

## SOUTHPORT COLLEGE

### MINUTES OF RESOURCES COMMITTEE MEETING HELD ON TUESDAY 26<sup>TH</sup> JUNE 2018

<b>Present:</b>	Veronica Fell	Independent Governor (Temporary Chair)
	Alex Kenny	Independent Governor
	Kathy Passant	Independent Governor
	Vipin Trivedi	Independent Governor (minutes 277 to 321)
	John Clarke	Principal/CEO
	Stephen Breen	Associate Member
<b>In Attendance:</b>	Anne-Marie Francis	Vice-Principal (Sixth Form & University Studies) - observer
	Eddie Green	Vice Principal Services (minutes 277 to 324)
	Lesley Venables	Clerk to the Corporation

#### APOLOGIES FOR ABSENCE

277 Apologies for absence were received from Keith Millington (Independent Governor) and Rob Firth (Independent Governor).

278 In view of the absence of both the Chair and the Vice-Chair of the Committee, it was agreed that Veronica Fell would chair the meeting. Kathy Passant had also been asked by the Chair of the Corporation to attend the meeting in the capacity of a full Committee member, rather than merely an observer.

279 Alex Kenny was welcomed to his first Resources Committee meeting.

#### DECLARATIONS OF INTEREST

280 A standing declaration of interest was received from Veronica Fell (Chair of the Corporation) as she is married to John Fell (Independent Governor).

#### MINUTES OF PREVIOUS MEETINGS

281 The Committee received the minutes from the meeting held on 24<sup>th</sup> April. The draft notes of the sub group meeting on 14<sup>th</sup> June 2018 were received only as background information to the discussions to be held on the College's accommodation strategy later on the agenda. Paragraph 180 would be amended to reflect that the original purpose of convening the meeting on 14<sup>th</sup> June was as a sub-group of the Resources Committee.

- 282 **Resolved -**
- 1 That the minutes of the meeting held on 24<sup>th</sup> April 2018 be approved as a correct record and signed by the Chair
  - 2 That, with the amendment of minute 180 as above, that approval of the notes of the sub group-meeting held on 14<sup>th</sup> June be deferred until the next scheduled meeting

## **MATTERS ARISING**

283 Governors received a list of actions resulting from the meeting on 24<sup>th</sup> April. Progress made against each item was reported verbally, with the majority either being implemented or fully completed.

## **CONFIDENTIAL ITEMS**

284 There were no items on the current agenda that were classified as confidential.

## **ACCOMMODATION STRATEGY**

285 The Chair reminded the Committee that the sub-group meeting held on 14<sup>th</sup> June had discussed the Reception project at KGV, for which a tender process had been followed, resulting in 3 tenders being returned by the due deadline. A summary of the tenders had been presented, all of which were substantially in excess of the original budget approved by the Corporation.

286 At that meeting governors had been asked to consider two options, one of which involved the appointment of a main contractor. The second proposed managing the project in-house and dispensing with the tenders received other than retaining part of one tender to deliver a particular aspect of the work alongside the in house managed option. The proposals considered by the Committee had included not pursuing the project, but it had felt that this would not be in the interest of learners, particularly as it had already been deferred once prior to the merger.

287 Governors had deferred making a decision at the sub-group meeting as they required further information on the detailed costings for the in house project and were not clear at this late stage of the risks of departing from the tender process because of the costings. The in house costings included a considerable number of items of estimates and it was felt that this was insufficient to enable the sub group to make an informed decision on the project.

288 Discussions had taken place outside of the meeting between the Committee Chair, Chair of the Corporation, management and the Clerk. It was concluded that, in order to pursue the in-house management route, the Financial Regulations would need to be waived and that this should be brought to a committee meeting for discussion and approval.

289 The report presented included a statement that at the meeting on 14<sup>th</sup> June governors had been asked to approve and agreed a departure from the Financial Regulations. Governors noted that they were not in a position at that time to formally approve such a departure.

