DOCUMENT 1

Minutes of a Resources Committee meeting held on 5th June 2018 at 4.00pm

Held in Meeting Room 2 at Henley Campus

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

In Attendance: Jim Edwards (Clerk to the Corporation)
Mark Payne (Vice Principal Finance and Resources)
Debbie Wright (Assistant Principal People Services)

R13/18 Apologies for Absence

There were no apologies for absence.

R14/18 Declarations of Interest

There were no declarations of interest.

R15/18 Minutes of the Last Meeting held on 1st May 2018

The minutes of the last meeting held on 1st May 2018 were approved as a true record, subject to Debbie Wright (Assistant Principal People Services) being shown in attendance

R16/18 Matters arising

i) Under Minute R9/18, HR Priorities, the Assistant Principal People Services provided Governors with a detailed update on the restructuring of Business Support departments. The restructuring is taking place over two phases, and will be concluded by 31st July 2018. A number of posts will be deleted as a result of the restructure, but it is hoped that redundancies will be minimised through redeployment opportunities for displaced staff.

The consultation process with trade unions and staff has commenced, and is proceeding positively and constructively. The process is transparent, and is taking place according to the planned timetable.

Governors sought to understand the impact of the restructure on services to students, and it was reported that these were being prioritised. For instance, the restructure of Student Services will result in more front-facing staff, such as Learning Mentors, tutorial staff, and those delivering Information Advice and Guidance (IAG). This will be made possible by reducing bureaucratic administrative tasks across this area of work.

ii) Under Minute R5/18 (ii), KPIs, the Vice Principal Finance and Resources reported that the cost-analysis for each teaching space that was requested by Governors would be addressed within future KPI reports**Action: Vice Principal Finance and Resources**

iii) Under Minute R5/18 (iii), KPIs, the Vice Principal Finance and Resources reported that information on financial contribution would be made available by 13th November 2018 **Action: Vice Principal Finance and Resources**

iv) Under Minute R7/18 (iii), Financial Forecast 2018-21, the Vice Principal Finance and Resources reported that options for capital expenditure would be presented to the Corporation at its meeting on 3rd July 2018.

R17/18 Budget 2018-19 and Financial Forecast 2018-21

1. The Vice Principal Finance and Resources presented the draft budget for 2018-19 and the financial forecast for 2018-21, and Governors considered these in detail. In doing so, the current and projected performance against the merger business plan was assessed.

2. The Curriculum Plan for 2018-19 is now completed, and forms the basis for income projections in the financial forecast. However, following the departure of the previous Assistant Principal Business Transformation, the planning numbers for apprenticeships is being further reviewed, which might result in amendments to the income and expenditure budget.

3. The College has very recently been successful in its bid to the DfE for Basic Maths Premium funding. This funding is additional to the College's core ESFA funding, and is to be used directly to improve the outcomes of low-attaining maths students. Institutions will have flexibility over how to spend the additional funding, using programmes and approaches that are known to be effective. For example, the funding could be used to pay for more teaching hours, increased levels of additional learning support, smaller class sizes, use of technology etc.

4. £500 per eligible student, of which there are an estimated 1,600, will be paid up front, which would result in £800k being factored in to the budget, subject to the student numbers materialising.

5. In addition, it is possible that, as a result of negotiations with the West Midlands Pension Fund, a discount of £288k in respect of the College's pension contributions could be secured. Should this be confirmed, then, again, the budget and financial forecast would have to be re-cast to take this into account.

6. Governors' discussion turned to the Curriculum Plan, and the assumptions behind both Apprenticeships and Adult Classroom-Based Learning (AEB) income projections were explored. Currently, the plan provides enough quantum in terms of the AEB income, but there is a risk associated with the delivery of this provision in-house.

7. The income and expenditure account, shows the budget proposal for 2018-19 and the forecast for 2019-20 and 2020-21, and the Vice Principal Finance and Resources explained in detail the rationale behind each key income and expenditure line. The key features of the 2018-19 budget are:-

    - In line with the merger business case
    - Modest growth in income from £25.408m to £25.117m;
    - 65% pay:income ratio in line with sector norms;
    - Pay savings of £1.2m across teaching and business support areas;
    - No cost-of-living award has been factored into the budget;
    - Costs of £264k for staff harmonisation have been included in the budget;
    - Non-pay costs reduced from £8.6m to £8.2m mostly as a result of sub-contracting provision being reduced;
    - High risk associated with income from AEB and 16-18 and 19+ apprenticeships, given where the College is in its planning cycle;

- An increase of £600k in pension deficit contributions;
- Capital expenditure of £500k per annum.
- ESFA financial health rating of 'Good'

8. Governors noted that the College was currently performing better than the projections within the merger business case, and it was suggested that the College should take the opportunity to increase the level of its capital investment in order to ensure that equipment and facilities were maintained at appropriate levels for students, stakeholders and employers. In response, the Principal stated that the figures in the plan were minimum amounts which are affordable, and which would allow the College to meet the criteria for 'Good' financial health. If the College over-achieves its financial plans, then the aim will be to make additional capital investments ahead of 2019-20, and would be bidding for LEP capital funding accordingly.

