

**SPARSHOLT COLLEGE HAMPSHIRE  
MINUTES OF THE MEETING OF THE  
RESOURCES COMMITTEE  
held on 26 February 2016 at 9.00 am**

**<sup>1</sup>PRESENT** Mrs E Bolton (S); Mr M Coombes (E); Mr T Jackson (P); Mr P Lloyd (E);  
Mrs S Shaw (C)

In attendance: Mr S Horrobin, Director of Finance  
Mr M Simmons, Vice Principal  
Mrs S Willson, Clerk to the Corporation

**APOLOGIES**

1. Apologies were received from Mr A Hoad.

**DECLARATION OF INTERESTS**

2. There were no interests to declare.

**MINUTES**

3. **Resolved** – that the minutes of the meeting held on 13 November 2015 (Parts 1 and 2) be confirmed and signed as a correct record.

Environmental Sustainability (min 255-258/15)

4. The Principal reported that the Premises & Facilities Manager had given a well-received presentation to the College's approach to implementing the ISO14001 standard for environmental management to the Hampshire Sustainable Business Network.

**COLLEGE HEALTHCHECK REPORT**

5. The Committee noted the headlines from the latest College Healthcheck Report (no. 2016/01) regarding matters arising not covered on the agenda.

**FINANCE**

6. The Committee had received the report of the Director of Finance on the high-level, in-year financial position 2015/16 and the 2-year financial plan. The Committee had also separately received the Management Accounts for December and the College's 2016/17 EFA allocation funding statement.
7. The Director of Finance was currently overseeing a mid-year budget forecasting exercise and would report the outcome to the Board of Governors. This included both a "bottom up" and "top down" approach, to validate the figures, and the results were anticipated to provide a realistic forecast.
8. The Committee noted that, although that the approved budget for 2015/16 was a deficit, the sale of the three college properties at Garstons would contribute to a gain for 2015/16. This, together with the value of the staff holiday accrual (required as a result of FRS 102), should produce a small surplus in 2015/16. This did not include the re-valuation of the Westley Cottages proposed under the Property Strategy.

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<sup>1</sup> (E) = External; (S) = Staff; (C) = Co-opted Committee Member

9. The Director of Finance provided an updated analysis of the College's banking covenants. The Committee was satisfied with the processes in place for reviewing and reporting these.
10. The Director of Finance reported that it had not yet been confirmed how the SFA would treat changes under the new accounting standard FRS 102 in relation to assessments of colleges' financial ratings.
11. **Resolved** – that the Board of Governors be recommended to approve an underlying deficit forecast of no greater than £250k for 2015/16.

## HUMAN RESOURCES

### Pension Schemes

12. The Committee had received the annual report on Pension Schemes of the Director of Finance and the Human Resources Manager.
13. The report covered the Teacher's Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), both of which had recently undergone major changes to pension benefits, contribution rates and accrual rates. These costs were built into the College's budget and three year financial plan, along with the increase in employers' national insurance contributions from April 2016.
14. Costs to the College in respect of the LGPS could rise significantly in April 2017, although this increase would not be known until the outcome of the triennial evaluation in March 2016 and the consultation regarding the Hampshire Pension Fund's (HPF's) proposed changes to the Fund's funding strategy.
15. The Committee noted the legal advice which has been commissioned by a number of Hampshire colleges on the proposed changes to the funding strategy and the Principal's response to the consultation on behalf of the College. The College's response opposed the de-grouping of colleges from the existing Scheduled Bodies Grouping, and highlighted the effect of the expected resulting increase in employer contribution rates on the College. In the event that colleges were de-grouped, the Principal had stated that Sparsholt College would want to be classified as a stand-alone employer within the wider group of Scheduled bodies.
16. The Committee endorsed the Principal's response to the consultation and noted the financial risks in terms of both changes to the LGPS funding strategy and the outcome of the triennial evaluation.
17. The Committee noted that the LGPS Discretions Policy Statement had been fully updated in 2014 and, following the annual review, no changes were proposed.
18. **Resolved** – that the Board of Governors be recommended to approve that the LGPS Discretion Policy does not require amendment this year.

### Staff Salaries – Termly Review

19. The Committee considered the affordability of an all staff salary increase in the context of the College's current financial position and the forecast for 2016/17. Members were aware that some staff (those at the top of their annually applied incremental pay scale) had not received a % increase for up to 5 years and were concerned that College management should continue to communicate the reasons for this and the other benefits that staff received, such as contributions by the College to pension schemes. It was noted that the

College need to continue to monitor developments in the sector and the wider economy in relation to recruitment and retention.

20. **Resolved** – that the Board of Governors be recommended to note that a staff salary increase was not affordable at this time.

## **PROPERTY**

### Andover Skills & Technology Centre Project

21. The Committee had received the report of the Project Manager on progress of construction of the Andover Skills & Technology Centre.
22. The project manager had reported good overall progress and was expecting to hand over the building for occupation within the expected time frames and the agreed budget, and will all planning conditions met. The Deputy Principal confirmed that the relationship between the contractors, project manager and client were working well.
23. The Committee noted the progress of the project and welcomed the receipt of regular reports from the Capital Project Consultant, as project manager.

### Property Strategy

24. 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 2016/17 that was required to be ordered before 31 July 2016.
25. The Committee noted that that the management and delivery of the approved projects in the Property Strategy appeared to effective.
26. Following an approach Stihl in the UK to set up a demonstration building on campus, the College had engaged lawyers to draft heads of Terms for an agreement for Stihl to redevelop and refurbish the Horticulture demonstration building with a 15 year lease. Responding to members' questions, the Principal confirmed the College's current activities in the building could be accommodated elsewhere and that the front of the building would be retained for College use. Credit checks had been undertaken and procedures were already in place for external visitors to the campus in relating to safeguarding learners.
27. **Resolved** – that the Board of Governors be recommended to approve the Heads of Term for redevelopment of the Horticulture Demonstration building and 15 year lease to Stihl [UK Limited].
28. The Strategic Leadership Team (SLT) had compiled a list of essential capital spend from the 2016/17 budget which was required to be incurred before 31 July 2016 in order that equipment and improvements could be in place before the start of the Autumn term. The Principal explained changes to the list set out in the report, noting that the estimated spend on computer equipment would be postponed and adding capital spend in relation to extending the Bytes dining area.
29. **Resolved** – that the Board of Governors be recommended to approve capital spend of up to £216,000 plus VAT for equipment and activity to be scoped and ordered before 31 July 2016.
30. The Principal reported consideration being given to developing the Westley Cottages site on the Sparsholt campus, bringing in specialist estate agents to work with a developer(s) on a potential scheme. Such an arrangement would need to be market tested through a

competitive bidding process to ensure best value for the College and any decision to sell would require the approval of the Board of Governors.

31. Notwithstanding any potential future development of the site, it was noted that the cottages were surplus to the College's needs as alternative accommodation was available on campus for staff. It was proposed that four of the cottages be made available to let on the commercial market to earn rental income. This could take place as soon as they were vacated by the current staff occupants, taking into consideration their existing tenancy agreements.
32. **Resolved** – that the Board of Governors be recommended to agree to College management commissioning an estate agent to work with a small number of developer to propose a development package for the Westley College Site with a view to possible future sale.
33. **Resolved** – that the Board of Governors be recommended to approve the change in use of four of the five Westley Cottages properties from being that of “accommodation for members of staff, linked to college work” to “investment property”.

### **CONTRIBUTION MODEL**

34. The Committee had received the report of the Deputy Principal on the development of a contribution model which sought to build a picture of the income generated by each Area of Learning (AOL) and to illustrate that income against the delivery costs incurred, thus showing the contribution towards central costs.
35. The contribution model had been produced using in-year funding and income, achieved and projected, together with the annual budget, which in 2015/16 was set as a deficit. The Deputy Principal noted that, whilst the model was yet to be fully completed, the report summarised the overall findings which had emerged, including the identification of the better and poorer performing areas of curriculum, from a financial perspective. The report also indicated where the College management would be focussing in order to achieve greater efficiencies.
36. It was noted that there were areas of the curriculum where action was required to address high teaching costs, when compared to the norm, and that the SLT would need to take a view on the sustainability of some courses in light of application numbers. The contribution analysis need to be considered alongside the College's long-term strategic objectives and the needs of learners, employers and the community.
37. The Committee welcomed the contribution model as a useful tool to improve efficiency of delivery, without undermining the effectiveness of the quality of delivery, 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.
38. The Chairman proposed that the contribution model analysis also be reported to the Curriculum, Employers & Market Research Committee and to a future Governors' Seminar.

### **FINANCIAL REGULATIONS**

39. The Committee had received the report of the Director of Finance on this review of the College's Financial Regulations.

40. As previously reported to the Committee, the review concluded that the Financial Regulations be updated and streamlined, with sections targeted at groups of users, including the introduction of a separate Procurement Policy. The Procurement Policy was approved by the Board of Governors in December 2015 and had been issued to staff.
41. In addition to the changes set out in the draft revised Financial Regulations (Part 1 and 2), the Director of Finance proposed a further amendment to put in place a procedure for managing theft of cash under the Fraud and Financial Irregularity section.
42. The Committee asked that the Financial Regulations be reformatted to show tracked changes, including the addition of a procedure for theft of cash, and deferred consideration of the changes to the Board of Governors.
43. The Committee asked the Director of Finance for an update on the effectiveness of the College's financial controls. He reported that improvements were needed, for example improving the budget/forecasting processes and ensuring compliance with the College's financial related processes.
44. **Resolved** – that the Audit Committee be asked to consider including a review of the effectiveness of the Financial Regulations and Procurement Policy in the Internal Audit Plan 2016/17.

#### **ACCOUNTING STANDARDS**

45. The Director of Finance updated the Committee on plans to restate the 2014/15 and, for comparison, 2015/16 accounts to comply with the new FRS 102 accounting standard. KPMG had been commissioned to carry out an external audit of the restated accounts in May which would report to the Audit Committee in June. It had not proved possible to coincide the audit with provision of training for governors at the Governors' Seminar in May and alternative training was being researched.
46. The Director of Finance would bring a report regarding options for changes to accounting treatments under FRS 102 to the Resources Committee in June.
47. The meeting ended at 12.30 pm. Confidential items were discussed and are recorded separately.