

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 25 June 2018 at the Southend Campus at 6.00 pm.

Present: Ms M West (Chairman)
Ms O Buck
Mr R Launder
Mr D O'Halloran

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Ms R Brooks (Head of Human Resources – item 6)
Ms D Garroway (Assistant Principal, Teaching & Learning)
Ms K Mulvey (Vice Principal, Student Support & Adult Programmes)
Mr P Moore (Director of Finance)
Mr S Smith (Vice Principal, Corporate Resources)
Mr R I Millea FCA (Clerk to the Corporation)

In the absence of the Chairman, Ms M West (Vice Chair) took the Chair.

1. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Ms A O'Donoghue CBE (Principal & Chief Executive), Ms S Lane (Vice Principal, Curriculum & Quality) and Mr R Gray (Chairman of the Committee).

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.

The DPCE mentioned that there was a tragic incident in Romford over the weekend which involved the brother of a College student. The Committee expressed its concern with recent violence in local communities and were assured that the College remains vigilant in its approach to this risk.

3. Minutes of the Meeting held on Monday 23 April 2018

The Minutes of the Meeting held on Monday 23 April 2018 were **APPROVED** and **SIGNED** by the Chairman.

In response to a question from the Chair, Kathy Mulvey indicated that the enrolment of previously 'home educated students' at TLC has begun with thirteen students. The projection for next academic year is that this number could rise to 45.

4. Matters Arising

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

5. Human Resources Report (Paper PRC.18.11)

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 matching actual experience to KPIs. This is a standing item on the agenda of this Committee.

The **current rolling absence rate** is 10.27 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 May, which is slightly lower than the rolling rate reported in the last Report at the April Meeting (10.75) 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 88.6% of absences, the balance being long-term, the same as 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 the flu and sickness epidemic.

Richard Launder observed that the levels of absence still looked high. The Head of HR replied that the College holds this view and mentioned that the rolling absence figure includes staff which have left during the rolling average period.

Roney Brooks explained that this figure is computed in line with the AoC computational basis. If those staff were removed from the figures, then it is believed that the rate would drop to around 8 days per person per annum, although this is only on a pro rata basis. Roney agreed to analyse the data to see the impact of reporting current staff only.

She said that the Report provided to the Committee is overarching data but is not drilled down in detail. The staff who have left only drop out of the figures on a rolling yearly average basis.

The Head of HR reported on the new Sickness Absence Policy, which was implemented from 1 September 2017 and relates to new staff joining (120) since that date. 51 incidents of absence have been reported in respect of these new staff and appropriate action has been taken with those staff who have had high levels of absence during their probationary period. Some have left the College's employment under probationary arrangements. Maya West asked for a breakdown of 51 incidents to understand if they are unique and separate individuals or not.

Olga Buck wanted to know what cost savings arise from implementing this new Policy and the Head of HR responded by explaining that staff would not be entitled to payment for their absence within their first six months of employment.

David O'Halloran felt that the control over the use of agency staff was still not clear and does not seem to square with control over absence, especially of new staff.

Maya West said that higher sickness absence is a cause for concern especially amongst new staff but was assured that this is investigated and vigorously monitored.

The Committee was reminded of the current causes of absence, which are consistent with recent experience. It is the case that there are some genuinely ill staff who have had (and are still experiencing) long absences.

The Committee was provided with a copy of the Sickness Absence Management Plan for information. This Plan, in consultation with management, reviews, monitors and tracks actions taken to contribute towards the reduction of sickness absence and improvement of staff attendance. It was updated from 31 December 2017 and includes progress to 31 May 2018. It is a work in progress and further work is required to change the culture in the College to remove the 'just taking time off work' behaviour.

Olga Buck asked about the Sickness Absence Management Action Plan as she was not clear as to what are we trying to achieve. The Plan does not, in her view, make clear how the progress described in the paper will achieve the goals set and, where necessary, show future actions required to reach the goals. The Head of HR agreed to adapt the Plan to make this clearer.

The **staff turnover** rate for the period September 2017 to 31 May 2018 was 14.61%, an increase on the previous Report to this Committee, which was 12.12%. However, the current rate is slightly lower than at the same point last year. 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. 18% would be in line with AoC Workforce Data Report published on 1 June 2018. Most (around 75%) 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 by 5.9%. There is a drive towards retention built upon thorough induction. The position is static for staff 2-5 years and for staff with more than 5 years' service, there is a significant reduction of 6.7%.

Olga Buck asked that the table of leavers within the Report be expanded to include the number of joiners in the same period to form a view for the trend of staff movements and whether there are any lessons to learn from these movements. The DPCE mentioned that lists of leavers and joiners is included in the termly Principal's Report to all staff and this is copied to governors.