290 The Principal reported that it was unusual for the College to initiate a tender process and then proceed with a different course of action. However, there were risks for the College if the project did not go ahead, as it could send a negative message to stakeholders that a planned substantial investment was not being made to the KGV infrastructure. The in-house option had been proposed as a cost-saving measure and would enable close in-house management oversight for delivery within a tight timescale.

291 Situations in which there was such a difference between the tenders received and the original budget were rare and the College Executive Team would be reflecting on this level of discrepancy to inform future accommodation strategy projects

292 The Vice-Principal Services reported that the Director of Facilities Management had recently contacted the team of contractors to be engaged on the in-house project and was confident that both the College and these companies had the necessary capacity to deliver the project on time and within the revised budget.

291 The Chair also reminded governors of the oversight arrangements with the Transaction Unit on the College's capital spending projects.

292 The Clerk advised that the Committee could authorise a departure from the Financial Regulations, in "exceptional circumstances". No definition of the latter was provided in the Regulations, but it could be interpreted as anything that was time-critical and / or had a consequential effect on students. The risk of the Committee not formally agreeing to a waiver of the Financial Regulations could be highlighted as a potential lack of adequate internal controls by the College's Internal Auditors.

293 If the College was to follow the provisions of the Financial Regulations, it would be required to tender for any items over £25K, which was now unfeasible given that the Reception project needed to be completed very early in the new academic year.

294 Governors felt that the same assurances should be provided by management for the in-house route as for a fully contracted solution, particularly on the timing and delivery of the project.

295 It was recognised that remaining within the original agreed budget may be difficult but the Committee was content for any risk to be absorbed by the College. The amount of contingency allocated to the in-house option had been increased to mitigate against any potential additional costs, particularly if the timescale overran.

296 Due to a significant portion of the work being packaged together, management was of the view that there should be no variation in the scheduling of both routes. It was important that any disruption to learners was kept to a minimum and the Vice-Principal (Sixth Form & University Studies) reported that plans were already in place to work around any building activities, with the investment in the College's facilities promoted to students and parents.

297 In response to questions from the Committee on the likely delivery timescale of the project, the Principal gave an assurance that, although challenging, the College had the capacity to complete the project through in-house management of the contractors. A decision as to whether to proceed was required from the Committee at this meeting and any request for further value engineering would delay the project into the Autumn Term.

298 The Vice Principal Services advised that in order to pursue the in-house option and to adhere to the requirements of the Financial Regulations it would formally be necessary for 3 quotes to be obtained for any work between £5K and £25K and any work over £25K to be tendered.

299 The Committee was being asked to approve a departure from the Financial Regulations from the process for obtaining 3 quotes for work valued between £5 and £25K and tenders for works over £25K. In addition, it was noted that there was a departure from accepting any of the tenders received and managing the oversight of the project “in-house”. It was agreed that management would prepare a paper for the Corporation meeting on 4<sup>th</sup> July, which set out the rationale for the process and the associated risks. The Clerk agreed to circulate to members the relevant section of the Financial Regulations in respect of waivers.

- 300 **Resolved -**
- 1 That the Corporation **be RECOMMENDED** to approve departures from the Financial Regulations, as set out above
  - 2 That a report be presented to the Corporation on the issues relating to the tender process for the Reception project
  - 3 That the report in (2) be circulated to Committee members in advance for comment
  - 4 That the Clerk provide advice to the Chair and the Corporation on the waiver of the Financial Regulations

#### **ACCOMMODATION STRATEGY UPDATE**

301 The Vice Principal Services presented a progress report on all other current capital projects.

302 Following discussions at the capital sub-group meeting on 14<sup>th</sup> June 2018 a revised budget of £140K had been agreed for the Multi-Use Games Area, due to a change in the scope of the project. An application for planning permission was currently in progress and it was anticipated that this work would be completed in the Autumn Term.

303 A grant of £990K had been approved from the Sixth Form College Improvement Fund for the replacement of the roof at KGV. Tender packages were being prepared and would be sent out during the summer, with the project taking place during the Autumn Term.

304 Increases to the budgets for the refurbishment of the changing rooms, the replacement of the boiler system, the pumping station and the upgrading of the sports pitches at KGV had been approved by governors previously. All of these projects were progressing in line with the plan.

305 The Committee noted that the financial information on the cost of the Reception project at KGV provided in Annex 1 was still estimated as £330K, whereas a more recent report indicated that costs were now likely to be £273K including an element of contingency, due to the decision to manage the project in-house.

## **RISK MANAGEMENT**

306 The Committee received for information a review of the financial risks from the Risk Management Plan for 2017/2018 and their impact on the projected outturn for the current year, together with the high level risks for the 2018/2019 to 2020/2021 financial forecasts. The purpose of the report was to ensure that governors were comfortable with the level of risk prior to recommending the financial forecasts to the Corporation for approval.

307 A total of 7 high risks and a further 4 risks related specifically to the merger had been identified at the start of 2017/2018. Of these, only 1 had materialised (the under-performance against the target for adult education funding) and 2 still had a potential to materialise.

308 Governors questioned why the adult funding target had not been achieved and whether this had been too optimistic. The Vice Principal responded that the College had based the targets on similar levels of enrolments as in previous years, however, learner numbers had fallen in several curriculum areas such as Health & Social Care. A new approach to achieving growth in adult learner numbers may be introduced for 2018/2019, to facilitate a quicker pace and greater flexibility of delivery, such as distance or blended learning. It was noted that these new strategies required considerable investment and planning.

309 The Financial Forecasts included £100K of growth for 2018/2019. However, the Education & Skills Funding Agency had recently confirmed that adult funding levels for next year would be based on the outturn for 2017/2018. This meant that the College's overall allocation for adult funding would be set at a lower level than planned. Governors asked whether other FE colleges were experiencing the same difficulties and were advised that this was the case in the vast majority, following changes to qualifications, reductions in learner entitlements and the introduction of loans for Level 3 courses for adults. In some colleges, the gap in adult funding provision was addressed by sub-contracting to a third party, but Southport College had moved away from this strategy several years ago.

310 Further opportunities to increase the amount of ESOL provision undertaken by the College may be possible in conjunction with partner organisations. Staff were currently reviewing the delivery model in use.

311 A table had been appended to the report which quantified the financial consequences of any risks coming to fruition. The Vice Principal Services reported that unbudgeted savings of £402K had been made by the College in 2017/2018, which had offset the potential costs of the 7 risks identified in the Plan.

312 The College had agreed with the Transaction Unit that it would maintain a minimum of £1.8m cash reserves after the merger took place (February 2018). There were sufficient reserves to ensure that the risks connected with any particular year could be covered, however, this would not be the case if all risks occurred cumulatively.

## **MANAGEMENT ACCOUNTS – APRIL & MAY 2018**

313 The Vice Principal Services presented the management accounts for April and May 2018, which had already been forwarded to the Transaction Unit for monitoring purposes.

314 Governors were informed that there was a £64k variance in comparison to the approved budget, which was due to lower than anticipated staff costs, receipt of additional income from the local authority and schools and the release of the capital grant for the roofing works at KGV.

315 Levels of financial performance were in line with the forecast for the merged college.

316 **Resolved -** That the Management Accounts for April and May 2018 be approved

### **FINANCIAL FORECASTS 2018/2019 TO 2020/2021**

317 The Committee received the draft Financial Forecasts for 2018/2019 to 2020/2021. These were based on the financial information contained in the bid to the Restructuring Fund to support the merger process. It was noted that the projected long-term performance against key indicators was slightly better than anticipated and that the College would attain a rating of 'good' financial health one year earlier than planned.

318 Key assumptions were growth of 16-18 and apprenticeship provision. Staff costs included a 1% pay increase for 2018/2019 and non-pay expenditure had been projected to increase by the level of inflation in each year of the Forecast. Savings would be required in year 3 of the Forecast, as agreed with the Transaction Unit.

