

**REASEHEATH COLLEGE BOARD
FINANCE AND GENERAL PURPOSES COMMITTEE**

**Minutes of the meeting held on Thursday 20 June 2019 at 9.30am
Committee Room, Reaseheath Hall**

- Present: Malcolm Burns (independent) MB
 Marcus Clinton (principal) MC
 Elizabeth Harrison (independent, chair) EH
 Andrew Fletcher (independent) AF
 Richard Ratcliffe (independent) RR
- In attendance: Prof Gary Crowe (independent) GC
 Liz Green (staff) LG
 Alastair Taylor (independent) AT
 Jane Cowell (independent) JC
 Peter Green (independent) PG
 Anne McKay (staff) AM
 Graeme Lavery, CFO and director of resources GL
 Dave Kynaston, vice principal, DPK
 Louise Woodman, director of HR LW
 Paul Spearritt, assistant principal, PS
 Peter Greenall, assistant principal, and dean of higher education, PGreenall
 Jackie Schillinger, clerk JS

PART A (unless stated)

	Content
1.	WELCOME AND APOLOGIES FOR ABSENCE
1.1	EH, as Chair, welcomed all to the meeting, including members of the Quality and Standards Committee in attendance and newly appointed governors Prof Gary Crowe and Liz Green. Apologies were received and accepted from David Pearson, Angela Potter, Jon Furber and Vicky Murfin. Late apologies were received from Louise Young during the meeting and noted.
1.2	The meeting was quorate.
2.	DECLARATIONS OF INTEREST
2.1	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.
3.	MINUTES AND MATTERS ARISING
3.1	Part A of the minutes of the meeting held on 14 February 2019 were approved and signed by the Chair.

3.2	Part B item.
3.3	The rolling action log was noted and there were no matters arising not otherwise covered on the agenda for the meeting.
4.	<p data-bbox="217 310 769 338">COLLEGE STRATEGIC RISK REGISTER AND KPIS</p> <p data-bbox="125 380 1446 447">4.1 The Principal, MC, presented the college strategic risk register, updated to June 2019. He highlighted the following key points in his report:</p> <ul data-bbox="267 453 1446 1094" style="list-style-type: none"> <li data-bbox="267 453 1446 552">• The executive team have reviewed the risk scoring and report the improving picture on finance in terms of the year end outturn due to management actions in year, supported by board oversight, and pay costs under budget; <li data-bbox="267 558 1446 625">• The specialist staffing risk remains as a red risk currently. The action plan to tackle this continuing concern is reported in the meeting; <li data-bbox="267 632 1446 737">• The other remaining red risk is DART Limited (maintain/develop the value of DART Limited), which is a substantive item on the board agenda on 11 July, following on from the review of the current situation at the board meeting on 21 March; <li data-bbox="267 743 1446 953">• The high incidence of mental health problems this year required an increased focus on this area of support, which has been taken into account in resource planning for next year to ensure the college is able to keep up with demand. In addition, Wellbeing updates have been added to the weekly executive safeguarding dashboard. Work is underway in term 3 and into 2019/20 to develop contact and communications with senior external agencies including PanCheshire LSCB and CCG in order to validate college policies, processes and procedures; <li data-bbox="267 959 1446 1094">• The Environmental regulation breach risk is now rated GREEN due to effective management actions under the new Farm Manager. Health and Safety culture on the farm is also much improved under the new leadership. Fortnightly farm walks take place with the Farm Manager, Health and Safety Manager and Vice Principal. The Farm Manager is NEBOSH qualified. <p data-bbox="125 1136 1062 1171">4.2 Questions and feedback followed, with the following key points raised:</p> <ul data-bbox="267 1178 1446 1885" style="list-style-type: none"> <li data-bbox="267 1178 1446 1350">• PG asked for an update on the current situation with the income risk on residences and catering and the costs of transport. MC explained that this year the pay savings have offset the loss of income and the executive team has been successful in reducing non pay costs where this has been possible. MC acknowledged that the key point is to ensure that these are moderated down in the budget for next year; <li data-bbox="267 1356 1446 1566">• JC wondered whether there is a link between free transport and the lower residences income this year. MC said that the team had spoken about the anecdotal evidence but that the picture is not clear on the extent of this impact, but they are doing some further work to better understand it. He noted that residences applications for next year are very strong, with a waiting list, and applications to the college are generally up. JC emphasised that she felt it was important to understand and keep an eye on this relationship; <li data-bbox="267 1572 1446 1745">• PG asked whether the impact of free transport and residences income should be monitored on the risk register. GL confirmed that the Head of Student Services and his team are actively monitoring this risk this year. He provided assurance that the college is in a different position in the coming year to last year and has contingency planning in place for the additional accommodation spaces that look likely to be needed; <li data-bbox="267 1751 1446 1885">• GL confirmed that on the transport side, the college is intending to look at its options over the longer term to reduce the cost of transport for the college, for example consideration of leasing its own fleet. JC commented that it is encouraging to see that cost reduction strategies are being considered;

