

## SOUTHPORT COLLEGE

### MINUTES OF RESOURCES COMMITTEE MEETING HELD ON WEDNESDAY 28<sup>TH</sup> NOVEMBER 2018

<b>Present:</b>	John Clarke	Principal/CEO
	Paul Cochrane	Independent Governor
	Rob Firth	Independent Governor
	Alex Kenny	Independent Governor
<b>In Attendance:</b>	Eddie Green	Vice Principal Services
	Lesley Venables	Clerk to the Corporation

#### APOLOGIES FOR ABSENCE

63 Apologies for absence were received from Veronica Fell and Vipin Trivedi.

#### DECLARATIONS OF INTEREST

64 There were no declarations of interest.

#### MINUTES OF THE MEETING HELD ON 10<sup>TH</sup> OCTOBER 2018

65 **Resolved -** That, subject to the amendment of paragraph 18, the minutes of the meeting held on 10<sup>th</sup> October 2018 be approved as a correct record and signed by the Chair

#### MATTERS ARISING

66 Governors received a report on progress against the actions identified at the previous meeting. It was noted that the majority of items were either in progress or had been completed.

67 Under minute 9, the Principal reported that the number of ESOL learners had increased from 137 to 168 for 2018/2019. However, some of these students were studying a lower level course than previously and would progress to an accredited programme. The funding implications of this situation were, as yet, unclear, as it would be dependent on the number of learners progressing to the higher level courses in the new year. The College was also planning to enrol additional learners in January so the full extent of the funding would be better known in February 2019.

68 The Vice Principal Services advised that the review of accounting policies (minute 27 refers) was a requirement within the Financial Regulations. It was agreed that this requirement could be reviewed when the Financial Regulations are updated in March.

69 Governors were informed that a total of 83 students had had work placements arranged, compared to the target of 65. Although this was positive, it was noted that the numbers were only a small proportion of the numbers that would be required when the new Technical Levels are fully introduced. The only area where it had proved difficult to complete was in Motor Vehicle, due to most businesses being sole traders. There was the possibility that further barriers could emerge in the future, as the work placement scheme was rolled out to other departments.

70 In response to a question from a governor, the Principal reported that he was not aware whether there were any extended work placements taking place at the College itself but this would be reviewed.

71 The ballot for potential strike action by members of UCU had now been completed, with a low turnout, which had been insufficient to trigger any such action (minutes 42 and 46).

## **CONFIDENTIAL ITEMS**

72 The Interim Clerk advised that there were no agenda items that could be classified as confidential.

## **FINANCIAL ISSUES**

### **Management Accounts to 30<sup>th</sup> September and 31<sup>st</sup> October 2018**

73 The Vice Principal Services presented for information the management accounts to 30<sup>th</sup> September and 31<sup>st</sup> October 2018. The Statement of Comprehensive Income indicated an operating deficit of £1,921K, which, following adjustments for EBITDA (such as depreciation and pension costs), became a cash based deficit of £349K against a budgeted deficit of £205k.

74 A £240K adjustment to income was noted, due to the under-performance against target of the College's higher education provision. There were some associated cost savings, which meant the net impact to the income and expenditure account was £192K. All HE programmes were running, but with lower student numbers. This, together with other adjustments totalled £7K.

75 At this stage the accounts showed that the College was classified as being in 'satisfactory' financial health, in line with the merger forecasts and the approved budget for 2018/2019.

76 A governor queried why the figures shown in the Funding Table in section 8, when totalled, did not match with the figures shown in the Statement of Comprehensive Income in section 1 of the accounts.

77 Management explained that the figures would not necessarily tally and it wasn't appropriate to total them as the 16-18 figures were not those that would be included in the income and expenditure account due to the effect of lagged funding. In addition it was explained that the figures represented in section 8 were the main funding streams only and did not include all of the other elements of income (such as capital grant release and commercial income e.g. gas, restaurant, hair and beauty and lettings income). In addition it was explained that the forecasts would not tally as the income and expenditure forecasts were not routinely adjusted for funding outputs, particularly early in the year. It was explained that gaps in funding were assessed in the risk table in section 7.

78 Governors queried why risks did not equate to the differences shown in section 8. It was explained that, at this stage, although funding forecasts were produced based on the current and expected positions there were still risks on some of the funding streams of lower future enrolments, retention of learners and learner achievements. It was noted that at this stage the Advance Learner loan forecasts gave the most cause for concern.

79 Governors also queried the relationship between the learner number targets and the funding targets. It was explained that for Adult Education, apprenticeships and loans there were potentially significant differences in funding for different learners depending on the size of the programmes being studied.

80 Management advised that the full set of management accounts could be provided if Governors now wished to see them. It was noted that previously, members of the Committee had decided that only the summary of the management accounts should be presented to each meeting. It was requested that a reconciliation between the Forecast Funding Column and the income reported in the management accounts be provided in future. It was also suggested that management could provide a briefing on funding streams and how they are accounted for in the management accounts prior to the Committee's next meeting (March 2019). The Committee could then decide whether the level of reporting is sufficient or whether further information should be provided.

