SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
held on 9 March 2017 at 9.30 am

[1]**PRESENT**	Mrs E Bolton (S); Mr M Coombes (E); Mr A Hoad (E); Mr N Hopkins (E); Mr T Jackson (P); Mr P Lloyd (C); Mrs S Shaw (C) (absent for minutes 23-38).
In attendance:	Mr S Cameron, HR Manager (minutes 23 to 38) Mr S Horrobin, Director of Finance Mr M Simmons, Deputy Principal (minutes 38-55) Mrs S Willson, Clerk to the Corporation

DECLARATION OF INTERESTS

1. The Principal declared an interest, as a member of the Enterprise M3 Board, in discussions relating to funding by the Enterprise M3 LEP of the Hampshire Centre for the Demonstration of Renewable Technologies, although he had no involvement in funding decisions by the Enterprise M3 Board which related to the College.

MINUTES

2. **Resolved –** that the minutes of the meeting held on 17 November 2016 (Parts I and 2) be confirmed and signed as a correct record.

Finance (min 155 & 154/16)

3. The Director of Finance confirmed that income and savings linked to the operation of the planned anaerobic digester had been moved from 2017/18 to 2018/19.

4. The Principal reported that College management was on track to achieve the savings reported at the previous meeting and to achieve the reforecast surplus of circa £500k for 2017/18.

Property Strategy (min 172 & 175/16)

5. Asked about the Section 106 planning obligations for the Green Gas Mill and the Centre for the Demonstration of Renewable Technologies, the Principal reported his understanding that all actions had been completed but undertook to confirm that the Section 106 had been executed by all parties.

6. At the Board of Governors meeting in December, the Principal had reported that the construction contract for the Centre would be required to be tendered in order to comply with the funding requirements.

COLLEGE HEALTHCHECK REPORT

7. The Committee had received the latest College Healthcheck Report (no. 2017/02) and the January Management Accounts.

8. The Committee discussed the negative impact on the 2017/18 EFA funding allocation of the improved attainment profile in Maths and English GCSE of students entering the

[1] (E) = External; (S) = Staff; (C) = Co-opted Committee Member

College. It was noted that, if the Government's policy for improving GSCE Maths and English attainment in schools was successful, the historic profile of students entering the College could change in the longer term.

9. Members also discussed the application trends over the past 4 years for 16-18 year olds on each of the Andover and Sparsholt campuses (given that the net position was currently tracking at 40-60 less compared to the previous year), noting that 2017/18 would be the bottom of the demographic dip in 16 year olds in the local area and that the house building programme around Andover could, in time, be beneficial. There were specific areas of learning where applications were lower year on year but generally applications were in line with previous years, with a further open day scheduled in March and an update would follow to the Board.

10. Responding to a question about the relationship between costs and income and how College management approached analysing the impact of changes, such as in enrolments, the Director of Finance agreed that there could be complex considerations to take into account. The Deputy Principal's report on the curriculum contribution model provided an overview of some of the calculations necessary.

11. Asked about the closing cash flow balance each month in the Management Accounts, the Director of Finance confirmed that there has been no borrowing during the year and that there was no current intent to borrow.

FINANCE

12. The Committee had received the report of the Principal and Director of Finance on the financial position of the College, including Capex, in 2016/17 and on funding matters influencing the 2 Year Financial Plan. A mid-year financial reforecast was in preparation and would reported to the Board at its meeting in March.

13. The Director of Finance also reported that the outcome of the latest triennial review of the College's Local Government Pension Scheme (LGPS) had been revised down to the College being deemed "medium risk", with significant resultant savings in pension costs over the next three years. The Committee commended the Director of Finance for his expertise and work in achieving this outcome.

14. The high-level forecast of the 2016/17 Income and Expenditure account indicated that the College would be very likely to achieve the underlying targeted surplus of c£380k, with additional gains through property sales should they occur. The fee income expectations for 2016/17 (16-18 FE and HE) had fallen short of the total increase expected for 2016/17 and it was likely that the fee income expectation for 2017/18 would be reduced from the 2 Year Financial Plan approved in July 2016.

15. College management continued to plan both pay and non-pay cost savings to partially mitigate the income short fall identified for 2017/18, as reported to the Board in December.

16. Capex spending in 2016/17 was forecast to be maintained at £900k but the Committee noted that the allowance which had been made of £150k plus VAT for the contribution to the Hampshire Renewable Energy Demonstration Centre had been reallocated for other priority capital spending.

17. The Committee discussed the latest financial planning, recognising how hard College management was working to achieve positive outcomes but seeking to understand for how

much longer cost reductions could be found in event that future income remained stable or decline, with other potential upward pressures on costs.

18. The Principal acknowledged that it was challenging to achieve robust surpluses and that, while the forecast for learner numbers in 2017/18 was flat and should be achievable (notwithstanding the demographic decline) and while the College was putting itself in a good position in terms of opportunities for apprenticeship income, there remained external uncertainties. Funding in the FE sector had reduced over time and, if enrolments declined, costs would need to be further reduced. Central management and business support costs had been reduced many times and management was now planning reductions to the cost of delivering the curriculum since there was little other option.

19. College management was also focused on growing more profitable areas and the opportunities which might arise from new specialised offers or from switching some marginal courses in the future to apprenticeship options.

20. Members discussed the position for Andover College, where small class sizes led to a lesser return on cost (in general) compared with Sparsholt based provision, and where the range of courses offered was part of the attraction of attending the Sixth Form Academy at the College. Members also noted the general point that student experience and achievement had to be considered alongside financial metrics.

HUMAN RESOURCES

21. The Committee had received the report of the Principal and HR Manager on current human resource matters.

22. The Committee noted that College management had plans in hand to comply with changes relating to IR35, Gender Pay Gap reporting and the Apprenticeship levy.

<u>Gender Pay Gap</u>

23. Organisations were required to publish an annual analysis of Gender Pay Gap from March 2018. The HR Manager reported that an initial analysis of the College's pay data indicated that the College was in both a good median and mean gender pay gap position in relation to equivalent organisations.

<u>IR35</u>

24. It was reported that, from April 2017, there would be changes to the way that current intermediaries legislation (IR35) would be applied to off-payroll workers in the public sector. College officers were currently reviewing internal processes and the payment methods for current workers to ensure these complied fully with HMRC guidance.

25. Responding to a Member's question about the proportion of staff and pay affected, the Director of Finance reported that the review was ongoing because the College had a number of short-term specialist staff in different areas of learning but that it could affect around 30-40 members of staff.

<u>Apprenticeship Levy</u>

26. In relation to the Apprenticeship Levy, it was reported that from April 2017 the College would be required to pay a 0.5% level (c£70k via monthly payments) and would have 24 months to use the levy with any remainder going to the government. Management were looking at ways to further increase the number of apprenticeships in the College to support the professional development of staff.

Pensions

27. The College had also implemented its statutory requirement under pension legislation to auto re-enrol staff on the LGPS and TPS pension schemes. At the time of writing the report 64% of the 36 staff auto-enrolled had subsequently opted out. The Pensions Regulator had confirmed receipt of the College's re-declaration of compliance.

Pay strategy

28. In line with a previous resolution of the Board of Governors, the Committee considered the matter of staff pay and the extent to which implementing an all staff pay award was affordable. College management had not recommended a pay rise at this time because of the current financial situation and planning for 2017/18. The Principal recognised that a proportion of staff had received no pay award or incremental rise for a number of years and that the affordability of making payments should continue to be revisited.

29. The Committee reflected on the recent discussions at the Board and previous meetings of the Committee about staff pay and the impact of making consolidated pay awards or one-off payments in terms of both staff preferences and perceptions and of the College's financial position. A range of options were discussed, including multi-year pay awards. It was noted that it would be difficult to agree in advance fixed financial criteria for pay awards because of the risk of unknown financial variables emerging, such as HE recruitment, Apprenticeship income and 19+ enrolments.

30. Responding to questions, the Director of Finance provided an estimated of the total cost of making a one-off payment to all staff (pro rata). The HR Manager confirmed that when vouchers had been awarded in the past, these had been taxable and so had been grossed up. Gifts up to a certain level would be tax and pension cost free. However, awarding vouchers or gifts was a complex and time-consuming administrative task.

31. Members also discussed the process by which the Board and the Committee reviewed staff pay termly and suggested that this be changed to a annual review, supported by a full analysis and with costed proposals from management. The Principal suggested an annual review could take place in the Autumn term each year, reinstating past practice, once enrolment data was known. However, it was also noted that a decision by the Board in the Summer term would enable any award to be made within the 2016/17 financial year.

32. The Committee suggested that, at the point that a decision had been made as to the affordability of a pay award and the final options costed, College management might then want to seek feedback from staff on the available options.

33. **Resolved** – that the Board be advised that it was not affordable at the current time to award all staff a pay increase and that College management would provide an update in the Summer term, and a full report in the Autumn term, on options for awarding a percentage increase or a flat rate unconsolidated one off payment to all staff (on a pro rata basis) in 2016/17 and/or 2017/18 in order to recognise their continued professionalism and commitment.

PENSION SCHEMES

34. The Committee had received the annual report on Pension Schemes of the Director of Finance and the HR Manager, including the review of the LGPS Policy Statement.

35. The report covered the Teacher's Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) and set out the costs to the College for both schemes. Up to April 2014,

employer contribution rates for both schemes had not increased for several years but LGPS costs increased from April 2014 and would do so again in April 2017 and TPS rates were increased in September 2015.

36. The Committee noted that the LGPS Discretions Policy Statement had been fully updated in 2014 and, following the annual review, no changes were proposed.

37. **Resolved** – that the Board of Governors be recommended to approve that the LGPS Discretion Policy does not require amendment this year.

PROPERTY

Property Strategy

38. The Committee had received the report of the Principal giving the latest update on progress with the Property Strategy and proposing commitments for essential capital spend for 2017/18 that was required to be ordered before 31 July 2017.

39. The report also recommended a minor revision to the College's Environmental Policy Statement following a review by the College's Premises Manager.

40. Responding to questions about the update on property projects, the Principal explained that it had been decided to look into developing an artificial "natural type" chalk stream which would manage water overspill and also provide an asset for wildlife and conversation students. Asked if the decision not to proceed with the refit of bathrooms in the Halls of Residence at the current time could have an impact on recruitment, the Principal reported that minor improvement to halls, including redecorating and minor repairs, would still continue to be made through normal capital spend and that further large upgrades (like the bathrooms) would be kept under review.

41. Members discussed the role of the Committee in relation to approval and oversight of the Property Strategy, and the process for agreeing strategic priorities for spend in-year. This covered capital projects, as well as planned and reactive maintenance of the estate. The Committee noted that its role should be in relation to agreeing the high level affordability of investments and assessing the strategic implications of prioritising projects in terms of delivering the 3 Year Strategic Plan.

42. The Principal reminded the Committee that he had committed to reviewing the format of the Property Strategy for 2017/18 to include priority assessment criteria while also recognising variable factors, such as availability of grant funding. The review could also consider the level of detail needed in reports to the Resources Committee to maintain transparency but reduce the level of operational detail.

43. The Chairman noted that the Committee had previously discussed the benefit of holding a separate meeting to focus on property matters and asked that property be covered by a Governors' Seminar. It was also agreed that there would be value in Board members visiting parts of the estate and noted that Link visits provided one opportunity for this.

44. The Committee noted the offer prices agreed by College management for the sale of No 1 and No 2 Westley Cottages. The Committee also noted that the sale of the Westley Bungalow was temporarily on hold while matters concerning boundaries and the land registry were resolved by lawyers acting for the College. As previously agreed, the cash from the property sales would only be expended on capital projects approved by the Board.

45. The Committee noted that College management were not currently proceeding with exploring the sale of the Music Academy and Premises Bungalow on the Andover College

campus and discussed the strategy of releasing cash from assets in order to provide match funding for grants to invest in other parts of the campus. The funding of property investment also had to take into account any impact on the SFA financial rating for the College, currently "Good", and the banking covenants.

46. While acknowledging the Principal's explanation that College management had focused sales on those properties which were located on the boundaries of the College's estate and that the recent property sale decisions had been supported by business cases, the Chairman noted that the Board had not had the opportunity to review this vision and to consider a complete assessment of all the properties across both campuses.

47. The Principal reported that the discussions with Andover Radio concerning siting a new radio station in Andover College were nearing completion and that draft heads of term were being prepared. The Deputy Principal agreed to seek advice from the College's lawyers on the nature of the arrangement with regard to the 1954 Landlord and Tennant Act and business leases in order to exclude security of tenure.

48. The Principal had provided a list of Capex items which required commissioning for delivering early in August 2017 and would be accounted for in the financial year 2017/18, totally c£200k.

49. **Resolved** – that the Board of Governors be recommended to approve capital spend of up to c£200,000 plus VAT from the planned £1m capex in 2017/18 for equipment and activity to be procured and ordered before 31 July 2017 in order that these could be in place by the start of term in September 2017.

50. **Resolved** – that the Board of Governors be recommended to approve a revision in the College's Environmental Policy regarding water usage from:

    - *Water: reducing the quantity of water abstracted and subsequently discharged and increasing the use of rainwater*

    to

    - *Water: reducing more mains fed water, and subsequent discharge, by improving the abstracted water and more use of rainwater.*

CONTRIBUTION MODEL

51. The Committee had received the report of the Deputy Principal on the curriculum contribution model which identified the better and poorer performing areas of the curriculum in relation to contribution to College overheads.

52. The Deputy Principal noted that there was inevitable degree of variation in the contribution to overheads that different areas of the curriculum were able to make, reflecting different group sizes, income potential and both direct and indirect delivery costs. Cost of delivery was the single most important factor in determining the degree of contribution. There would be further work to iron out any inconsistencies in the underlying assumptions behind the assignment of costs.

53. The Deputy Principal stressed that the curriculum model data provided College management with useful context in deciding where to focus in order to achieve greater efficiencies, whilst maintaining quality, but would not be used as blunt or binary instrument to make decisions. The model had highlighted areas of the curriculum where actions were

required to address unacceptably high teaching costs. Where there were low class sizes, management would take a view on whether there was sufficient comfort in the application numbers to assume for growth.

54. In discussion, Members noted that closing classes would not lead to a reduction in central overheads and could have a knock on effect on other class sizes. At Andover College, for example, the curriculum currently enable A level students to also study some BTEC subjects and this had been a factor in growing student numbers. The Deputy Principal confirmed his view that, despite competition from other providers, Andover College could grow its student numbers by c100 and increase the financial contribution to overheads. There were sufficient larger classrooms available to do this, although one more lab could be needed. The greatest cost benefits would obtained from increasing existing class sizes.

55. The Committee commended the progress that College management had made in developing the contribution model and endorsed the approach of working to improve efficiency through an aligned strategy of income growth, increased class sizes, reduction in direct costs and reduction in central costs.

56. The meeting ended at 1.00 pm. Confidential items were discussed and are recorded separately.