319 In response to questions on staff cost savings, the Vice Principal reported that these had partly been achieved already as part of the merger process: additional expenditure reductions had been identified, the details of which were being worked through. Management would have a clearer picture of the merged College's efficiency levels in 2019/2020 and would be able to plan any savings to align with income/learner number growth in that year to maximise the benefit to the organisation.

320 Following the ESFA's decision on adult funding levels for 2018/2019 the Forecasts would need to be amended prior to their submission to the Corporation for approval.

321 **Resolved -** That the Corporation **be RECOMMENDED** to approve the Financial Statements for 2018/2019 to 2020/2021, subject to any further amendments being necessary prior to 4<sup>th</sup> July 2018

**Vipin Trivedi left the meeting at this point and there was a short break in proceedings.**

### **HUMAN RESOURCES OBJECTIVES 2018/2019**

322 It was agreed that consideration of this item would be deferred to the next Committee meeting.

### **UNION-MANAGEMENT FORUM**

323 Governors received for information the minutes of the Union-Management Forum meeting held on 17<sup>th</sup> April 2018. It was agreed that in future a summary of any significant issues would be provided instead of the meeting minutes.

## HEALTH & SAFETY

324 Governors received for information the minutes of the Health & Safety Committee meeting held on 5<sup>th</sup> June 2018. It was agreed that in future a summary of any significant issues would be provided instead of the meeting minutes.

**Eddie Green left the meeting at this point.**

## REVIEW OF LEARNER SUPPORT FUNDS FOR 2017/2018 AND PLANS FOR 2018/2019

325 The Principal/CEO presented a report on Learner Support Funds in 2017/2018, together with proposals for 2018/2019.

326 After the merger the Learner Support Funding systems for both institutions had been amalgamated. A total of 526 students living within a 3 mile radius of the College had been allocated bus passes, the majority of whom were aged 16-18, at a cost of £141K of which £112K had been funded by the ESFA.

327 Bursaries had been provided to 48 16-18 vulnerable learners (compared to 35 in 2016/2017), 161 19+ learners had received support for equipment costs and 49 had been awarded monies for childcare costs. Overall there was a net surplus in the 16-19 of £60K and an estimated under-spend of £32K for the 19+ cohort. Any funds that had not been utilised would be paid back to the ESFA, as required under the regulations.

328 The Vice-Principal (Sixth Form & University Studies) reported that for 2018/2019 the buses currently provided at KGV would cease due to the lack of use by students and all students within a 3 mile radius would receive a travel pass, subject to means testing. The Learner Services fee (which covered the cost of items such as printing) would be abolished. Management was confident that these measures were affordable for 2018/2019, were more efficient than the current procedures and enabled greater flexibility of attendance for students than at present.

329 Governors suggested that the communication of these new arrangements was an opportunity to publicise the College to both learners and parents. The Vice-Principal (SF&US) would be meeting with the 11 learners who currently used the buses provided by the College at KGV to explain the change in policy.

330 **Resolved -** That the Corporation **be RECOMMENDED** to approve the revised Learner Support Funds Policy for 2018/2019, subject to some minor amendments

## TERMS OF REFERENCE

331 It was agreed that consideration of this item would be deferred to the next Committee meeting.

## COMMITTEE SELF-EVALUATION

332 Due to a medical emergency during the meeting it was agreed that the Clerk would draft the Committee's Self-Evaluation proforma and circulate it to governors for comment.

## **ITEMS TO BE REPORTED TO THE CORPORATION**

333 The Chair summarised the meeting and identified the following items to be reported to the Corporation at its meeting on 4<sup>th</sup> July 2018:

- Discussion of the in-house option for the KGV Reception Project and the waiver of the Financial Regulations
- Management Accounts for April and May 2018 were received for information
- Risk Sensitivity Report was received for information
- Financial Forecast was recommended for approval
- Learner Support Funds Policy was recommended for approval
- Terms of reference and HR Objectives were deferred to the next meeting
- Draft Committee Self-Evaluation proforma would be circulated by the Clerk

## **DATE OF NEXT MEETING**

To be agreed.