81 It was noted that the pay to income ratio in the October 2018 management accounts was 61%, compared to the full year forecast of 76%. The Vice Principal Services explained that this was due to the timing of funding income received with a higher proportion being received in the earlier months of the academic year, which reduced this ratio.

- 82 **Resolved -**
- 1 That the management accounts to 30 September 2018 and 31<sup>st</sup> October 2018 be approved.
  - 2 That the Committee receive a presentation on College funding streams and how they are accounted for within the management accounts at its next meeting.
  - 3 That a reconciliation of forecast funding and income reported in the management accounts be provided in the future.

### **Final Accounts Southport College 2017/2018**

83 The Committee received the Southport College draft Final Accounts for 2017/2018. The Vice Principal Services reported that a number of items required completion before the accounts could be finalised, such as the Auditor's review of the minutes from the current cycle of committee meetings and a post-balance sheet review.

84 It was reported that the audit work was complete and there were no adjustments or audit issues. One minor recommendation had been made on the timely completion of governor declarations on fraud and irregularity, which had now been resolved.

85 There were no adjusted or unadjusted errors in the Accounts and the Auditor was satisfied that an unqualified opinion for both the Financial Statements and the Regularity Audit could be given.

86 Governors noted that the accounts had been prepared on a merger accounting basis and that comparative figures had been compiled from the addition of the previous year's accounts of KGV and Southport College.

87 After detailed discussion, the Committee had no further comments to make, except for noting and approving some minor amendments to the Members' Report and the Statement of Corporate Governance. It was also noted that some final work was still to be completed by the External Auditors, but this was not expected to change their audit opinion. Draft Letters of Representation would be submitted for signature by the Chair of the Corporation at the Corporation meeting on 13<sup>th</sup> December 2018.

88 The College had made a deficit £115K, which included one-off restructuring costs of £215K. There had been an actuarial gain on the pension fund of £3.3m, partly due to an increase in the value of assets and partly because of changes to the assessment of liabilities at the year end.

89 The financial health of the College was graded as 'satisfactory'.

90 The Committee had no comments to make, except to note that some further amendments had been made to the commentary and the items still to be completed by the External Auditors.

91 **Resolved** - That the Corporation **be RECOMMENDED** to approve the Final Accounts for Southport College for 2017/2018, subject to the minor amendments noted

### **Final Accounts for KGV College for 2017/2018**

92 The Vice Principal Services presented a report that considered the preparation of the closure accounts for KGV, which covered the period from 1<sup>st</sup> August to 31<sup>st</sup> January 2018. There was no specific guidance from the ESFA as to how the accounts should be presented.

93 Following discussion on the possible alternatives, it was agreed that the KGV closure accounts should be prepared as at 31<sup>st</sup> January 2018 after the transfer of assets and liabilities to Southport College, thereby leaving a 'nil' balance sheet and showing the position of KGV College immediately prior to its dissolution. This approach had been confirmed by the Auditors and had been reported to the Audit Committee at its meeting on 27<sup>th</sup> November 2018 who also concurred. It was noted that the accounts would be adjusted accordingly prior to submission to the Corporation for approval.

94 The Committee noted the content of the Regularity Self-Assessment questionnaire, which required the signature of the Accounting Officer and the Chair of the Corporation, together with the Letters of Representation.

95 Although a qualified opinion had been issued by the Auditor, this was due to no actuarial valuation being prepared at the merger date, as management had considered this to be an unnecessary item of expenditure and served no real purpose in explaining the Final Accounts. Following discussion, the Committee agreed with management's decision and noted that the qualified audit opinion would affect neither the Auditor's true and fair view of KGV's position at the date of the merger or the underlying transfer values of assets and liabilities.

96 Governors also noted the crystallisation of VAT costs associated with the grant income received by KGV, which was incurred when its assets were transferred to the merged College. This amount had been capitalised and included in the overall deferred capital grants.

97 **Resolved** - That the Corporation **be RECOMMENDED** to approve the Final Accounts for KGV College for 2017/2018

### **Education & Skills Funding Agency Financial Health & Financial Dashboard**

98 The Vice-Principal Services presented a letter (dated 15<sup>th</sup> October 2018) from the ESFA which set out the College's financial health assessment for 2017/2018 ('satisfactory') and planned financial position for 2018/2019 ('satisfactory').

99 The Financial Dashboard measured the College's performance against the sector and it was noted that some indicators had been negatively impacted by the merger. It was noted that it was important for the College to achieve the targets set for the Transaction Unit and that it was important to consider progress against these rather than sector norms.

100 Governors questioned whether it was the College's intention to improve the staff costs to income ratio through growth in learner numbers. The Vice Principal Services confirmed that this was the case, particularly at KGV, together with improvements in the level of staff utilisation.

## **TRANSACTION UNIT MONITORING REPORT**

101 The Committee received for information a copy of the latest monitoring report for the Transaction Unit. All indicators were currently in line with the original plan, however, long-term sickness absence levels remained a concern and there had been a reduction in pass rates, partly due to the linear nature of A Level programmes.

