

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 23 April 2018 at the Thurrock Campus at 6.00 pm.

Present: Dr R Gray (Chairman)
Ms O Buck
Mr R Launder
Ms A O'Donoghue CBE
Mr D O'Halloran
Ms M West

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Ms R Brooks (Head of Human Resources – items 5,6 only)
Mr P Moore (Director of Finance)
Ms S Lane (Vice Principal, Curriculum & Quality)
Mr S Smith (Vice Principal, Corporate Resources)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Ms K Mulvey (Vice Principal, Student Services & Adult Provision).

The Clerk declared his interest as Clerk of Chelmsford College and as Company Secretary of Essex Shared Services Limited.

2. Urgent Business

There were no items of Urgent Business.

3. Minutes of the Meeting held on Monday 5 February 2018

The Minutes of the Meeting held on Monday 5 February 2018 were **APPROVED** and **SIGNED** by the Chairman.

4. Matters Arising

There were no Matters Arising from the minutes, not otherwise covered on the Agenda.

5. Human Resources Report (Paper PRC.18.06)

Staff Absence and Turnover

The Committee **RECEIVED** a Report from the College's Head of Human Resources providing the Committee with information regarding staff absence and staff turnover against KPIs set. This is a standing item on the agenda of this Committee.

The **current rolling absence rate** is 10.75 days absence per person per annum against the College KPI of 7 days per person per annum during the twelve month rolling period to 31 March, which is slightly lower than the rolling rate reported in the last Report at the February Meeting (11.35) and the rate last year. This does reflect national experience this winter.

The actual rate therefore exceeds the KPI for 2017/18 of 7 days per person per annum.

Short term sickness remains a key concern as it equates to 89% of absences, the balance being long-term, compared to 77% in the last Report. Roney Brooks explained that reasons for sickness are explored for validity and to ensure consistency of treatment across the College. The main reason for short term absence is cancer treatment followed by ear, nose and throat infections.

Sickness absence management remains a high priority for the College and will continue to be managed robustly in order to improve attendance. There is a clear message in the College that absence is not a right but a necessity when required.

The Head of HR reiterated the initiatives being pursued in developing the College's overall sickness absence management strategy. A copy of the Action Plan arising from the strategy development was provided to the Committee for comment. The plan included the issues detailed in the minutes of the last Meeting of this Committee. Sickness absence is RED rated on the Plan.

These include Health and Well-Being Strategy, Stress Management guidance and a revised Sickness Absence Policy. In addition, the College is reviewing its Occupational Health Service, providing training opportunities for the Senior Management Team to monitor and manage staff absence and re-evaluating absence data especially where staff are under forms of medical treatment. It is process driven but is not changing the underlying culture which is a key element in managing absences.

The **staff turnover** rate for the period September 2017 to 31 March 2018 was 12.12%, a reduction on the previous Report to this Committee. Extrapolated for a whole year means turnover will reach 18% which slightly exceeds the target set for the year of 17%. Last year's average was even higher than this. Most of the turnover to date is natural turnover.

The Head of HR reported that the College has successfully reduced turnover of staff in their first year of employment by 8% although turnover has increased for staff employed in years 1 and 2. The position is static for staff 2-5 years and for staff with more than 5 years' service, there is a significant reduction of 12.1%.

Rod Gray asked for an explanation of the Passport Policy mentioned in the Report. The Head of HR explained that this term is used to describe all the issues and information in the form of a checklist for use when inducting new employees. It is tailored for the particular type of employee, e.g. teaching and support, and it is an attempt to get staff engaged from day one, to make new staff feel welcome and to try and reduce departures in year one of employment.

The Report was **NOTED**, including the Sickness Absence Action Plan.

6. Human Resources Policies (PRC.18.07)

The Committee **RECEIVED** a Paper from the College Head of Human Resources comprising the Annual Review of the College Recruitment Policy and the Pay & Retention Policy, accompanied by a covering summary, identifying changes made.

The Committee was reminded that both Policies were implemented in 2016 and approved by the Board on 11 July 2016. The Recruitment Policy was in response to the requirement for the College to have a Recruitment Policy in place to comply with the legislation behind the Section 11 Safeguarding Audit and the Pay & Retention Policy is to comply with legislative requirements, best practice and safer recruitment guidance.

They support the College's effective management of Safeguarding and give assurances that employees are valued and receive proper recognition and remuneration for their work and contribution to the success of the College. The Policies incorporate safer recruitment and best practice and are legislatively compliant with equality and diversity embedded.

The Head of HR made the point that, in line with the College Trade Union recognition Agreement, the College will pursue dialogue with the Joint Negotiating Committee in respect of any matters relating to pay.

The Head of HR stated that there were no significant changes in the Recruitment Policy proposed.

With regard to the Pay and Retention Policy, some amendments were proposed and were all itemised for the Committee to review. None of the points of change were significant: they were mostly reordering and rewording.

Rod Gray thanked the Head of HR for tabulating the changes so clearly to enable easy review.

The Committee **RECOMMENDED** that the College Recruitment Policy and Procedure and the Pay & Retention Policy both be approved by the Board at its next Meeting in July 2018.

ACTION: CLERK

7. Strategic Developments (Paper PRC.18.08)

This item was deemed to be a Confidential Item under the Instrument & Articles and a separate minute has been prepared, which is attached to these minutes.

8. College Finances (Paper PRC.18.09)

Items 7 (b) and (c) were deemed to be confidential under the Instrument & Articles and separate minutes have been prepared, which are attached to these minutes.

(a) Management Accounts for the eight months ended 31 March 2018

Income & Expenditure Account

Total income to 31 March 2018 amounted to £28.426 million and total expenditure amounted to £29.409 million, giving rise to an operating deficit for the eight months to March 2018 of £714K, after crediting the favourable Bursary Fund variance of £149K and the revaluation reserve release of £120K. This compares to the reforecasted deficit for the period of £619K, an unfavourable variance of £95K for the eight month period.

The Committee were reminded that the results in the Management Accounts do not include any adjustments for Pensions accounting in respect of the Essex LGPS.

The Management Accounts include a detailed Commentary on all major lines of income and expenditure.

The favourable variance to date this year is due to savings in payroll as efficiency in operation has been achieved in teaching costs in group sizes and payroll costs for assessors are under expectations due to apprenticeship targets not being achieved. The DPCE explained that the Financial Health position at 31 March 2018 has slightly worsened but is still Satisfactory (130 points). Assuming the College achieves close to the reforecast budgeted surplus for the year, this should remain as Satisfactory at 31 July 2018.

The Director of Finance provided a verbal commentary on the variances and actions being taken to control expenditure and achieve income targets as reforecast for the rest of the year. Full details were provided in the paper to Members.

He indicated that Apprenticeships are matching the forecast and the VP, C&Q confirmed the upturn in activity in this area and that she shared this optimism.

Staff costs are matching the reforecast due to savings being made in assessors, fees and teaching efficiencies. Regarding non-pay costs, these budgets are now frozen with only essential spend being approved through management sign off and targets are expected to be achieved.

Balance Sheet

At 31 March 2018, group net assets stood at £36.7 million, including fixed assets of £108.5 million. General provisions of £25.1 million represents virtually entirely the pension liability under FRS102, as calculated at 31 July 2017.

All bank covenants continue to be met (debt service cover and gearing). However, the Committee noted that the balance sheet gearing should not exceed 36% of net assets and presently stands at 35.5%. The current ratio at 31 March 2018 was 1.34 due to the improvement in the College cash flow following the encashment of the first Redrow promissory note and drawdown from the Basildon Landowners Development Account.

Pay expenditure to 31 March 2018 remains high as a percentage of turnover (64.4%) against a target of 62.2%. Borrowing as a percentage of income (gearing ratio) stands at 57.6% against the sector target of no more than 60% and taking 40% as reasonable.

Outstanding debtors

The Committee were provided with an analysis of outstanding debtors at 31 March 2018 amounting to £3,177K, two thirds of which relates to HE student loans receivable from the Student Loans Company.

The College also has Notes Receivable (from Redrow in connection with the Nethermayne Sale) of £10,692K.

The bad debt provision amounts to £345K (unchanged from 31 July 2017) and is deemed to be sufficient. However, it will be subject to full review as at 31 July 2018.

Cash flow forecast

Reports on the cash flow of the College continues to be a regular item on the Agenda of this Committee and the forecast for the remainder of this year and for next year provided to Members.

The Committee were informed that the Exceptional Financial Support requested from the ESFA was received in February 2018 and repaid the following month.

David O'Halloran commented that the reforecast is still a very tight target for the rest of the year but he noted that the differences shown on the Management Accounts are primarily timing issues. His view, with which the Committee agreed, was that there was some optimism the reforecast can be met.

The Committee noted that, to demonstrate scrutiny, the February Management Accounts had been discussed in detail at the Board Meeting on 26 March 2018, along with a high level Indicative Budget for 2018-19.

The PCE stated that the College must prepare a more accurate and soundly based budget for next year so that a reforecast midway through the year is not necessary, which occurred this year. It was noted that this year's budget was affected by uncertainties surrounding Apprenticeships but these should be able to be better estimated for next year.

The PCE also said there was some optimism of increasing international income as the College's application for renewal of Tier 4 students' permission has now been approved. There is some growth expected soon, mostly from China, and good prospects for 2018-19.

In the minutes of the previous Meeting of this Committee, David O'Halloran had asked that the Committee be informed as to the effect on the gearing ratio of reduced income in contributing to the ESFA Financial Health points score. The DPCE responded that a reduction in income of around £1.7 million would increase gearing to 60%, at which point there would be no contribution to the points score from gearing.

David O'Halloran had also asked at the last Meeting as to the number of Apprenticeships the College needed to sign up before the end of this academic year in order to meet the reforecasted income figure for this line of work. The DPCE and VP, C&Q responded that in the region of 150 new starts need to be begun to meet the revised target.

In answer to Rod Gray, the PCE stated that there is no news yet regarding the College's application for the establishment of an Institute of Technology.

The Committee otherwise **NOTED** the position.

(d) Adult Funding 2018/19

The DPCE **TABLED** a Letter received recently confirming the College's Adult Education Budget allocation for 2018/19, accompanied by a Paper noting the key elements of the allocation. The amount for next year is £3million, which is unchanged from the current year and this is positive. This figure had been included in the draft high level Budget which the Board considered on 26 March 2018 at its last Meeting.

The DPCE commented that the Advanced Loan facility is the same for 2018-19 as this year (£1,170,993) but that it is intended to include only £800,000 in the 2018-19 College budget as it is not thought that the College will use the full allocation. This is a conservative approach and mirrors this year's practice.

The Committee **NOTED** the Adult Funding allocations for 2018-19.

9. Forthcoming Events (Paper PRC.18.10)

The Clerk provided details to the Committee of Forthcoming Events in the College, which included proposed Meeting Dates and Locations for the 2018/19 academic year.

The date for the FE Celebration is still not finalised and the PCE will confirm date and notify governors. The Chair of the Corporation would be pleased with a good attendance.

10. Any Other Business

David O'Halloran asked, in the light of recent difficulties at the Open University, whether validation of our Teacher Training degree provision is at risk. The PCE responded that these issues seems to be solved but, in any event, any HE institution must honour validation for all existing students and give notice if that is to be ended, making provision appropriately for this eventuality.

11. Date of Next Meeting.

Monday 25 June 2018 at the Southend Campus at 6.00 pm.

The Chair gave his apologies for the next Meeting of the Committee and the Vice Chair, Maya West, will chair the Meeting in his absence.

There being no further business, the Meeting terminated at 7.50 pm.

Signed.....Dated.....