	<ul style="list-style-type: none"> • PG added that he felt assured from the discussion that the situation going into next year is being well managed; • EH requested an update on the Customer Relationship Management (CRM) project plan. GL explained that this project is being driven by the Head of Marketing and is making progress, with the company that was successful in the tender, now undertaking the scoping work, including building a test cell to achieve proof of concept. GL also mentioned the work that the college is doing with Microsoft on the use of IT within the organisation. EH queried how these two areas of work were being aligned. PGreenall gave assurance that they are complimentary, and MC confirmed that they are being managed as part of the core systems strategic objective, headed up by the Vice Principal.
4.3	<p>The Director of HR, LW, presented the action plan on specialist staffing, with recommendations for consideration by the committee. She provided the context to the plan, with the issues in engineering and the strong opportunities for HE growth, if the specialist staffing challenge can be addressed. Equally in construction, she noted that the college is struggling to retain staff and both of these areas impact on the ability to recruit and retain apprenticeships assessors.</p>
4.4	<p>LW covered the options that the executive team has considered, including market supplements and expanding salary scales. She explained that the college has been able to bring in external HR resource in the form of a HR project manager, which has been very helpful in progressing this project. Also helpful, has been the appointment of an interim engineering manager, which is already achieving positive change in the team. LW referred members to the work plan, showing what has been achieved so far and what is planned. PS explained how the new engineering manager is carrying out a review of the work model, efficiencies and reduction of workload, and LW is looking at the level of teaching qualifications needed to try and reduce the burden on new teachers. PS and LW are also looking at the programme Leader (PL) role to ensure that there is progression for those who do not want to become managers so that they can still progress on the basis of technical expertise. LW explained that there has also been success with re-training teachers from other areas and this is another strategy that will continue. The armed forces resettlement national scheme was discussed, with PS noting that they had not experienced any significant take up coming from this scheme. AF and GC wondered what the blockers were to this working, as it has the potential to provide a regular flow of teaching staff. GC suggested that the team could go back to the scheme with promotional information on pathways, case studies and opportunities to see if this opportunity can be realised. JC suggested that the college challenge the AoC on the lack of take up to see what they can do.</p>
4.5	<p>LW then presented the strategies proposed around the salary and salary progression structure, which she explained had been costed for the 2019-20 year at £100k investment. She explained the proposed consolidated step payment model. She noted that the costs for future years had been estimated as there should be a decline as existing staff reach the top of scale or access enhanced points, as shown in the report. She also provided examples of the new website page and promotional content, including the total financial reward statements and non-financial benefits. Questions and discussion followed, in which the key points were:</p> <ul style="list-style-type: none"> • PG asked whether the proposals would deliver costs savings. PS responded that it is hard to say at this stage, but early indications are that it will provide some work/time savings that can support increased income in full cost work; • JC asked about the possibility of making more of employer guest lecturing. GC agreed that this could be very beneficial, supported now by the apprenticeship levy. MC gave feedback on how much enthusiasm he had received from employers keen to get involved, whilst he was at the trade stand at Cheshire Show. AT cautioned that he has experience in his relevant work role that it can be challenging to convert this enthusiasm to action. In particular, he noted the difficulty in

recruiting end point assessors from industry. GC agreed that it is important to articulate the commercial benefit to employers. GL gave an example of how this had worked well this year with the silageing employer partnership work which had provided a commercial benefit to the employers as they had sold some tractors as a result of taking part. DPK stressed that this is not a new model for the college and works well, and accepting that it takes work and energy, it has perhaps not been promoted enough in engineering to date, but the signs are very positive under the new management;

