

REASEHEATH COLLEGE BOARD
FINANCE AND GENERAL PURPOSES COMMITTEE

Minutes of the meeting held on Thursday 14 February 2019 at 9.30am
Committee Room, Reaseheath Hall

Present: Malcolm Burns (independent) MB
 Marcus Clinton (principal) MC
 Elizabeth Harrison (independent, chair) EH
 Vicky Murfin (external co-opted) VM
 David Pearson (independent) DP
 Angela Potter (independent) AP
 Andrew Fletcher (independent) AF
 Richard Ratcliffe (independent) RR

In attendance: Graeme Lavery, CFO and director of resources GL
 Dave Kynaston, vice principal, DPK (*item 5 onwards*)
 Louise Woodman, director of HR LW
 Sarah Houghton, assistant principal, SH
 Peter Greenall, assistant principal, and dean of higher education, PG
 Jackie Schillinger, clerk JS

PART A (unless stated)

Item	Content
1.	<p>WELCOME AND APOLOGIES FOR ABSENCE</p> <p>The Chair welcomed all to the meeting. Apologies were received and accepted from Jon Furber and Louise Young. The meeting was declared quorate.</p>
2.	<p>DECLARATION OF INTEREST</p> <p>The declaration of interest form was circulated. There were no interests declared as giving rise to a conflict of interest in relation to the agenda items for the meeting. An interest was noted at item 5 by VM in relation to the reference to Sodexo being the parent company of her employer, but this did not give rise to any conflict of interest.</p>
3.	<p>MINUTES AND MATTERS ARISING</p> <p>3.1 Part A of the minutes of the meeting held on 29 November 2018 were approved as a correct record and signed by the Chair. There were no matters arising that were not covered on the agenda.</p> <p>3.2 <i>Confidential Part B item – Part B minutes approval.</i></p>

4. COLLEGE STRATEGIC RISK REGISTER AND KPIS

4.1 MC presented the college strategic risk register, updated to February 2019. He noted that the risk scoring remained at that presented in the 13 December board meeting and he provided an update on the key areas of risk. These remained the shortfall in 'other income' lines (core income lines remain strong overall) and the challenging staff recruitment and retention in STEM subjects, as well as the pressure on college resources to meet the increasing mental health and wellbeing needs of students. He mentioned the likely increase in learning support funding in year, which will be very helpful and assured the committee that he is confident that this funding is appropriately used. He also highlighted the good work done in mitigating halls of residence costs and in improving efficiencies on the farm, with more scope for savings in future under the leadership of the new farm manager. He noted that the detail would be discussed further in the finance section of the meeting. Discussion and questions followed his presentation of the risk report:

- On the Adult Education Budget (AEB) allocation, EH asked if the college was strategically budgeting for the shift away from AEB that the college has experienced in the previous year or so. MC confirmed that the allocation will be lower next year in any event and he confirmed that the continuing shift away from this funded income stream will be reflected in the budget going forwards. He provided assurance that there is no loss in adult learner numbers as the shortfall in AEB is offset with an increase in Adult Learner Loan (ALL) funding. In terms of devolution, he confirmed that the college only has a very small amount of provision (a handful of learners) that could be affected by devolution;
- DP asked for assurance on the Principal's level of confidence that the relevant managers have ownership of the finance improvement actions this year so that the college is doing everything it can to close the income gap. MC confirmed his confidence and gave assurance that managers are driving this forward. He noted that the recent round of performance monitoring reviews had included this work and the discussions around full cost income as part of these reviews had given him confidence that the work will be done to maximise the college's outturn position;
- MC highlighted the initial data showing that HE applications are down on last year but that acceptances are up on the same time last year, so there may be an issue on HE income next year but it is a complex picture. He noted that the national picture is sluggish, with the overall view that the sector is sustaining itself but some institutions are up and some are significantly down. He explained the actions that the team are taking to mitigate this risk, such as the work on increasing internal progression, the new vet nursing provision (though securing placements are a challenge), the new natural resources management offer as well as the freshening up of the equine offer and more in the pipeline in the next few years. He gave assurance that the budget will not include any HE income growth assumption for next year;
- AP said that from her experience, the HE numbers in Further Education colleges have been really squeezed as a result of the competitiveness of the HE sector and the increasingly targeted tactics of universities to attract FE students as new starters and also as returning second years. PG agreed that he can see these tactics at work and the environment is also challenging due to the current policy context. MC stressed that the college needs to make the most of its specialist technical nature for HE recruitment and tap into the increasing awareness of this as the college's USP;
- MC confirmed that FE income is looking promising for next year as applications are currently 20% up on last year and so conversion of applications will be crucial to achieve growth;

	<ul style="list-style-type: none"> • In terms of specialist staffing, DP asked about a workforce plan to ensure that this red risk area is at the heart of the strategic planning this year. DP also noted that all the support plans, such as core systems and processes, should come together to support the overall strategic plan. MC agreed and gave assurance that the people plan is one of the ‘must wins’ that the team will be looking at with the governors as part of the strategic planning event on 1 March. MC confirmed that the college is becoming a national player in the area of agricultural engineering with its significant investment in resources and there is a lot of growth opportunity, provided that the college can meet the staffing challenge. PG agreed that UCR should have engineering provision but currently does not have the staffing in place for this to be sustainable. LW explained what the college has been doing to improve the specialist staffing situation so far. EH emphasised that in approaching this challenge, quality is key and the college needs to ensure that it only takes on what it can deliver well as it works to resolve this issue and unlock further growth; • RR asked how the college would approach differential staff salaries in specialist areas. LW confirmed that it is important to avoid too much difference and the use of market supplements, supported with evidence and reviewed annually is the best way to do it. She added that regular review and flexing this system as the market changes is important as will be offering re-training opportunities to staff; • RR asked about the ways to engage with and communicate this kind of change to staff. LW noted the effectiveness of the staff partnership forum, as well as the need to communicate it clearly through the business planning process. She also noted that the message came out very clearly from staff feedback at the recent staff conference as well and it seems to be high on everyone’s agenda; • MC provided an update on the resourcing of the mental health and wellbeing provision, noting that this will be a central part of business planning; • EH requested an update on the recruitment of a replacement for the Head of Technical Services. GL explained the interim structure and assured members that this is delivering good customer service currently and that the work on cyber security is progressing well. He added that the replacement role will be advertised shortly. DP queried whether the digital strategy for the organisation would come under this new role. GL confirmed this is the intention. <p>4.2 EH, on behalf of the committee, thanked MC for his report, which the committee received for information and assurance that the key strategic risks are visible and effectively managed.</p> <p>4.3 GL recommended that the college should amend one of its financial KPIs – moving from the existing KPI cash inflow of £2m to an EBITDA (Earnings before interest, tax, depreciation and amortization) KPI target of £3m. On discussion, the committee agreed with the suggestion and asked that a formal paper proposing the recommendation be taken to the board meeting on 21 March 2019 for approval.</p>
<p>5.</p> <p>5.1</p>	<p>HUMAN RESOURCES</p> <p>The Director of HR, LW presented her human resources update report. A number of areas of work were highlighted, including:</p> <ul style="list-style-type: none"> • Work on deciding if the iTrent system can be developed to meet college needs, or if the college needs to look elsewhere, with a planned visit to Plumpton college to see how the iTrent education package is working. EH emphasised the importance of being very clear on requirements in a service level agreement. GL noted that the college really needs a

	<p>dedicated resource for systems maintenance and management and options are being explored, as part of core systems strategic planning.</p> <ul style="list-style-type: none"> • Training and development and staff benefits, including the staff conference, the recent executive team development, the new Sodexo staff reward scheme and the careers work that the HR team has been offering to support students. MC commented that the college could look to promote better uptake of this support at a centralised and more recognisable employability/careers hub, which he had seen working well at a number of colleges, including on a recent visit to Grimsby College. • Wellbeing work and the Beacon award, which shows how the college has moved forward with this work over the last two years; • HR data update including staff turnover, leavers, exit interviews and absence/sickness data reporting <p>5.2 LW welcomed questions from the committee. EH probed into the exit interview data and a possible correlation between difficult working relationships and anxiety and stress comments. LW explained some of the context to this data and agreed there is some relation, which is also seen in a relatively higher number of grievances and disciplinary investigations at the moment. She also noted that sickness had seen a spike in November and December and is now starting to come down. She explained that short term sickness is not out of line with the sector, but the long term absence data is high. She added that this tends to be operations or serious medical conditions. DP questioned the effectiveness of the occupational health service used by the college, as it was noted at the previous meeting that this is an area where it can be a challenge to obtain good practical advice and an effective service. LW confirmed that she is looking at changing the service to an in-house occupational health role. EH thanked members for their input and, on behalf of the committee, thanked LW for her report, which the committee received for information and assurance.</p> <p>5.3 <i>Confidential Part B item – human resources matter relating to a member of staff.</i></p>
<p>6.</p> <p>6.1</p> <p>6.2</p>	<p>STUDENT NUMBERS AND FUNDING REPORTS</p> <p>The Vice Principal, DPK presented the FE and Apprenticeships student data report, providing assurance that overall performance is strong. He noted that the 16-19 funding allocation will be known within a few weeks and can be confirmed at the board meeting in March. GL noted that the ten-year forecast is prudent and assumes no growth in this line. DPK noted the shift in learner numbers from the AEB to the ALL income line, and the work to try and close the gap on the AEB line but with a strong picture overall on adult and full cost income. He highlighted the success of the 14-16 income line, with a significant increase in home educated students and an opportunity for further growth here. The application data showed a 20% increase in FE applications on this time last year. SH explained the actions the team is taking to support conversion, including the conversion days that have been so effective with HE student conversion. She explained the first one is to be held next week and is targeted at level 3 students. The committee received the report for assurance and looked forward to an update on conversion of applications at its next meeting.</p> <p>The Assistant Principal and Dean of HE, PG presented the HE student data report. He explained the context of the lower number of applications for 2019-20. He said that the underlying data gives him more confidence because there are more first choice applications than last year and more acceptances. He also explained the actions in place to improve internal progression and the other mitigating actions in place. He suggested that overall, with the actions in place and the</p>

	<p>underlying data, it suggests a flat-line position for next year and he assured the committee that this is what is assumed for next year in the ten year forecast. The committee noted that a full discussion had taken place under the risk register item on this matter and they received the data report for information and assurance, noting the amber rated risk on HE applications for next year.</p>
<p>7.</p> <p>7.1</p>	<p>FINANCIAL MONITORING</p> <p>The CFO and Director of Resources, GL, presented the current position at Period 5 management accounts. He took the meeting through the commentary. In the discussion that followed, the key points were:</p> <ul style="list-style-type: none"> • The college financial position at period 5 is £342k adverse to the budgeted surplus at period 5 of £155k. Full year forecast surplus is currently £378k, £171k adverse to budgeted surplus of £549k; • The major cause of the shortfall remains the non-core income shortfall, particularly on Halls of Residence budgeted income. Farm income and costs are also a significant contributor; • Mitigation actions are in place and progress is being made, both on other income lines and on mitigating non-pay costs. DP requested and received assurance that actions to maximise the income lines and manage non-pay costs are being driven by the Executive team, closely monitored and are having an impact. These are monitored via the Executive team’s action tracker, which shows current state of play. <i>(ACTION: include on governor portal – JS);</i> • On the farm, actions are now in place and the new Farm Manager’s efficiency drive is expected to provide significant benefits, but mostly not seen until next year. This year the farm net deficit has been improved to a net £70k, which is £90k adverse to budget; • There is not expected to be significant movement on improving accommodation income now this year, but mitigation of temporary accommodation costs (bunkabins) has been very effective by the Head of Property, resulting in these costs being back on budget for year-end; • Non pay costs generally are being well managed with some good work to reduce costs. However, the student transport contract will remain over budget due to the success of free buses and the team are working on efficiencies for the operation of student transport for next year. The higher cost of student transport is fully included in the forecast as at period 5; • EH requested and received assurance that quality remains a priority. Assurance was sought and provided that no non-pay costs savings are as a result of deferring costs and that pay costs remaining significantly under budget is not as a result of management action not to recruit or by deferring costs; • In addition to the income currently in the forecast GL said that he had confidence in pipeline income of a further £100k from learning support income lines, but as the income is not yet completely secured it is not in the forecast, but this should improve the income position as it feeds into the forecast over the remaining months to year end; • GL explained that the capital projects are now concluded. The team is working on the final accounts and this is factored into the cash flow forecast. A final report will come to the summer term meeting. <i>ACTION: summer term meeting final report;</i> • In summary, GL confirmed that, with the actions in place and expected additional income, the surplus at year end should be much closer to the budgeted surplus than current forecast.

7.2	DP and EH thanked GL for the period 5 finance reporting, received by the committee for assurance and noted that the conference call following the meeting would provide an update to the full board, to keep everyone informed in advance of the next update at period 6 at the board meeting on 21 March. GL added that he is very happy to meet with any governor or speak on the telephone/email in relation to any individual queries. AP confirmed that she will be coming in to meet with GL for her termly meeting outside of the formal meeting structure, which supports additional oversight and assurance for the committee.
7.3	<i>Confidential Part B item: commercially confidential matter.</i>
7.4	MC introduced the new business planning process flowchart for information. GL further explained the process and the move towards zero based budgeting, as previously discussed and supported by the board at its December meeting. Members welcomed the development and received the report for information.
8.	<p>ANY OTHER BUSINESS</p> <p>There was no other business reported.</p>
9.	<p>DATE OF NEXT MEETING</p> <p>The date of the next meeting in the diary was noted as Thursday 20 June 2019 at 9.30am, but members agreed to the suggestion that this be changed to Wednesday 19 June, if convenient for the majority of members, with the clerk to confirm outside the meeting.</p>

The meeting closed at 12pm. A conference call update on finances (open to any other board member) followed and closed at 12.30pm.

Signed:

Dated: