

Resolved

14/15-3.11 to note the report and the issues raised within it

14/15-3.12 Declaration of any Confidential Items

The appendix contained within Item 3.10 was deemed to be confidential and was to remain permanently confidential.

13/14-3.13 Dates and Times of Next Meeting

Dates to be confirmed at the Corporation Board Meeting on 9th July 2015.

Mr Stephenson asked members of the Committee to be prepared to attend an additional meeting (prior to the next meeting in November) should the need arise to consider the financial position of the college.

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

The meeting closed at 8pm.