

**SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
held on 17 June 2016 at 9.00 am**

¹PRESENT Mr M Coombes (E); Mr A Hoad (E); Mr T Jackson (P); Mr P Lloyd (E)

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

APOLOGIES & ATTENDANCE

61. Apologies were received from Mrs E Bolton and Mrs S Shaw. The Chairman welcomed Mrs J Venables who was attending the meeting as part of her ongoing development as a member of the Board of Governors.

DECLARATION OF INTERESTS

62. There were no interests to declare.

MINUTES

63. **Resolved** – that the minutes of the meeting held on 26 February 2016 (Parts I and 2) be confirmed, with an amendment to minute 11/16 to clarify that the recommendation of the Committee was a total forecast year end budget surplus of £400k, and signed as a correct record.

Environmental Sustainability (min 4/15)

64. The Committee congratulated College management on winning the Green Business award at the Winchester Business in Excellence Awards 2016.

COLLEGE HEALTHCHECK REPORT

65. The Committee noted the latest College Healthcheck Report (no. 2016/05). There were no matters arising not covered on the agenda.

FINANCE

66. The Committee had received the draft estimates of income and expenditure and Capex for 2016/17.

67. The Director of Finance tabled an overview and updated budget for HE fees which reflected adjustment agreed by College management on the basis of the latest information available. The main risks in the forecast income related to overseas full-time fees and to part-time fees and these were covered by a general contingency included in the College budget.

68. The Chairman emphasised that the College should continue to be ambitious in setting targets but nonetheless supported the reduced target for 2017/18 and the lower forecast income from overseas HE students to ensure realistic financial budgeting.

69. Members discussed the budget for staff costs, the number of years that there had been no all staff salary increase and the affordability of an increase. The Chairman noted that the question of awarding a pay increase would be discussed under the item on Human Resources and that the Committee would return to the budget approval if necessary following this later discussion.

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

70. Discussing the high level budget for 2017/18, the Principal confirmed that he believed that the forecast income for the Green Gas Mill was realistic in the context of Ecotricity resubmitting the planning application and that an appeal to the Secretary of State would be expected to be successful if Winchester City Council rejected it again.
71. Members sought clarification of the income shown in 2016/17 in relation to the potential sale of Westley Cottages. The Director of Finance confirmed, if there was a future decision to sell the cottages, the difference between the current valuations and the sale prices would result in a surplus/deficit adjustment to the budget.
72. Responding to a member's question about the impact of the UK leaving the EU, the Principal explained that there was likely to be a time lag but that there would be changes to SFA Adult Skills funding and potentially on the farming industry.
73. The Committee discussed the Capex budget, noting that the Director of Finance had planned a small contingency and that capital investment was restricted in relation to both cash and bank loans. Match funding for capital grants could be generated through asset sales. Capital spend for maintenance was an issue and priorities were highlighted in the Property Strategy. There was a positive legacy of investment on the Sparsholt campus but, historically, less so in the Andover campus buildings.
74. The Director of Finance reported an action from the Audit Committee to investigate insurance cover for acts of terrorism. He had received an estimated quote of c£14k, plus VAT, which was not included in the Budget. The Committee agreed that this should remain outside the budget until the insurance options were considered by the Audit Committee and, if necessary, proposals subsequently recommended to the Board.
75. The Committee noted that, in addition to the Board of Governors approving the two-year budget, the Board would be asked to approve the Financial Plan for submission to the SFA by the end of July 2016 and to consider a checklist provided by the SFA to Governing Bodies. The data included in the Financial Plan would be consistent with the Budget, as in previous years.
76. The Chairman reported that the SFA had also written to the Principal to request a meeting with members of the Board of Governors as part of the SFA's financial scrutiny regime. The Chairman and two other members of the Board (from the Resources Committee and Audit Committee, if available) would therefore be joining a meeting of the Principal, Director of Finance and Vice Principal – Corporate in the coming weeks.
77. Responding to a member's question as to what SFA financial rating the College would receive in 2016/17, the Director of Finance explained that the SFA had introduced a new model which was not currently fully working. The College's rating was given for the current year and the next two forecast years, reviewed annually, and would test Income & Expenditure, cash flow and banking loans, as well as surplus. It was therefore not possible to confirm with certainty at the current time.
78. **Resolved** – that the Board of Governors be recommended to approve:
 - a) a budget for 2016/17 which shows a surplus of £380,000 before pension charges or credits, and where the College operating cash generation is positive for 2016/17;
 - b) a budget for 2017/18 which shows a surplus of £958,000 before pension charges or credits;
 - c) a 2016/17 provision for £0.9 million (excluding Andover Skills Centre but including VAT) of capital spend.