- PG asked how the support from the large engineering employers is going. PS explained that to date there has been more support on equipment rather than staffing, but that there are opportunities, with the new bespoke JCB only programme for example;
- GC queried whether the Director of HR had experience of operating a step payment scheme before. LW confirmed that she had operated something similar in a previous organisation in a different sector. She said that she had not found a similar scheme already operating in the further education sector, with other colleges commonly paying market supplements or a golden hello. GC noted that he has experience of the process in other sectors and one of the challenges is the assessment process and the amount of work to pull back from the model if you find that it is not working;
- PG gave support for the proposed approach and asked how it will be managed with other staff not within the model. LW confirmed that the executive team is supportive of the proposal and if the committee supports it, it will then go forward for staff consultation. LW agreed that the messaging to other staff is important and that it could be a model that is applied in other areas as well where there are recruitment and retention problems;
- AT confirmed that he was impressed with the holistic approach to the issue, but also suggested that an element of building the positive culture in the engineering team is needed. EH agreed that there needs to be a sustained morale boost. LW confirmed that she can see this already starting to happen under the new management;
- JC expressed her view that she finds it troubling that the model is by implication suggesting that some areas are more important than others. However, she agreed that something needs to be done. She confirmed that though she feels uncomfortable with the principle of the approach, she will support it as a necessary step. She agreed that the messaging is very important, and she would like to see more articulation of the risks as the implementation of the model goes forward;
- GC offered to speak to LW outside the meeting to share his experience of a similar model;
- RR gave his support for the approach and thought that there will be an overall benefit for the teams;
- MC said that he was pleased there is general support for the approach and that he is very pleased with the work the team has done so far and he is already starting to see some positive changes;
- EH asked whether the executive team know what the reaction will be with staff. PS gave his view that the reaction will be positive as there is a good understanding amongst the wider staff of these problems that require action;
- AT noted that the forthcoming Quality and Standards Committee has an engineering student attending to enable the committee to hear more about the engineering student experience, which will be a useful triangulation of reporting.

EH added that the committee will wish to monitor progress with feedback on staff messaging, armed forces opportunities and how the model is joined to the performance development review process. She gave her thanks on behalf of the committee to LW, PS and the team for this well thought out and presented proposal.

4.6

RESOLVED: The Committee approved the following:

- **The proposed action plan;**

	<ul style="list-style-type: none"> • The proposals for extending salaries; • The Finance and General Purposes Committee will monitor implementation over the next twelve months including articulation of risks, progress with feedback on staff messaging, armed forces opportunities and how the model is joined to the performance development review process.
<p>5.</p> <p>5.1</p> <p>5.2</p>	<p>HUMAN RESOURCES</p> <p>LW presented her HR Update Report, for information and any feedback. Her report included an update on developments within the HR and Payroll team, set out progress against the HR area plan objectives for 2018/19 and highlighted the key priorities for the next six months. Statistical data was presented to the committee with statistics for the college against four key areas, taking into account previous feedback from the committee on data presentation and comparison and national benchmarks. These areas were Headcount; Turnover; Recruitment and Absence. Questions and discussion followed:</p> <ul style="list-style-type: none"> • LW clarified the issues around the objective to provide English and maths support for staff. She noted that she needs to look at how the college can deliver the support to staff if it is identified, as there are currently limitations on the support available, for example, from the Learning Support Centre. PG asked if there is a specific lead on this objective. LW confirmed that the objective is owned by the maths and English team and HR. JC wondered about the purpose of the objective. DPK confirmed it is about skills development and that all staff are expected to provide correct grammar etc on marking student work; • AT wondered if the statistics on turnover tell a story in terms of exit reasons in engineering. LW confirmed that reasons given from engineering were lack of other staff leading to workload pressure and salary; • GC wondered why there were only fifteen responses from exit interviews. LW confirmed that exit interviews are offered to all staff but are not compulsory and not everyone takes them up. GC suggested a follow up call post departure may help and he would encourage LW to try and increase this response rate where possible as it provides very useful data; • JC queried if there is a benchmark on turnover for land-based colleges, as the benchmark presented is for all colleges via the AoC. LW responded that she was not aware of one but could see if this is something that may be available through Landex; • PG asked whether there are any significant differences between curriculum staff and support staff in terms of reasons for leaving. LW said she could have a look at this split but that nothing significant has jumped out of the data; • JC wondered if the number of staff reporting stress is going up. LW responded that there tends to be a yearly cycle where the HR team do see more people reporting feeling stressed as the year goes on. JC wondered if there is evidence that it is escalating in the same way as the college has seen in the student population. LW did not see this happening but she can see the impact of more people being open to admit this is an issue for them. AM noted that she has noticed that some of the younger staff are perhaps less resilient and that this could be an area to keep an eye on. <p>EH thanked LW for her report and members for their contributions to the discussion. The report was received, with thanks.</p>
<p>6.</p> <p>6.1</p>	<p>STUDENT NUMBERS AND FUNDING REPORTS</p> <p>The Principal, MC presented the FE and Apprenticeships student data report for assurance on student income targets this year and strong applications for next year. He noted that the committee need to look at the adult funding streams combined as the shift continues from Adult Education Budget (AEB) to Adult</p>