102 Governors noted that information on the increase in the number of 16-18 year olds progressing into employment and the overall effectiveness grade (for 2017/2018) were not yet completed in the Outcomes Table and requested that this information be provided to governors as soon as it was available.

## **HUMAN RESOURCES OBJECTIVES 2017/2018 AND TARGETS FOR 2018/2019**

103 The Vice Principal Services presented a report on progress against each of the HR objectives for 2017/2018 and proposed objectives for 2018/2019.

104 Governors were advised that sickness absence levels had increased from 2.84% in 2016/2017 to 3.76% in 2017/2018 and that this applied for both short-term and long-term absence. The ratio of staff costs to income was 79% compared to the budget of 80%.

105 Consultations with the recognised trade unions continued on the harmonisation of staff terms and conditions and amendments to management guidelines.

106 Performance objectives for 2018/2019 were presented, which built on achievements in previous academic years.

107 **Resolved -** That the Human Resources Objectives for 2018/2019 be approved

## **2018 STAFF SURVEY**

108 The Vice-Principal Services presented a report on the outcomes of the recent staff survey. The College had participated in a group survey co-ordinated by York College, involving 48 other colleges, against which the responses had been benchmarked, and staff from KGV had participated in the survey for the first time.

109 The response rate had been 67%, compared to 69% in 2017.

110 Against each of the groups of questions the College had exceeded the benchmark of peer colleges but the actual scores were lower than in the 2017 survey. Analysis suggested that this was due to the responses of the KGV staff, which was to be expected given that the merger had only taken place in February 2018.

111 A number of the lowest scoring questions related to the uncertainty caused by the merger process, the effectiveness of communication and job security. Management would discuss the outcomes through the College Consultative Group and would implement any resulting actions as appropriate.

## **UNION-MANAGEMENT FORUM**

112 The Committee received for information a summary of discussions at the Union-Management Forum meeting held on 9<sup>th</sup> October 2018. The main issues centred on pay in the sector, Colleges' Week, official recognition for 2 unions and local representation.

## **ACCOMMODATION STRATEGY UPDATE**

113 Governors received for information a progress report on current accommodation issues.

114 The Vice Principal Services advised that work on the HE Centre had been delayed by 8 weeks compared to the original schedule. The design team for the project was currently negotiating the final account with the contractor, which had submitted an extension of time claim. The final cost of the project was now likely to be £60K in excess of the original budget.

115 The roof works project at KGV was currently ahead of the agreed schedule and was within budget. The projects at KGV for Reception (£110k under budget), the MUGA (£3k over budget), improving site security (£35K over budget) and the sports changing rooms (£25k over budget) had now been completed.

116 Conflicting advice received from potential contractors meant that the project relating to the sports pitches was currently on hold. The refurbishment of the HE Centre at the KGV campus had also been deferred pending a review of HE. Proposals would be brought back to the Committee at a future meeting, once the outcome of the Nursing Pathways provision was more certain.

117 The Committee noted that the total budget for accommodation items was now estimated to £195K over the original TU budget when all changes (other than any extra costs relating to the RG Centre) were factored into the calculations. Any additional expenditure would be taken from the College's cash reserves.

## **ACCOMMODATION STRATEGY 2018/2019 TO 2022/2023**

118 Governors received a detailed report on the Accommodation Strategy for 2018/2019 to 2022/2023 that would be submitted to the Transaction Unit as a requirement of the funding conditions. The report addressed key areas arising out of the evaluation of the condition of buildings, coupled with curriculum requirements. The overall Strategy was a re-confirmation to maintain the two individual colleges and divided projects into those that were already planned or were in progress and, separately, those which would be subject to external funding.

119 Financial implications of the approved and ongoing projects was at a cost of £1,247K, less grant of £1,000K. It was noted that there was a risk that costs may escalate as projects were developed and would, therefore, be subject to monitoring by the College's professional advisers.

120 **Resolved -** That the Corporation **be RECOMMENDED** to approve the Accommodation Strategy for 2018/2019 to 2022/2023

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

121 The Chair summarised the outcomes of the meeting and identified the following matters which would be brought to the attention of the Corporation at its meeting on 13<sup>th</sup> December 2018:

- Final accounts for Southport College for 2017/2018 and for KGV for 1<sup>st</sup> August to 31<sup>st</sup> January 2018 were recommended for approval by the Corporation
- Accommodation Strategy recommended for approval

## **RESIGNATION OF CLERK TO CORPORATION**

122 The Chair reported that the Clerk to the Corporation, Lesley Venables, had tendered her resignation with effect from 30<sup>th</sup> November 2018. On behalf of the Committee the Chair thanked her for her contribution and support to the Committee and the Corporation over the past 15 months, which was most appreciated.

## **DATES OF FUTURE MEETINGS**

12<sup>th</sup> March 2019, 3.00 p.m.

3<sup>rd</sup> July 2019, 3.00 p.m.