THREE YEAR STRATEGIC PLAN

79. The Committee had received the report of the Principal on the draft proposed revisions to the Three Year Strategic Plan 2016-2019, Priority Sections 2 and 3, and a progress report on the College's International activity.
80. The Principal highlighted a number of the Annual Milestone Objectives and Key Measures which were still in the process of being updated by College management.
81. Members welcomed the draft Strategic Plan and suggested that College management review the wording of the Key Measures to ensure they provided a measurable outcome/target against which to assess performance. Members also suggested the numbering system be refined so that the numbering of priorities also linked to the Annual Milestone Objectives and Key Measures and that, in future years, tracked changes be shown to highlight the changes year on year. A number of minor revisions and corrections were agreed.
82. **Resolved** – that the Board of Governors be recommended to approve the Financial and Commercial Annual Milestone Objectives, including the income derived from International activity, for inclusion in the Three Year Strategic Plan 2016-2019.

PROPERTY

Property Strategy

83. The Committee had received the report of the Principal providing a revised Three-Year Property Strategy and an update on progress with property matters in 2015/16.
84. The Principal explained that the Property Strategy, once approved by the Board of Governors, would be provided as required to the Skills Funding Agency for use in future bids for capital funding. The revised Strategy reflected current and recently updated future forecast enrolment patterns.
85. In addition to the Property Strategy, the Committee was provided for background information with the latest management report from the Premises team on actions and priorities in relation to the Property Strategy and with a work-in-progress analysis of the potential redeployment of funds should there be a future decision by the Board of Governors to sell Westley Cottages.
86. The work to value the Westley Cottages in relation to different routes to sale was underway and the Principal also reported that work had been commissioned to value the Music Academy/Premises Bungalow on the Andover campus.
87. The Principal reported that the Property Strategy contained a number of elements of capital which were regarded as a priority over the next two years, including investment in the Equine Centre and Animal Management Centre.
88. Members discussed the information provided about the Equine Centre and asked the Principal to revise the wording and costings in the Property Strategy presented to the Board to ensure that it reflected College management's latest understanding about the facilities and the proposed improvements.
89. Members also discussed the overall approach to developing the Property Strategy and to agreeing priorities for capital spend, including methods of evaluating investment and benefits, such as a Return on Invested Capital (ROIC). It was noted that assessment of priorities needed to take into account a range of factors, including essential maintenance and the longer term impact of not investing in some areas.
90. The Principal explained that the costs included in the Property Strategy were indicative and that any major projects would be presented to the Resources Committee, and/or the Board of Governors, with a full financial case including NPV (Net Present Value), which had been the previous SFA measure for evaluating the value of the investment as their proxy for ROIC. When prioritising capital spend, College management took into account the state of the estate, and curriculum areas which required investment to maintain or grow market share. The potential for external funding

and for maintaining or increasing commercial income were also factors, as well as the needs of the two campuses.

91. Endorsing the overall Property Strategy for approval by the Board of Governors meeting in July, the Committee discussed whether it would be helpful to set up a subsequent working group, or other informal discussions, during 2016/17 to consider with the Principal the framework and methodology for prioritising future property investments.
92. The Chairman requested that consideration also be given to commissioning an external specialist review of the development potential of the whole estate to ensure that the College had explored all possible strategic options, notwithstanding that College management had already been proactive in considering development opportunities.
93. The Committee agreed that the Chairman should decide, after the Board of Governors meeting in July, whether to call a special meeting of the Resources Committee in September, ahead of proposals for Westley Cottages being presented to the Board of Governors, or to consider detailed proposals for capital spend at a subsequent meeting of the Resources Committee. The Director of Finance explained that undertaking a full ROIC review of priorities would take a significant time.
94. **Resolved** – that the Property Strategy be recommended to the Board for approval, with a revised section on the Equine Centre.

Andover Skills & Technology Centre Project

95. The Committee had received the report of the Project Manager on progress of construction of the Andover Skills & Technology Centre.
96. The project manager continued to reported good overall progress with the project. The completion date would be slightly later than planned but this was not expected to affect the fit out and the occupation of the building in September 2016.
97. The Committee noted the progress of the project and that the final cost of the project was anticipated to be in line with the budget.

HUMAN RESOURCES

98. The Committee had received the report on Human Resources, including the results of the Staff Survey.

Staff Survey

99. The Deputy Principal reported that the results of the staff survey were generally very positive across the whole College but with a continuation of lower results on the Sparsholt campus and particularly amongst teaching members of staff. The results would be presented to the ICE (staff communication) Group and views gather to identify actions to address areas of concern.
100. Members discussed the results, questioning the slight decline in participation and recognising that the results showed that some member of staff were dissatisfied with some aspects of their employment.
101. Responding to a member's question, the Deputy Principal explained the way in which some specialist staff were employed on a part-time basis to bring their external expertise to the College's offer and confirmed that the number of hours that individuals' worked was considered carefully in relation to curriculum timetabling and other management issues.
102. The Committee noted that the results of the survey would return in Autumn 2016 when the national benchmarking data was available for further discussion.

Staff Salaries – Termly Review

103. 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, in light of the previous discussion about the budget.

104. Members discussed the recent history of pay awards, the overall remuneration package for members of staff, including where relevant incremental pay rises linked to salary bands, and the way in which decisions about pay and affordability were communicated to staff.
105. **Resolved** – that the Board of Governors be recommended to note that regrettably a staff salary increase was not affordable at this time.

Statement of Particulars

106. The Committee noted that the Statement of Particulars (contract of employment) had been amended with effect from 1 April 2016 so that the clause relating to Pension provision reflected the cessation of NI “contracting out”.
107. The report also updated the Committee on the CPD arrangements in place at the College for professional teacher training and the Committee noted that College management were considering the extent to which the requirement for members of staff to possess a Recognised Teaching Qualification remained an appropriate requirement in the Statement of Particulars (following the revocation in August 2013 of government regulation requirement post 16 FE teachers to be formally qualified). The College’s future policy would also be informed by consideration of whether the CPD qualification was still fit for purpose, the possibility of a Landex led land-based qualification and the development by the Education and Training Foundation (ETF) of a Registration Scheme of Qualified Teachers.

CURRICULUM RESOURCES

108. The Committee had received the report of the Deputy Principal on changes to the funding policies and the impact on curriculum resources.
109. Forthcoming funding changes to the funding of adults and apprenticeships had also been reported to the Curriculum, Employers and Market Requirements Committee and had implications for delivery costs, including marketing costs and additional work with employees.
110. The Deputy Principal also reported further work to refine the data used in the contribution model and to attribute the more significant costs more proportionately and accurately. A number of changes to the curriculum, including some structural change, had now been made which reduced delivery costs for 2016/17. The next major contribution analysis would be undertaken after enrolments in September 2016 and report to the Committee in Spring 2017.
111. The Committee welcomed the continued progress made by College management and the commitment to improve the efficient delivery of the curriculum without undermining the effectiveness and quality of delivery. Members pointed out that decisions about curriculum development should also be linked to those about prioritising capital spend.