9. Governors commented that the financial figures for 2019-21 were too cautious, and in response it was stated that it was deliberately a prudent plan, but that budget holders would be given stretching targets to take the College beyond its budgeted income.

10. Some discussion took place on the College's pay and non-pay procurement strategies, and whether there were opportunities to achieve greater cost-effectiveness. Governors requested more detailed information on non-pay expenditure items.

11. The net current assets' position is projected to improve significantly from 2017-18 (-£309k) to 2020-21 (£2.527m). Debt levels are decreasing as planned, and Governors noted that there would be an opportunity to re-base the college's lending in two years' time.

12. In terms of cash, the position is projected to increase from £3.982m in 2017-18 to £6.422m in 2020-21.

13. Governors reviewed the College's projected financial health during the three-year financial forecast against ESFA's criteria of Income Performance; Solvency; and Borrowing. It was noted that for each year the College's financial health would be scored as 'Good'.

14. In terms of the EBITDA (Earnings Before Interest Taxes Dividends and Amortisation) margin, Governors queried the increase from 7.7% in 2017-18 to 10.62% in 2018-19, and sought assurance that it was achievable. In response, the Vice Principal Finance and Resources reported that this was deliverable, particularly because of the increased income from the aforementioned Basic Maths Premium funding and the expected contribution on pension contributions.

15. After due consideration, Governors resolved:-

    i) to agree that the presented figures should form the basis for the 2018-19 budget and the financial forecast 2019-21, which would presented to the Corporation for approval at its meeting on 3rd July 2019;

    ii) to agree that options for capital expenditure should be presented to the Corporation on 3rd July 2019 **Action: Vice Principal Finance and Resources**;

    iii) to agree that an income sensitivity analysis should be undertaken **Action: Vice Principal Finance and Resources**

    iv) to agree that future reports on particular elements of non-pay expenditure should include detailed information for Governors **Action: Vice Principal Finance and Resources**

R18/18 KPIs

1. The Vice Principal Finance and Resources presented the latest KPI data for those areas over which the Resources Committee had oversight, and reported on progress since the last meeting.

Adult Education Budget (AEB)

2. The AEB income target is still expected to be met in 2017-18, but it was confirmed, as per discussions at the last meeting on 1st May 2018, that, in order to do so, a significant proportion of provision would have to be delivered through a mix of sub-contracted and in-house delivery successfully in the final four months of the financial year. Currently, there is a risk that the planned additional provision will not be delivered in a timely manner. However, if 97% or more of the funding target is achieved in-year, then there will be no clawback from the funding agency. This RAG rating is 'Amber'

Apprenticeships

3. It was confirmed that 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.

4. However, overall income for apprenticeships is expected to be achieved because of the 16-18 performance. It was noted, though, that this is now partly dependent on apprentices achieving their qualifications. The 19+ Apprenticeship RAG rating is 'Red', and this particular income target will not be achieved.

5. Governors discussed particular issues within the PSV cohort, and it was explained that there have been a number of staffing problems, and assessors have not been able to complete the necessary assessments in a timely manner

Staff Absence

6. Staff sickness absence increased slightly in April to 6.45%, but it still remains within the target out-turn for the year of 7%, and is at the sector average. There is still a risk, however, that the target might not be achieved at year-end because of an increase in long-term sickness. This RAG rating is 'Amber'.

Room Utilisation

7. Room utilisation is still RAG rated as 'Red' and is currently at 25% against the target of 35%. This figure has remained static since the previous KPI report to the Committee on 1st May 2018, with City campus at 23% and Henley campus at 27%

Financial Contribution

8. Overall financial contribution is still projected to out-turn at 44% compared with the target of 50%, because of the income shortfalls in 2017-18. This is RAG rated as 'Red'.

9. Governors resolved:-

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

   ii) to agree that an analysis of financial contributions by curriculum area should be presented at the next Resources' Committee meeting on 13th November 2018; **Action: Vice Principal Finance and Resources**

R19/18 Management Accounts as at 30th April 2018

1. The Vice Principal Finance and Resources presented Governors with the management accounts as at 30th April 2018 which included the forecast outturn to the year end.

2. As reported at the last Committee meeting on 1st May 2018, 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 confirmed 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 £380k against merger-related costs

3. The two remaining risks to the achievement of the projected financial out-turn relate to AEB enrolments and associated income, and the delivery of apprenticeship funding which is now reliant on the College being able to draw down funding for apprentices achieving their qualifications.

4. All financial KPIs are expected to be achieved at year-end (out-turn position, cash balance, cash days in hand, current ratio, and pay:income ratio). Governors reviewed this particular performance, and endorsed the assumptions behind the projected KPI out-turns.

5. It was confirmed that the College's financial health, based on a range of indicators as part of ESFA's assessment methodology, is currently 'Satisfactory'.

6. The bank covenants were reviewed, and are expected to be complied with, in the light of the College's projected financial out-turns in 2017-18.

7. 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 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**

R20/18 Fees Policy

1. The Vice Principal Finance and Resources presented the proposed fees policy 2018-19, which remains materially unchanged from the policy agreed for the College by the Shadow Board ahead of merger.

2. Governors reviewed the proposed policy, and queried why it was the responsibility of students to pay their own course fees, should their employer or sponsor fail to honour any fees contract with the College. The Vice Principal Finance and Resources confirmed that the College rigorously pursues outstanding debts from employers, and there are a relatively small proportion of debtors that the College takes a commercial view on.

3. Governors noted this position, and suggested that the fees policy should be kept under review, particularly given the potential increase in non-core activities with employers and individual students in the future because of the College's income diversification.

4. The Assistant Principal Student Experience reported that a student hardship fund was available in certain cases where individual students were unable to pay their course fees.

5. International provision is covered within the fees policy. Currently the quantum of provision is relatively small, and the College is seeking to expand this area of activity.

6. After due consideration, Governors resolved:-

    i) to approve the fees policy for 2018-19;

    ii) to agree that the fees policy should be kept under review to ensure that it remains relevant to the College's student profile.

R21/18 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. Governors agreed that the register reflected the discussions held earlier in the meeting, and noted that the risk ratings had remained at the same level as previously reported.

2. Risk 2 'Failure to recruit sufficient students' is currently RAG rated as Red for 2017-18 (certain probability, and significant impact). However, it is hoped that the position would improve in 2018-19, although current applications from 16-18 year olds is behind profile..

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). Although the staff restructuring continues to be managed well, significant pay harmonisation issues 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 resolved:-

    i) to note the updated risk register as related to resources' issues;

    ii) to agree the suggested risk ratings.

A22/18 IT Developments and Key Priorities

1. The Assistant Principal People Services presented Governors with an update on key HR priorities identified for 2017-18, the development of a digital strategy for the College, and indicative costs in 2018-19.

2. At merger, there were a number of significant challenges to ensure that staff and students had a consistent and good quality IT experience in the College. Differing levels of prior investment at the former colleges, and separate systems being operated across both campuses, has required significant development during 2017-18 to provide common systems and facilities.

3. Governors were provided with detailed information of the achievements that have been made to date during the year. Whilst much has been completed, there is still investment and restructuring

required to properly support all College activities. For instance, at present, the College is on one domain for all staff and students apart from 50% of the service at City campus where migration has still not happened. This is being addressed currently as a key priority.

4. The College's IT one-month, three-month, and six-month priorities for IT development and restructure were presented to Governors and these were discussed.

5. After questioning, Governors were assured that the College had the staffing resources and capacity to ensure that the IT priorities were achieved in 2018-19. Staff are multi-skilled and flexible, and an restructure will be undertaken imminently to ensure that the support services are robust and effective.

6. Governors queried students' views on IT facilities at the College, and were informed that the key issue for them was inconsistent availability of resources at times convenient for them. Remote access would go some way towards addressing this.

7. The costs of implementing the required developments are c£800k, including maintenance contracts, a number of which are already in place as standard.

8. Governors resolved:-

    i) to thank the Assistant Principal Student Experience for her detailed update on IT developments in 2017-18 and key priorities for 2018-19;

    ii) to agree that the Digital Strategy should be presented to the Corporation for approval at its meeting on 16th October 2018;

    iii) to agree that an IT Disaster Recovery Plan should be in place by the beginning of the autumn term 2018;

    iv) to note the estimated IT costs in 2018-19, and to agree that they would be considered as part of the discussions on capital expenditure at the Corporation meeting on 3rd July 2018.

A23/18 Date of the next meeting

The date of the next meeting was confirmed for Tuesday 13th November 2018 at 4.00pm at the City campus. Should it be required, a meeting in October 2018, ahead of the Corporation meeting on 16th October 2018, will be convened.

A24/18 Publication of Documents

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

Meeting commenced 4.03pm
Meeting closed 6.00pm

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