

**Minutes of the Resources Committee meeting
Held on Tuesday 7 November 2017**

Members

Mr Peter Matthews*	(Committee Chair)
Mr Peter Brammall*	Principal
Mr John Barrett	Governor
Mr Stewart Fergusson*	Governor
Mr Chris Hinde*	Governor
Mr Tony Minhas*	Governor
Mr Carl Pearson*	Governor

In Attendance

Ms Clare Hatton*	Assistant Principal, Employer Engagement and Growth
Mr Mark Payne*	Vice Principal, Finance & Resources
Mrs Elise Scotford*	Clerk
Mrs Debbie Wright*	Assistant Principal, Personnel & Equalities

* Present

The meeting started at 4.00pm.

ACTION

- 1) **Welcome and Apologies**
The Chair welcomed all present. Apologies had been received from John Barrett (holiday) and were approved by Governors.

The Chair reminded Governors that the Committee's remit would continue to cover Finance, HR and Estates.
- 2) **Declarations of Interest**
There were no declarations of interest.
- 3) **Minutes of the previous meeting – 2 May 2017 (DOCUMENT 1)**
The Minutes of the meeting held on 2 May 2017 were agreed as a true record and were signed by the Chair.
- 4) **Matters Arising**
There were no matters arising.
- 5) **2016/17 Members' Report and Financial Statements (DOCUMENT 2)**
MP apologised the lateness of the issue of the finance papers but it was important that the documents were accurate. The delay had been caused by a combination of factors: availability of data and other merger related workload which affected the availability of MP and other staff.

The document 2 contained 2 sets of accounts: those for City College which was no longer in existence and those for Coventry College previously Henley College. Key points highlighted included:

- 5.1 The combined position showed an operating surplus of £890k. The cash position at 3 July 2017 stood at £5.4 million.
- 5.2 Yet to be finalised was the wording to be used in the members report and notes to the accounts that:
 - * City College accounts dissolved at 31 July 2017.
 - * Henley College had inherited the assets and liabilities of City College from 1 August 2017.
- 5.3 Restructuring and merger costs of £1.5 million had been factored into the merger business case. It had been anticipated that most of them would be taken from 31 July 2017 but the largest part would take place post-merger with around £500k in the pre-merger. MP agrees that a final decision needs to be taken on the basis of accounting for and suggested that this would be done in the Henley accounts with a provision of approximately £1 million.

As the accounts had been tabled, Resources Committee members were invited to attend the Audit Committee meeting as Observers to offer their comments. Governors' comments before the Audit Committee meeting to be fed to the Committee Chair.

No substantial issues were raised from the presentation of the accounts.

Governors asked if the College anticipated any further changes to the accounts at this point. MP said they would essentially remain the same but he had not yet had chance to meet with the auditor to agree any final minor changes.

Governors noted the underlying operating surplus of £890k was better than projected for the end of the year. MP explained that this gave a financial rating of Satisfactory which was better than the anticipated financial rating on merger.

Governors referred to FRS pensions and asked if that was an accounting issue. MP confirmed it was. The underlying pension deficit had reduced by approximately £8 million.

Governors noted that £5.4 million in cash equated to 75 cash days and asked what the position had been on merger. MP advised that on 31 July 2017, £3.4 million belonged to Henley College and £2.1 million had transferred to the new college from City College.

Governors recommended the approval of the 2016/17 members' report and financial statements subject to consideration by the Audit Committee.

6) **KPIs (DOCUMENT 3)**

The KPIs were presented by the VP, Finance & Resources. Key points highlighted were:

- 6.1 New layout explained by MP. The document had been split into 2 with one for Resources Committee and one for Standards Committee.
- 6.2 The KPIs were RAG rated, with the key area for scrutiny being how items were moved on from Amber to Red. The narrative outlines the steps needed.
- 6.3 Utilisation data was not available as MIS systems are being upgraded.
- 6.4 Financial indicators were broadly Green at the present time. Actions were planned for the restructure of middle management and there were potential shortfalls on some income flows.
- 6.5 Funding agency contracts section – 2016/18 contract delivery – target 2945 vs actual 2984 – this should be Green but the position needs to be finalised post day 42. The curriculum teams feel the final figure will be near that number. This represents half of the College's income and the College has a 50% market share of the City's students.
- 6.6 Apprenticeships delivery is short of target at the moment. Projections would take the College just over its apprenticeship budget. CH explained the reasons behind this: there had been a change in profile of some of the delivery this year. The College had recruited more engineering and digital apprentices. New apprentices had a value of £27k (Engineering), £15-18k (Digital) and £2k (Business Admin). The College has focused on high value apprenticeships. CH advised there was work to do and opportunities to pursue but felt apprenticeships were in a positive position at the moment.

Governors noted there was a significant amount of income still to be realised between now and July and asked how scientific the projection was. MP explained it was scientific in so far as the available data gives a fairly accurate prediction of income already earned but that the key factor was the prediction of income for the remainder of the year from the Commercial Development team. CH explained how the prediction was formed.

Governors pointed out that there was a big gap to close in the numbers of 19+ apprentices enrolled, noting that approximately 200 needed to be secured, and asked how that would be addressed. CH explained that in October there were 300 apprentices for whom payment would be received in November and December. The action needed would depend on what type of apprentices were taken on and the funding earned. The College was attracting high value apprentices.

Governors asked at what point in the year the forecast would be known. MP explained that 31 January 2018 was the midpoint in the year and the forecast at that time would be brought to the relevant Resources Committee.

- 6.8 DW advised that the 2 HR systems were being integrated. It was assumed that staff utilisation levels would be acceptable but this would be picked up in the Progress Review Board.
- 6.9 Governors noted that the staff turnover target was 19% and asked if that was because of staff departures. DW said it related to voluntary departures which included people leaving to take up promotion opportunities elsewhere and voluntary redundancies and was a healthy turnover level.

Governors stated that high turnover of teaching staff had caused problems at City College in the past and asked what assurance was in place to ensure that the target would not affect the quality of teaching. PB explained that the position would need to be monitored via the Vital Signs tool. It was difficult to recruit to some areas because of staff leaving and the College needed to review how it retained and attracted staff.

Governors suggested that reports included commentary on staff turnover hot spots.

Governors asked what the sector norm was for staff turnover. DW confirmed it was 20% but pointed out that there were different turnover levels for different staff categories, with teaching being higher than business support. DW agreed to feedback on any trends arising.

- 6.10 Financial – in-year restructuring – savings will be realised in-year. Associated costs needed to be minimised.
- 6.11 Pay as a percentage of income - may be monitored as the year progresses. It currently stands at 61% which is very low for a college. Governors questioned the target for pay as a percentage of income and were advised that the target set for the year was 67% with the percentage likely to rise to that level by the end of the year. Although the net deficit will be lower because income could be £1 million lower than budgeted for the pay proportion increases.

Governors noted that middle management costs needed to be reduced and the benefits of the middle management restructure would affect cash earlier in the year. MP acknowledged that some streamlining of management was needed to make the College more efficient. MP pointed out the need for a clear message to be in place regarding the restructuring and redundancies given the College's cash position.

- 6.12 MP explained the Performance Review Boards would meet in November, February and May to look at issues with resources implications, e.g. enrolment, performance against target, staffing mobilisation and utilisation.

7) **Finance update (DOCUMENT 4)**

The finance update covered: 2016-17 financial outturn; 2017-18 management accounts; financial regulations; Aptos finance system; LGPS pension deficit deliberations. Key points highlighted included:

- 7.1 An amendment to the Financial Regulations was recommended by MP, i.e. removal of the requirement to seek Corporation approval for capital procurement of £50k or more to bring it in line with the non-capital procurement where the Corporation previously removed a £100k approval threshold.

Governors approved the amendment to the Financial Regulations.

- 7.2 Integrated finance system – the College was to pursue an upgraded City College system as, if the old Henley College system had been used, it would have had to be upgraded. The new system will be in place from 1 February 2018. This is one of several significant changes within the College taking place in the next few months.

- 7.3 LGPS – letter of intent relates to a more favourable arrangement in place by 31 December 2017 following the offer of security to the pension fund. The LGPS accept a different valuation system than the banks.

Governors asked if the College was still in conversation regarding valuation of the City College buildings. MP confirmed that valuations had been received on both colleges' buildings. This information will also be shared with the LGPS.

Governors asked if the HCA covenant was payable if the site was not used for educational purposes. MP advised that the HCA covenant disappeared on 28 August 2017 as the conditions imposed on City College had ended.

- 7.4 Governors noted the contents of the report.

8) **Management Accounts – September 2017 (DOCUMENT 5)**

The management accounts were presented by the VP, Finance & Resources. Key points included:

- 8.1 Income – budget pressures on non-agency contract lines were outlined, i.e. shortfalls on enrolments against HE courses and courses where L3 adults have had to take out a loan; short courses and contract for high needs provision with the LA. It was expected at this stage that income could be up to £1 million below budget.

- 8.2 Pay expenditure – provided restructuring of middle management produced savings as planned could potentially be up to £0.5 million below budget.

- 8.3 Restructuring and merger related expenditure – the £1.5 million set aside for this may not all be required which potentially gives up to £0.5 million headroom for this year.

- 8.4 As things stand, the College would end the year on a Satisfactory financial rating.

- 8.5 Next steps were outlined as per the report.
- 8.6 Governors suggested a detailed report be compiled including the financial implications compared to the merger business case.
- 8.7 Governors noted the financial focus was narrow and wanted to better understand how the College was performing and the shortfall on HE fees and asked for a more comprehensive update next time. SLT to come back to Governors with a written explanation of what this means for the business as a whole not just the financial implications.

CH left the meeting

9) **Health and Safety update (DOCUMENT 6)**

A verbal Health and Safety update was given by the VP, Finance & Resources. Key points were:

- 9.1 Signage at both sites has now been updated to the new college branding.
- 9.2 Key processes and procedures have been reviewed by MP. There has been a good sharing of practice between the 2 campuses.
- 9.3 Both campuses have held effective fire evacuation drills.
- 9.4 A Health and Safety Committee is to be established and will meet before Christmas. One Committee for the whole college will be formed and will rotate its meetings across the 2 campuses. The Committee will include trade union representation.
- 9.5 The 2 H&S policies of the former colleges will be merged. The City College policy is being used for now, rebadged with the Coventry College logo.
- 9.6 Most significantly, there was no difference in how each campus operated. Work was ongoing to explore security access arrangements. Money has been spent on signage at both campuses.
- 9.7 There are currently Heads of Estates and Facilities at both sites which will be subject to restructure but the College will look to retain a senior management presence on each site.
- 9.8 Each site has health and safety risk assessments.
- 9.9 MP had carried out a brief review but no points of concern had been raised to suggest the College was not safe or compliant and all was being well managed.
- 9.10 A greater concern related to safeguarding and security, particularly regarding security at the City campus. Henley campus was redesigned more recently so its security measures were more up to date.
- 9.11 A Governor Health and Safety rep is required – MP to bring a more formal plan to a future meeting.

- 9.12 Governors asked what the next steps were. MP explained that the restructure needed to be completed first and future plans would depend on how departments were structured. The Health and Safety Committee is the first priority and will be chaired by MP.
- 9.13 Governors asked if the Disaster Recovery Plan needed to be revisited and updated. MP advised this should be done annually. A Business Continuity Plan for each college would be combined into one document.
- 10) **Middle Management Restructure (DOCUMENT 7)**
An update on the restructure was given by the AP, People Services. Key points highlighted included:
- 10.1 There had been changes to the original plan. SLT members were working on proposals around the middle management structure. It will go to the various SLT members for sign off. The original plan had been revisited to realise more savings.
- 10.2 DW outlined the changes.
- 10.3 The College was looking to share proposals with trade unions next week and then with affected staff with the consultation running up to early December. When the results of the consultation process are known, the final picture of posts to be removed will be clear and the process for voluntary redundancy can begin. Redeployment will be dependent on what posts are available in the College.
- 10.4 Governors asked for clarification of the Heads of School and Curriculum Leader structure. DW explained the structure and those affected by the changes. The new title will be Heads of Curriculum. 10 posts will be lost but only 8 are at risk of redundancy with the likelihood of opportunities for redeployment for the remaining ones.
- 10.5 Governors asked if the process was being managed in-house or via the use of consultants. DW confirmed it was all being handled in-house as resources were available.
- 10.6 Selection criteria established for the Head of Curriculum and Curriculum Leaders. Job descriptions and person specs currently being compiled – these will be subject to consultation.
- 10.7 A consistent approach will be needed. Proposals will be shared with the unions first before being shared with affected staff straight after.
- 10.8 MP has taken figures from the emerging changes to map the potential savings level to be achieved but it was acknowledged that there are many variables at this stage as specific savings and redundancy payments are unknown at the moment. Savings on redundancy payments may be achieved through the redeployment process.
- 10.9 Governors believed the scale of the savings were sensible but asked if this would provide a middle management structure that was fit for purpose. The main driver for the exercise should be an appropriate management structure.

PB explained that the individuals appointed to the SLT had looked at the current and proposed position of both campuses and looked at optimum usage compared to the merger business case but clearly the balance had to be right to realise the financial numbers as well as delivering on quality for the new college. A benchmarking exercise had been conducted to map the proportion of management posts to teaching and delivery.

- 10.10 Governors pointed out that the redundancy process needed to be fair and robust with a strong communication programme in place for the staff's benefit.
- 10.11 Governors asked if the new contract included mention of possible deployment across both campuses. DW confirmed there had always been a clause in the contract explaining that staff needed to be prepared to work on any site associated with the College. This had never created any issues in the past and working across the campuses was being accepted as the norm now.
- 10.12 Governors noted that the consultation document was very important in setting out the business case to enable staff to understand the restructure was in the best interests of the College.
- 10.13 DW confirmed the next update would be given to the December Corporation meeting
- 10.14 In response to a Governor's query, DW confirmed that any issues raised by trade unions would be handled in-house at management level. The College was taking a unified approach in dealings with them.
- 10.15 Governors stressed the need to ensure there was enough flexibility in the structure to adapt as the process progressed.

11) **Employee Engagement (DOCUMENT 8)**

The AP, People Services presented the paper. Key points highlighted were:

- 11.1 The key priority was employee buy-in to the new College with staff feeling they had an opportunity to contribute.
- 11.2 This was the first draft of the employee engagement and culture change plan. It had been shared with the unions and management team. It was particularly important for the first year after merger and would be updated as it evolved through the year.
- 11.3 A thorough and systematic approach to communication throughout the organisation was acknowledged to be important.
- 11.4 Governors asked if everyone knew who the Principal was. PB said that students, in particular, knew him. PB acknowledged that, on personal reflection, he had not got out as much as he had wanted to. He was keen to have 1-1 sessions with all the managers and to spend time with the staff teams. It was planned that noticeboards containing photographs of SLT and Governors would be placed around the College.

- 12) **Any Other Business**
There was no other business.
- 13) **Specific Items for Highlighting to the Full Corporation by the Chair**
- Finance report
 - KPIs and Vital Signs
 - Financial Regulations change
 - Health and Safety
- 14) **Exclusions from publication**
- Management restructure
- 15) **Date and time of next meeting**
Tuesday 30 January 2018, 4.00pm

The meeting ended at 5.45pm