	<p>Learner Loans (ALL). PG queried the low internal applications currently showing on the data. MC confirmed that this is a timing issue due to the different process used this year, but there are no concerns on internal applications. Members noted the difficulty with the devolved AEB budgets, which may impact on the college, but not to a huge amount, with the college having just over forty students from devolved authorities.</p>
6.2	<p>The Dean of HE, PGreenall presented the HE student data report. He reported improved retention this year and a steady state in terms of recruitment but within the context of a declining overall number of applicants. He confirmed that the Higher Education Committee will be monitoring the work needed to understand the changing picture in HE and how the offer and the student experience at UCR needs to evolve in order for the college to remain very competitive in the HE market.</p>
6.3	<p>EH thanked MC and PGreenall for their reports, received by the committee for information and assurance.</p>
7.	<p>FINANCIAL MONITORING</p>
7.1	<p>GL presented the Period 9 management accounts for information and assurance that the mitigations that the executive team had put in place in year were working to close the gap in the outturn surplus, with the Period 9 accounts forecasting an outturn of £441 against a budgeted surplus of £549. He noted that the cost saving on staffing was as a result of establishment vacancies, not as a result of management action. He provided assurance that the ESFA are happy with the reporting to them this year with no issues raised at all. He also noted the debt management processes are working well. JC sought and received assurance on the bursary spend on subject sector three provision. GL also noted that the college subsidiary company is showing an improved situation with the mitigation working well. PG queried whether the improved financial outturn forecast had been updated in the risk register and JS confirmed that it had been. The committee received the report and welcome the assurance provided by the improving picture.</p>
7.2	<p>Part B item.</p>
8.	<p>DRAFT BUDGET REPORT AND TEN-YEAR FORECAST</p>
8.1	<p>GL provided the draft Budget and Ten-Year Forecast report, tabled in the meeting. Members took ten minutes to read through the report. Members had received with the papers the ESFA Financial Planning Checklist and the AoC briefing on financial questions for governors. GL offered another meeting/phone call in the next week if members felt the need at the end of the meeting. GL explained the process and context of the budget in relation to the new business planning process this year. He noted that the executive team will ensure that the business planning process is commenced at an earlier stage next year. He gave his view on the positives of the new approach, which include looking longer ahead and better staffing and resources planning. He explained the context of the draft budget and commentary and the assumptions in the commentary. He also highlighted the external policy context in terms of capital funding. He took members through the college performance against its financial KPIs and covenants – providing assurance, apart from the overall ESFA autograde which is satisfactory (from 2019 now ‘requires improvement’) rather than good. He added that the ESFA have been very satisfied with the financial reporting to them this year and have raised no concerns at all. Members received the budget report and questions and discussion followed:</p> <ul style="list-style-type: none"> • GC asked if the Kingsley Fields financial strategy is fully contracted and GL provided strong assurance that this is fully legally contracted;

