DOCUMENT 1

Minutes of a Resources Committee meeting held on 1st May 2018 at 4.00pm

Held in the Meeting Room at Henley Campus

Present: John Barrett (Independent Governor)
Peter Brammall (Principal)
Chris Hinde (Independent Governor)
Peter Matthews (Independent Governor)
Tony Minhas (Independent Governor) (Chair)
Sue Noyes (Chair of the Corporation)
Adam Wheatley (Independent Governor)

In Attendance: Jim Edwards (Clerk to the Corporation)
Mark Payne (Vice Principal Finance and Resources)

R1/18 Apologies for Absence

Apologies for absence were received from Stewart Fergusson.

R2/18 Declarations of Interest

There were no declarations of interest.

R3/18 Minutes of the Last Meeting held on 30th January 2018

The minutes of the last meeting held on 7th February 2018 were approved as a true record.

R4/18 Matters arising

i) Under Minute 6.7, The Clerk reported that the terms of reference for the Resources Committee would be reviewed in September 2018, as agreed by the Corporation.

R5/18 KPIs

1. The Vice Principal Finance and Resources presented the latest KPI data for those areas over which the Resources Committee had oversight.

<u>Adult Education Budget (AEB)</u>

2. Although the prediction is that the AEB income budget will be met in 2017-18, Governors were made aware that, in order to do so, a further £100k of provision would have to be delivered successfully in the final four months of the financial year. This represents a significant challenge, and the Vice Principal Finance and Resources explained that the current RAG rating was that there was a high risk that the income target would not be achieved.

3. Governors were informed that if 97% or more of the funding target was achieved, then there would be no clawback from the funding agency. The curriculum teams have a delivery plan in place to deliver

enough programmes in order to meet the target, and Governors were informed that, if this were the case, given the financial performance elsewhere in the College, the bank covenants would not be breached. The Vice Principal's current assessment is that the AEB shortfall will be £120k-£150k, which would be within the 97% threshold.

4. Should the AEB funding target fall below 97%, thus resulting in clawback, there would not only be an adverse impact on the College's finances, but there would also be a reputational risk.

5. Governors explored the reasons behind the downturn in AEB enrolments, and the Principal reported that a combination of increased competition from other providers, the poor uptake of student loans, and changing criteria for enrolment eligibility, had impacted on numbers. It was accepted that the College's AEB offer should have been previously reviewed, and it was confirmed that the provision in 2018-19 was being considered as part of the curriculum planning process

6. Nationally, the overall under-achievement of AEB funding allocations is an issue, and in the West Midlands there is also some underspend.

Apprenticeships

7. 16-18 apprenticeship enrolments are expected to achieve the year-end target, but 19+ enrolments are significantly behind target and will not be met, thus resulting in downturn in income for this particular aspect of apprenticeship delivery. The current RAG rating for this particular area is 'Red'. However, overall income for apprenticeships is expected to be achieved because of the 16-18 performance.

8. Governors explored the reasons behind the adult apprenticeship numbers, and it was suggested that the target in 2017-18 may have been too ambitious in what is a very competitive and complex market. The Vice Principal reported that, as part of the curriculum planning process, the apprenticeship offer will be aligned to employer and stakeholder requirements.

Staff Absence

9. Staff sickness absence is currently below the target out-turn for the year, and is at the sector average. However, because of an increase in long-term sickness, the target might not be achieved at year-end. Ths RAG rating is 'Amber'

Room Utilisation

10. Room utilisation is RAG rated as 'Red' and is currently at 25% against the target of 35%. Both campuses are experiencing relatively low room utilisation, but particularly at the City campus. Governors were informed that the room utilisation % was calculated by multiplying the room occupancy % by the seat occupancy %. Poor attendance will affect the seat occupancy and will therefore adversely impact on overall room utilisation.

11. A review of overall room allocations and whether accommodation is fit for purpose will be undertaken as part of the curriculum planning process for 2018-19. The aim is to ensure that teaching accommodation is configured according to the curriculum needs, particularly in respect of IT facilities, which are in high demand. Curriculum teams will be accountable for the room utilisation in their accommodation allocations

12. In the current year, there has not been much curriculum movement between campuses, and this will be reviewed with the aim of creating space to allow for non-core activities to take place. It was noted that the College was currently reliant on 80% of income from funding agencies, and it was agreed that this was too high.

Financial Contribution

13. Overall financial contribution is projected to out-turn at 44% compared with the target of 50%, because of the income shortfalls in 2017-18.

14. Governors were informed that a 50% overall contribution was the sector norm, and the impact of the College's current performance in this particular area was explored. The Vice Principal reported that, because of the release of accruals that had not materialised as expected during the year, the College's overheads would be fully covered. However, into 2018-19 and beyond, there was a requirement to ensure that a 50% overall contribution was achieved; otherwise, efficiency savings would have to be sought.

15. An additional consequence of a financial contribution of less than 50% is that the amount of capital investment will be restricted.

16. The Vice Principal reported that training would be undertaken for curriculum managers to raise their awareness of the financial contribution model, and how they are empowered to take positive actions.

<u>Staff Satisfaction</u>

17. Governors requested more detail behind the staff satisfaction KPI. The Assistant Principal People Services reported that the current staff survey had closed on 20th April 2018, and that the responses were currently being analysed. The response rate to the survey was 46%. A report will be brought to the next Resources' Committee meeting on 5th June 2018.

<u>Staff Utilisation</u>

18. The Assistant Principal People Services reported that staff utilisation was currently at 94% on average (City campus 93%, Henley campus 96%). Maths and English revision sessions will increase the utilisation figures, and it is therefore expected that the annual target of 95% will be achieved.

19. Governors resolved:-

    i) to note the KPI report, and to thank the Vice Principal Finance and Resources for his presentation;

    ii) to agree that a cost-analysis on each teaching room should be provided at the next Resources' Committee meeting on 5th June 2018; **Action: Vice Principal Finance and Resources**

    iii) to agree that an analysis of financial contributions by curriculum area should be presented at the next Resources' Committee meeting on 5th June 2018; **Action: Vice Principal Finance and Resources**

    iv) to endorse the training being provided to curriculum managers on the financial contribution model;

R6/18 Management Accounts as at 31st March 2018

1. The Vice Principal Finance and Resources presented Governors with the management accounts as at 31st March 2018 which included the forecast outturn to the year end.

2. The end of year outturn is projected to be a £100k operating deficit against the budgeted operating deficit of £1.546m, and the reasons for this improved position were explained as follows:-

    - £1m of restructuring costs was provided for in the 2016-17 accounts;
    - Income shortfalls of £643k have been partly offset by non-pay savings of £576k;

- There are savings of £400k against merger-related costs

3. Pay as a proportion of income is currently 70%, but is expected to out-turn at 66% against the target of 65%. The additional AEB activity up to the end of the year will contribute to this improved position.

4. Governors sought an explanation as to the costs of agency staff being used by the College, and were informed that the equivalent cost of a member of staff through an agency was 30% more than a College employee. There are also some concerns over quality, and the College is continuing to seek to reduce the reliance on agency staff.

5. Governors queried when the costs of pay harmonisation post-merger would be realised, and were informed that these were likely to be incurred during 2018-19.

6. The College's financial health, based on a range of indicators as part of ESFA's assessment methodology, is currently 'Satisfactory'.

7. The projected cashflow at year-end is £3.892m, equivalent to 58 cash days, which is in line with the budget. However, the cashflow position in March was better than expected, and it is therefore hoped that the year-end target will be exceeded.

8. Governors noted that net current liabilities had increased, and it was explained that the figure included internal recharges. The year-end net current liabilities' position is projected to be £309k against a budgeted figure of £864k.

9. Governors resolved:-

   i) to note the current financial position, and the positive projected out-turn of an operating deficit of £100k against the budgeted £1.546m deficit;

   ii) to note the improved cashflow position against budget;

   iii) to agree that a 12-month rolling cashflow projection should be presented to the Corporation for approval at its meeting on 3rd July 2018. **Action: Vice Principal Finance and Resources**

R7/18 Financial Forecast 2018-21

1. The Vice Principal Finance and Resources presented various options and the balance sheets for the financial forecast 2018-21, and Governors considered each of these in detail. In doing so, the current and projected performance against the merger business plan was assessed.

2. Governors queried the planning process behind the financial forecasting, and the Vice Principal Finance and Resources reported that, following the recent management restructure, there had been a greater involvement from Heads of Faculties and curriculum managers in formulating the curriculum plan for 2018-19.

3. The College's preferred option (Option A) is one whereby modest growth in income is projected, and pay and non-pay cost reductions are made to achieve an operating surplus of £662k in line with the merger business case.

4. Within this recommended option, income would increase from £24.872m in 2017-18 to £25.711m in 2020-21, and partner delivery would be terminated, thus meaning that all AEB would be delivered in-house. In addition, 16-18 provision would increase, as would income from apprenticeships, high needs, 14-16, H and adult loans. These current projections are dependent on the 2018-19 curriculum plan delivering the requisite levels of growth.

5. Pay expenditure is forecast to increase from £16.403m 2017-18 to £17.226m in 2020-21, mainly because of annual pay increments, pay awards, pension contributions, and merger harmonisation costs. This increase in costs is partly offset by pay savings made in 2018-19.

6. Non-pay costs are projected to decrease from £8.642m in 2017-18 to £7.992m in 2020-21, because of the planned reduction in partner delivery payments; the conclusion of merger-related costs; reductions in depreciation, and relatively modest reductions across business support departments. It was noted, however, that interest costs would increase over the period by £100k because of an increase in LIBOR.

7. The recommended option is projected to achieve 'Good' financial health according to ESF criteria.

8. Governors queried the level of capital investment being proposed during the period, and stressed the importance of investing in good quality facilities and resources, particularly in IT, to improve the student experience, and to support and sustain the planned growth.

9. Discussion turned to the other options presented for consideration, and, while two options (Option C and D) were discounted because of the deficit budget out-turns, the remaining option (Option B) was reviewed against the recommended Option A.

10. Governors noted that Option B achieved the same projected out-turns and the same financial health rating across the period of the financial forecast, albeit with no growth and a greater level of pay and non-pay reductions, and queried why the College would not adopt this particular option. In response, the Vice Principal Finance and Resources explained that the College wished to ensure adequate and sufficient further education provision for Coventry, and that this could only be achieved through sustainable growth across curriculum area that met student and employer needs. Option B represented a more commercial approach, which would have to be adopted, either in full or in part, if the planned growth did not materialise.

11. The Principal commended Option A to Governors, being prudent and achievable, and also being aligned with the merger business case.

12. Governors further queried the basis of the growth plans in Option A, and whether it was aligned with the strategic plan. It was suggested that a detailed report on the growth assumptions should be presented to the next meeting of the Resources' Committee on 5th June 2018.

13. After due consideration, Governors resolved:-

    i) to approve the financial forecast Option A for the three-year period 2018-21;

    ii) to request that a detailed report on the rationale being the recommended growth plans should be presented at the next Resources' Committee meeting on 5th June 2018; **Action: Vice Principal Finance and Resources**

    iii) to request that various options for capital expenditure, along with associated balance sheet scenarios, should be presented at the next Resources' Committee meeting on 5th June 2018, to ensure that enough investment was planned to support the College's growth plans; **Action: Vice Principal Finance and Resources**

    iv) to request a report on the current IT resources and facilities; **Action: Assistant Principal Student Experience**

iv) to note that the finalised financial forecast 2018-21 would be presented to the Corporation for approval on 3rd July 2018.

F8/18 Risk Register

1. The Vice Principal Finance and Resources presented the latest update of the risk register for those areas which are overseen by the Resources' Committee.

2. Risk 2 'Failure to recruit sufficient students' is currently RAG rated as Red (likely probability, and significant impact). However, it was reported that this position should improve during the remainder of the year such that the target would be met.

3. Risk 10 'Failure to meet key financial targets' is currently RAG rated as Amber (possible probability, and significant impact). The latest projections are positive though, and therefore the RAG rating is expected to reduce at year-end.

4. Risk 16 'Failure to maintain good industrial relations' is currently RAG rated as Amber (possible probability, and significant impact). The recent staff restructuring was managed well with minimal trade union contention. However, issues such as pay harmonisation still need to be concluded.

5. Risk 18 'Failure to maintain robust business continuity plans' is currently RAG rated as Amber (possible probability, and severe impact). The College's business continuity plan will be tested in May 2018, which will allow the risk to be further assessed.

6. Governors sought clarification over Risk 17 'Failure to meet banking covenants' which is currently RAG rated as Medium (possible likelihood and severe impact). The impact of the AEB position and whether the bank covenants would therefore be breached, was queried. In response, Governors were reassured that a failure to achieve the AEB income target had already been factored into the risk assessment.

7. Governors noted that Risk 5 'Failure to maintain a robust, resilient and efficient staffing base' was RAG rated as Green (possible likelihood and moderate impact), and questioned whether this rating was too optimistic, given the recent and ongoing staff restructuring, and the fact that the College was in its first year of merger. In response, the Assistant Principal People Services reported that this particular risk would be re-assessed after the analysis of the staff survey had been completed.

8. Governors resolved:-

   i) to note the update risk register for resources' issue;

   ii) to agree the proposed risk ratings subject to further re-assessments being carried out on the risks associated with staffing and with business continuity;

A9/18 HR Priorities

1. The Assistant Principal People Services presented Governors with an update of key HR priorities identified for 2017-18.

<u>Staff restructuring</u>

2. The academic middle management restructure was successfully concluded by the deadline of February half-term. The business support management restructure is currently underway in two phases, and will be completed by mid-June and the end of July 2018 respectively.

Employee Engagement

3. A detailed employee engagement and culture change plan has been in place since the beginning of the year, and, since then, staff delivery groups have been established to align with each of the College's strategic objectives, thus achieving staff understanding of the organisation's strategic direction.

4. A staff survey was launched in March 2018 and the results will be shared with staff and the trade unions at the end of May 2018. Governors will be informed of the outcomes at the Corporation meeting on 3rd July 2018.

Harmonisation of Staff Terms and Conditions

5. Following the TUPE transfer of former City College Coventry staff to Coventry College, there are a number of harmonisation issues to resolve in respect of teaching pay bands, remission, middle management pay, and annual leave entitlements.

6. The middle management restructure effectively resolved the pay issue, but the remaining aspects will be the subject of consultations with the trade unions from May 2018, as well as remaining HR policies.

7. The relationship with trade unions is positive and professional, and, in general, consultations to date have been constructive.

8. Governors raised the issue of competitive pay, and the Assistant Principal People Services reported that the College's rates were reasonably comparable with the sector. In addition, industry standard pay rates have been introduced in some hard-to-fill areas.

9. Overall, Governors felt that the College's approach in harmonising staff terms and conditions was right, and was being managed well. Communications with staff are good, although Governors did stress the importance of continuing to ensure regular and effective briefings to staff.

Training and Staff Development

10. A training and development plan for staff is in place, with the key focus being on various teaching, learning and assessment themes eg embedding maths, English and IT; the use of learner performance record systems; compliance; and minimum standards.

11. Training has also been carried out for all staff on safeguarding, Prevent, and Equality and Diversity.

12. The impact of the training will be evaluated, and will inform the next iteration of the training and development plan. Governors requested that the plan should include SMART targets.

13. Governors also commended the recent finance training run for Governors, and proposed that each member of the Senior Leadership Team should carry out similar training for their particular areas.

HR Systems

14. The existing payroll system is being enhanced to ensure an effective and integrated HR and payroll system. This will be implemented during the rest of 2017-18 and into 2018-19.

People Strategy

15. A People Strategy for the College will be formulated for approval by the Corporation on 3rd July 2018. A People Strategy Group will be established to inform the development of the strategy. The trade unions will also have an opportunity to contribute to the strategy. The strategy will be used to develop the 'Living the Values' framework.

Gender Pay Gap

16. New legislation now requires employers with more than 250 employees to report their gender pay gap every year, and the Assistant Principal People Services presented a report on both Henley College Coventry's and City College Coventry's gender pay gap collected on the required snapshot date of 5th April 2017.

17. Nationally, there is a median pay gap of 18.4%, compared with City College Coventry (27.7%) and Henley College Coventry (21.1%). The reasons for a gender pay gap, and/or any variance from the national position, can be complex and varied, and these were discussed by Governors.

18. Locally, the College is not out of kilter with other colleges, but it is recognised that more work needs to be undertaken to review recruitment processes; starting salaries; potential unconscious bias; the value of non-pay benefits; and a further breakdown of the data into teaching and business support staff. The outcomes of the wider review will then result in an action plan being drawn up to address outstanding issues.

19. Governors resolved:-

i) to note the progress report on the College's HR priorities, and to thank the Assistant Principal People Services for her detailed and informative presentation;

ii) to note that Governors will be informed of the staff survey outcomes at the Corporation meeting on 3rd July 2018; **Action: Assistant Principal People Services**

iii) to agree that each member of the Senior Leadership Team should carry out training for Governors in their own particular areas; **Action: Senior Leadership Team**

iv) to note the gender pay gap report, and to endorse the formulation of an action plan to address issues arising from a more detailed review;

A10/18 Any Other Business

i) Governors agreed that a breakdown of the College's diversification of income should be included in the financial forecast report at the next Resources' Committee meeting on 5th June 2018. **Action: Vice Principal Finance and Resources**

ii) Governors requested that an organogram should be forwarded to the Corporation for information. **Action: Clerk to the Corporation**

iii) Governors agreed that a meeting of the Resources' Committee should be arranged in September/October 2018 **Action: Clerk to the Corporation**

A11/18 Date of the next meeting

The date of the next meeting was confirmed for Tuesday 5th June 2018 at 4.00pm at the City campus.

A12/18 Publication of Documents

The publication of documents was approved without exception, apart from Document 4 (Financial Forecast 2018-21) because if its draft status.

Meeting commenced 8.30am
Meeting closed 10.26am

JE