ESF CONSORTIUM BID

112. The Committee had received the report of Vice Principal – Corporate on work with the other Enterprise M3 colleges to identify joint activity to bid for European Social Fund (ESF) specifications published through the Skills Funding Agency for delivery of Educational & Vocational training services to support employees and employers in the Enterprise M3 LEP area.
113. Sparsholt College had taken on the role of lead bidder for the project which was of total value to the colleges involved of up to £1.7m. The Committee was being informed as, if the bid was successful, funding would be drawn down, utilised and accounted for by Sparsholt College.
114. The College would charge the project for all of its services in managing and administering this. Potential risks to the College of managing the project had been assessed and processes would be put in place to protect the College from any financial risk and to audit the use of the funding.
115. The Principal updated the Committee on progress with agreeing the consortium and developing the bid, which was expected to be submitted the following week.

116. The Director of Finance noted that, as a result of the way in which one of the College's bank loan covenants was defined, it would be necessary to align the timing of the funding into and out of the College if the bid was successful.
117. The Committee noted the ESF bid and that the Board of Governors would be made aware via the minutes of the Committee.

ACCOUNTING STANDARDS

118. The Committee had received the report of the Director of Finance on the College's preparation for the conversion of the 2015/16 and 2014/15 accounts in accordance with FRS 102 and a briefing produced by KPMG for education institutions which explained the overall impact and key changes under FRS 102 ("new UK GAAP").
119. The financial statements would be audited after year end by KPMG and presented in November for the Resources Committee to recommend to the Board of Governors. In the meantime, KPMG had been engaged to undertake audit work on the conversion of the accounts.
120. The Director of Finance reported that the majority of the work was now complete and summarised the major transaction changes to date and the outstanding actions identified by KPMG as being necessary to prepare the accounts.
121. **Resolved** – that the Board of Governors be recommended to approve the change to College's accounting policies to adopt the accruals method for capital grants and to note good progress in converting the account in accordance with FRS 102.
122. Mrs J Venables reported that the Audit Committee had received a similar report and background briefing for information and had agreed that these satisfied the previously identified need for training governors on FRS 102.

FINANCIAL REGULATIONS

123. The Committee had received the report of the Director of Finance proposing an amendment to the Financial Regulations with regard to College credit cards.
124. Responding to members' questions seeking clarification and confirmation of the operational needs for issuing an additional three credit cards (in addition to those held by The Principal, The Deputy Principal and The Finance office Manager) and the associated credit limits, the Director of Finance explained that the credit card limit would be set by the banks and confirmed the estimated maximum annual spends:
 - Vice Principal – Curriculum: purchases for Andover Town FC (maximum £3k per annum)
 - Marketing Manager: social media and other online marketing costs (maximum £3k per annum)
 - Director of Finance: payments on behalf of College staff where alternative payment methods were not possible/viable (maximum £5k per annum).
125. Members asked that the proposed revisions be amended to include a process for oversight of payments by the Finance Office Manager and the Director of Finance, in addition to the other credit card holders.
126. **Resolved** – the Board of Governors be recommended to approve the revision of the Financial Regulations regarding credit cards with the addition of a requirement that the Director of Finance oversee the Finance Office Manager's use of her credit card and that the Principal oversee the Director of Finance's use of his credit card.

PERFORMANCE OF THE COMMITTEE 2015/16

127. The Committee had received the report of the Clerk which posed a series of questions to prompt members in discussing the Committee's performance in 2015/16.

128. Members also discussed the Committee’s terms of reference and whether they remained fit for purpose.
129. **Resolved** – that the Board of Governors be recommended to amend the membership in the terms of reference from four governors to three governors and to revised the reference to “accommodation strategy” to “property strategy”.
130. Members also discussed the mix of skills on the Committee and whether it was necessary for the Chairman of the Board to de facto also be the Chair the Resources Committee. This had been the convention at the College and had been perceived as effective in maintaining strong governance of the College’s finances. It was agreed that continuing to ensure that there were members with relevant financial skills, including if possible a qualified accountant, was essential. The Chairman asked that these considerations be followed up as part of the Board of Governors’ succession planning.
131. The meeting ended at 12.15 pm. Confidential items were discussed and recorded separately.