- JC queried the assumption on 16-18 funding in the budget and GL confirmed that the rates are the same for next year, but the volume has increased slightly;
- JC queried exposure to AEB risk and GL confirmed that there is exposure but not a significant proportion of overall income;
- GL explained the income target assumptions further. He noted that £863k of increase in income is a presentation change including bursary treatment and TPS pension increase government support;
- GL confirmed there is a significant increase in apprenticeship income due to the change from frameworks to standards with increased margins as well as some increased work with employers. DPK confirmed the significant increase in margin moving from frameworks to standards, such that the budgeted increase is in large part due to the price change increase not the volume of work. PG commented that the importance of apprenticeship income shows how equally important it is to ensure the college gets this work right and delivers to employer expectations under the frameworks;
- On DART, GL provided assurance that the extra costs in relation to the sub-contractors are in the budget and gave assurance that the DART sub-contractors contracts are now in place and compliant, with good relationships;
- In relation to HE income, PGreenall confirmed that no growth in HE has been put into the budget and that though there is the possibility of a reduction in fees, the government funding to make up the difference would most likely apply to the college due to its type of provision and so the steady state scenario has been adopted in the budget. He noted that the recent TEF Silver award will help support recruitment. PGreenall also provided more context on the HE assumptions on numbers and mix of provision for next year, as well as potential growth for the future, such as in engineering, that has not been included;
- RR queried the situation with capital expenditure in the budget. GL confirmed that there is no increase over the usual budget allocation for next year. He confirmed that an agreed estates strategy is needed now that the major capital projects have been completed. He noted the need to lever in external funding or headroom through growth in the shorter term;
- RR wondered how this would impact the development of the farm. MC noted the possibilities for the farm to lever in funding, including the LEP Institute of Technology bid on the use of robotics;
- EH requested assurance on the level of test and challenge during the budget process into the forecast budget income this year. GL explained the process of challenge that executive members had been through with their budget holders and that this had then come through for challenge at executive level. He gave his view that the income assumptions had been more robustly challenged and there was a better understanding and executive feel for their own areas this year;
- MC endorsed GL's comments. He noted that budget managers and the executive had spent a lot of time in a detailed process such that he is more confident that the income assumptions are robust this year. He also noted that with the development of a longer-term strategic plan, this year's budget approach is to achieve a steady state;
- PG asked about the KPI of a surplus of between 1 – 3% of income, as he noted that this KPI is very much on the margin of achieving 1% in the budget. GL accepted that this is tight but that, given the context of the ESFA approach regarding operating surplus and the focus on EBITDA, the executive team has committed to achieving a 1 % surplus rather than any higher this year to avoid squeezing the business too tightly. GC noted that the budget currently shows EBITDA only just above the target of 8% and so, again, the executive needs to be clear that there is not much headroom. GL agreed a number of areas are tight and need to be well managed, with a tight year next year, but the opportunity in the coming year to look further ahead;

	<ul style="list-style-type: none"> • JS raised the need to seek approval to amend the EBITDA KPI set by the Board in March from the £3m KPI to the proposed 8% EBITDA shown in the draft budget. Members had not had a chance to consider this in advance of the meeting and requested that GL provide a paper as part of the budget papers for consideration at the forthcoming Board meeting; • GC commented that the budget recovery forecast for this year at Period 9 management accounts is largely not as a result of management action, but of pay costs under budget. He said that this was a worry because without this benefit the outturn would be a deficit. He asked how the governors are to be assured that in the current cycle, there will be an early warning so that the right conversations will happen early on to avoid a similar situation next year. GL explained the staff establishment work and the work on the delivery model that is being undertaken and MC provided his assurance that monitoring will be robust this coming year, and, as happened this year, he will flag any issues to governors transparently.
8.2	EH thanked GL and MC for the draft budget presentation and members for their contributions to the full discussion. She noted that the committee was not being asked to recommend approval of the tabled budget today and that full consideration would take place in the Board meeting on 11 July.
9.	CAPITAL PROJECTS REPORT
9.1	The capital projects report was received, for information and assurance.
10.	ITEMS FOR APPROVAL
10.1	The Study Tours and Educational Visits Policy and the Business Continuity and Critical Incidents Policy were not provided to the meeting and GL confirmed that they would be provided to the next board or committee meeting for ratification.
10.2	The FE Tuition fees 2019-20 report was provided for recommended approval. In terms of accessibility, JC questioned whether there were flexible payment options and GL confirmed options are available including the option to pay across twelve months.
10.3	RESOLVED: The proposed FE Tuition Fees for 2019-20 are approved and recommended to the Board for approval.
11.	SELF ASSESSMENT OF THE COMMITTEE AND REVIEW OF TERMS OF REFERENCE
11.1	The committee considered its performance against its terms of reference and considered that it remained fit for purpose, with individual self-assessment questionnaires provided to the clerk to feed into the governance self-assessment process. The committee considered its Terms of Reference (TOR) and recommended the TOR for approval for 2019-20.
12.	ANY OTHER BUSINESS
12.1	The meeting received an information and assurance report on a recent overseas trip by the Principal, approved in accordance with the college financial regulations.
12.2	There was no further business to report.
13.	DATE OF NEXT MEETING
13.1	The date of the next meeting was confirmed as Wednesday 4 December 2019 at 9.30am.

The meeting closed at 1.00pm

Signed:

Dated: