## MEETING OF RESOURCES COMMITTEE

**TIME/DATE 5.00pm Thursday 13th June 2019**

**VENUE Gateway Boardroom, Parson’s Walk, Wigan**

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| Committee Members | *Kathryn Causey* |
|  | Diane Brennan (Chair) |
|  | Susan Spibey |
|  | Michael Ferraby |
|  | *Jennifer Cockram* |
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| Principal | Anna Dawe |
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| Clerk | Robert Smith |
| Finance Director | Steve Scott |
| Vice Principal, Corporate Services | Louise Brown |
| Assistant Principal IT, MIS and Subcontracting | Dave Harrison |
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| ***Italics denotes absence* MINUTES** | | | |

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| **No** | **Item** | **The meeting opened at 5.03pm and was quorate with at least 3 members present.** |
| **1** | **R/13/06/01** | **APOLOGIES AND ELECTION OF CHAIR**  Apologies for absence were received from Kathryn Causey and Jennifer Cockram. In the absence of Kathryn Causey, Diane Brennan was elected as Chair for the meeting. |
| **2** | **R/13/06/02** | **DECLARATIONS OF INTEREST**  There were no declarations of interest. |
| **3** | **R/13/06/03** | **MINUTES OF THE MEETING HELD ON 7TH MARCH 2019**  The minutes were approved as a correct record for signature by the Chair. |
| **4** | **R/13/06/04** | MATTERS ARISING The Clerk advised that all matters on the committee’s Action Sheet were now complete. |
| **5** | **R/13/06/05** | **HUMAN RESOURCES**  Human Resources KPI Dashboard & Report  The Vice Principal, Corporate Services reported that sickness absence at the college remained below the 3% sector benchmark, despite a slight increase in the twelve months to April 2019 compared to the previous year. She also outlined employee engagement and mental health awareness activities, which members noted had been well received by staff. The Vice Principal explained that feedback from staff had been encouraging, with many asking for more activities of this sort in the future. She also advised that the biennial staff survey had been launched and already had a 60% completion rate at only half-way to the completion deadline.  The Vice Principal outlined staff development activity and advised that the college’s leadership development programme through the Education Training Foundation and in partnership with Hopwood Hall College would commence its next cohort in September 2019. She also outlined current recruitment strategies and explained that recruitment in civil engineering and plumbing remained challenging. It was noted that the college had secured ‘Taking Teaching Further’ funding to help identify and recruit industry experts in more challenging recruitment areas. The Principal explained that this funding could not be used to increase salaries in specialist areas but could be used to attract non-teachers from industry and funding of their training, including covering reduced teaching hours during training periods.  Members were pleased to learn that staff turnover rates had dropped significantly year-on-year and were now lower than the SIR College Workforce Survey benchmark. Members also discussed ‘reasons for leaving’ data and were disappointed to see that such a high number of leavers had indicated they were leaving the education sector. They acknowledged that this would at least partially be the result of falling real terms teaching salary levels in recent years across the Further Education sector. The Vice Principal also confirmed that the college’s Gender Pay Gap data had been reported as required. She advised that the gap had reduced slightly since the previous year and remained below the sector benchmark.  Members sought further information in relation to two reported staff dismissals. The Principal explained that considerable support was offered to staff to help further develop skills and improve performance but in some cases this proved not to be effective and dismissal was unavoidable. She also confirmed that reasons for dismissal were analysed to ensure that learning points were understood and further improvements could be put in place where appropriate. Members noted that the college employed 15 apprentices and were pleased to learn that this represented almost 3% of the college’s workforce, compared to a 1% sector benchmark.  The Chair commented that the staff utilisation percentage had fallen but was still above the target of 98%. She acknowledged that efforts had been made to reduce high utilisation rates by recruiting further posts and providing additional support in the areas most affected. The Vice Principal explained that revised strategies and additional recruitment had been put in place early in the new year once uncertainties in relation to some college funding had been resolved. Members recognised that, by increasing staff numbers part-way through the year, it was unlikely that the utilisation statistics could be fully addressed in-year. The Principal added that preparations for 2019/20 staffing were more advanced and utilisation rates were likely to be closer to expectations. However, she cautioned that this was dependant on the level of growth in student numbers. |
| **6** | **R/13/06/06**  6.1  6.2  6.3  6.4  6.5 | **FINANCE**  Management Accounts  The Finance Director drew members’ attention to the April 2019 management accounts and highlighted the inclusion of a year-end forecast outturn position to help clarify expectations in terms of financial variances, in line with a request from members at the previous meeting. It was noted that an additional paragraph had also been added to the management accounts commentary to further clarify the effect of variances.  The Finance Director reported that the college expected to deliver a £984K operating surplus, with a post-FRS102 reporting surplus of £202K. Members acknowledged that this improved position compared to the original budget would allow the college to further invest in its estate, IT provision and curriculum priorities. The Principal provided a summary of recent increased investment and members were pleased to learn of the positive impact on many areas of college activity. This included improvements in IT infrastructure and hardware at Parson’s Walk, Leigh College and the Pagefield Centre, as well as a number of estates improvements, including the refurbishment of classrooms, the provision of a social area for high needs learners and general refreshing of decoration is some areas.  Members asked whether the college had any sponsorship arrangements in relation to IT provision. The Principal responded that there was currently no sponsorship in place but that this would be reviewed as part of the launch of the new Digital Academy at Leigh College.  The Finance Director confirmed that the college remained in compliance with its banking covenants and with its financial health assessment.   |  | | --- | | **RESOLVED:**  That the Management Accounts for April 2019 be approved.  Finance KPI Dashboard  The Finance Director outlined the financial dashboard data, including financial health score, financial objectives and bank covenants. It was noted that most measures were rated ‘green’ under the RAG rating system and the Finance Director highlighted the exceptions rated as ‘red’. He explained that the adjusted current ratio was expected to meet expectations by year-end. However, he also explained that the EBITDA margin target and the FE Loans income target would not be met. The Chair commented on the aspirational target of outstanding financial health and asked whether this aspiration was the college’s own or an external expectation. The Finance Director confirmed it was the former. The Chair suggested that, given the college’s approach of reinvesting increases in surplus, it may be appropriate to formally review this target for 2019/20. The Principal agreed that this would be a more realistic approach and agreed to review the target when performance indicators were next presented to the Governing Board. |   ESFA Financial Dashboard  The Finance Director confirmed that the college had been rated as having ‘good’ financial health following the review of its Financial Plan and 2017/18 financial statements by the Education & Skills Funding Agency (ESFA). Members discussed the ESFA Dashboard, including accuracy of forecasting, cash days in hand, staff costs and borrowing as a percentage of income. They also noted that the dashboard now included a number of questions that governors may wish to consider when reviewing the dashboard data. The Finance Director confirmed that its financial performance was in line with expectations and the Principal commented that it was pleasing to see that the college now had a positive trend of delivering outturns in line with its original forecasts.  Members discussed the expected bank loan ‘balloon payment’ in 2026 and asked whether there had been any development in terms of discussions with the bank. The Principal confirmed that the bank had indicated a willingness to re-finance the ‘balloon payment’ when it became due and that the college would be in a good position to take on re-financing payments as there would by that date be corresponding reductions in its loan payments. The Chair asked whether the bank was comfortable with the college’s current approach of re-investing increased surpluses. The Principal confirmed that this was the case. The Chair acknowledged that this approach was justifiable, given that the college’s estate and equipment had lacked investment in recent years, but suggested that the ‘balloon payment’ be adequately reflected on the college’s risk register in order that the position would be subject to regular review.  **Action: Finance Director**  Budget 2019/20  The Finance Director outlined the proposed budget for 2019/20 and explained that total income was forecast to increase by £2.1M and expenditure (before release of revaluation reserve and FRS102 charges) was also forecast to increase by £2.1M. It was noted that the net expectation was an operating surplus of £1.03M and a reporting surplus of £244K  Members discussed ESFA funding levels and noted that 16-18 funding was expected to increase by around £1.2M based on the increase in student numbers in 2018/19. It was noted that this was guaranteed income and not expected to change in-year. They also discussed expected increases in Teachers’ Pension Scheme (TPS) payments of around £500K and noted that a corresponding grant of £435K was expected to largely offset this increase. The Principal advised that this grant had been confirmed for 2019/20 but that further grants would not be confirmed until after the forthcoming government Spending Review. She added that the Association of Colleges had indicated an expectation that the grant would continue at least for 2020/21 but explained that this could not be relied upon for financial planning purposes. Members asked how the college would be able to manage a £500K potential shortfall resulting from TPS payment increases. The Finance Director responded that student travel cost savings resulting from the introduction of the Greater Manchester ‘Our Pass’ scheme would be the most significant element in terms of meeting this potential shortfall.  The Finance Director advised that reports to the ESFA from September 2019 would include a 24-month rolling cash flow forecast and that this would also be included in future management accounts reports.  Members commented on expected increases in pay as a percentage of income in the 2019/20 budget and further marginal increases in the longer-term Financial Plan and asked for further clarification. The Principal explained that this was in order to address staff utilisation rates discussed earlier in the meeting. She also explained that the increases factored in future pay rises, increases in TPS costs and the recruitment of some higher paid staff in response to increases in higher apprenticeship provision. Members acknowledged the various factors affecting future pay costs but asked for a reconciliation of the various elements to be circulated to committee members in advance of the next Governing Board meeting to assist with the Chair’s report to the Board and for handing out to Board members.  **Action: Finance Director**  **RESOLVED:**  That, subject to the provision of a reconciliation of factors affecting pay costs, the Governing Board be recommended to approve the Budget for 2019/20.  Financial Plan to 2020/21  The Finance Director outlined the Financial Plan to be reported to the ESFA and it was noted that the report was an ESFA model report and could not be manipulated in terms of how information was presented. It was also noted that the report included more formal commentary and increased detail in terms of financial strategy and assumptions. The Finance Director also drew members’ attention to the financial planning checklist included in the Financial Plan report and explained that the ESFA had an expectation that this would be reviewed by members as part of the Financial Plan approval process. Members discussed the checklist contents and sought clarification on a number of matters. The Chair asked whether a pay as a percentage of income below 65% was a formal expectation of the ESFA. The Finance Director responded that this was an expectation but that there was no formal sanction in place if this was exceeded, provided overall financial performance met expectations. The Chair suggested that, whilst the college’s pay percentage was likely to be close to the ESFA expectation, it was important that the college tried to maintain a figure below 65%.  The Chair commented that, in recent years, the annual pay budget had not been fully spent and asked whether it would be appropriate to reduce this budget in order to reflect the recent pay performance. The Principal responded that the pay budget was made up of specific staffing expectations in line with expected student numbers, including forecast demographic increases. The Vice Principal also confirmed that the staffing budget was a reflection of establishment posts identified in the curriculum planning process.  **RESOLVED:**  That, subject to the provision of a reconciliation of factors affecting pay costs, the Governing Board be recommended to approve the Financial Plan to 2020/21. |
| **7** | **R/13/06/07** | **SUB-CONTRACTING STRATEGY 2019/20**  The Assistant Principal reminded members of the Governing Board’s aim to reduce sub-contracted activity. He confirmed that the proposed strategy for 2019/20 reduced the number of partners from five to four and the value of sub-contracted provision as a percentage of total provision from 7% to 4%. Members discussed a number of recent changes in sub-contracted provision and noted that the prosed strategy included the introduction of a new partner, Wigan Athletic Community Trust, to support the college’s sports provision and local professional sports teams. The Assistant Principal advised that this activity was subject to successful due diligence. Despite the overall reduction in sub-contracting values, it was also noted that the proposed strategy included an increase in activity with Groundwork Trust.  The Assistant Principal provided clarification that the strategy values reflected the amount of funding drawn down by the college, rather than the values paid to partners. He also explained that, despite the fall in activity, values had been increased by the addition of employer incentive payments. It was noted that this was a sector norm and reflected payments made to employers to encourage the employment of apprentices.  **RESOLVED:**  That the Governing Board be recommended to approve the Sub-contracting Strategy for 2019/20. |
| **8** | **R/13/06/08** | **INSOLVENCY REGIME CHECKLIST**  The Finance Director reminded members that the Governing Board had asked that a report be presented to the committee demonstrating the ways in which the college met expectations in relation to known concerns associated with insolvency. He drew members’ attention to a checklist attached to his report showing the ways in which the college responded to insolvency risks. This included controls and assurances provided to the Board in the form of management accounts, cash flow forecasts and other reports. It also included a summary of how each report was presented to the Executive Team, the Resources Committee and the Governing Board. Members noted that each factor within the checklist had been ‘rag rated’ and that each was categorised as a ‘green’ risk. It was also noted that an Insolvency Regime development session for governors had been delivered at the college by the Internal Auditor on the previous afternoon. |
| **9** | **R/13/06/09** | **CAPITAL PROJECTS UPDATE**  The Vice Principal, Corporate Services provided a brief update on capital projects and reminded members that a full report would be provided to the Governing Board at its next meeting. The Vice Principal confirmed that work had now commenced on the Pagefield Centre and that the funding letter from Greater Manchester Combined Authority had been received. However, members noted that the college was still waiting to receive the detailed breakdown of funding and monitoring criteria. The Vice Principal also advised that the options appraisal for the Centre for the Arts was progressing and would be reported at the forthcoming Governing Board meeting. |
| **10** | **R/13/06/10** | **ANY OTHER BUSINESS**  There was no further business. |
| **11** |  | **DATE AND TIME OF NEXT MEETING:** 5.00pm Thursday 21st November 2019 (subject to Governing Board approval) |
|  |  | **The meeting closed at 7.40pm** |