Maya West sought clarification on whether the College actively tries to convert agency staff into full time staff as this was often done in the past in 'hard to recruit' areas. The DPCE said that it is not normal practice now and recruitment is through wider advertisement to try to save cost of recruitment but may be required in some 'hard to recruit' areas.

Olga Buck asked about policy regarding areas in which there are poor/insufficient enrolments. The DPCE said that this could lead to staff redundancy if a course was not viable. However, there are no plans for major staff restructuring in the near future.

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

In addition, the Head of HR reported that an ET1 claim has been made against the College for unfair dismissal, the grounds being sex discrimination on the grounds of being male. The College is confident of being able to defend this claim. The complainant has received a redundancy payments. The Hearing is expected in August.

Whistleblowing Policy

This Policy is reviewed annually and has been in place since 2016. This year's review indicated no major changes other than to include appropriate references to GDPR requirements.

The Committee **RECOMMENDED** that the Policy be approved by the Board at its Meeting on 9 July 2018.

ACTION: CLERK

6. Strategic Developments in South Essex (Paper PRC.18.12)

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.

7. Policy Approvals

The Committee was provided with the following Policies for review and comment

- Information Security Management Policy
- Data Breach Notification Policy
- Health & Safety Policy

The first two policies are GDPR related policies required so that the College is compliant with the law. The ISM Policy is to show how the College protects its data and the DBN policy shows that the College has a notification procedure in place to deal with any breaches.

The Health & Safety Policy was substantially rewritten in 2016 and is the overarching document governing Health & Safety in the College. The Policy has been reviewed in the light of current legislation and practice.

David O'Halloran asked whether the Board would be receiving a GDPR refresher and the Clerk advised that this is on the Agenda for the Board Development Day next Monday and will be presented by Craig Williams, Head of IT and Data Protection Officer.

The Clerk mentioned that one element of the briefing will be to institute a process whereby all communications between the College and governors will be through the governor's own College email account.

The Committee considered these Policies and **RECOMMENDED** that they be approved by the Board at its Meeting on 9 July 2018.

ACTION: CLERK

8. College Finances (Paper PRC.18.13)

Item 8 (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 May 2018

Income & Expenditure Account

Total income to 31 May 2018 amounted to £35.3 million and total expenditure amounted to £36.128 million, giving rise to an operating deficit for the eight months to March 2018 of £828K, after crediting the favourable Bursary Fund variance of £149K and the revaluation reserve release of £151K. This compares to the reforecasted deficit for the period of £364K, an unfavourable variance of £464K for the ten 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 Director of Finance provided a verbal commentary on the variances and actions being taken to control expenditure and achieve income targets as reforecasted for the rest of the year. Full details were provided in the paper to Members but are summarised as follows:

- Lower than expected Apprenticeship funding but hopeful of meeting year end target based on predictions received from the Vice Principal, Curriculum & Quality
- AEB lower than forecast but expected to meet year end target based on predictions received from the Vice Principal, Student Support and Adult Programmes
- Increase in HE withdrawals particularly those dating back pre the January reforecast but only recently notified
- Higher than anticipated staff costs due to use of agency and hourly paid staff which are to be controlled to mitigate the current overspend
- Exam costs higher than expected but should be within forecast by the end of the year
- Premises costs savings should remain for the rest of the year

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.

Richard Launder asked whether the College is likely to suffer a clawback of AEB (Adult Education Budget) funds for under achievement for 2017/18. The DPCE responded that the expectation is that the year end target is expected to be met and therefore no clawback is expected.

Peter Moore explained that there is no clawback provided that a provider achieves 97% of their allocation. However, if the achievement is less than 97%, then clawback applies to the whole shortfall. For the College for 2017/18, the allocation was £3million so the 97% target is £2,910,000. As at RO9, the allocation used was £2,831,000. Therefore, £79,000 still needs to be utilised to avoid any clawback.

Balance Sheet

At 31 March 2018, group net assets stood at £36.5 million, including fixed assets of £109.6 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 2.13 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 May 2018 remains high as a percentage of turnover (64.7%) against a revised 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 May 2018 amounting to £672K.

The College also has Notes Receivable (from Redrow in connection with the Nethermayne Sale) of £27,179K.

The bad debt provision amounts to £300K 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 was provided to Members.

Questions from Committee Members

David O'Halloran asked why the College has lost HE students this year, given the original budget was £6million income and we will, on current projections, only reach £5million. This requires an answer and in particular, why the proposed Budget for 2018/19 is no higher than £5.1million. He was not satisfied that the reasons and explanations were sufficient.

ACTION: DEAN of HE

Peter Moore indicated that the College has begun to release on a quarterly basis (£45K per month) the Lennartz VAT provision due to effluxion of time and therefore cannot be reclaimed by HMRC. The legal case regarding the provision overall is still unresolved.

Richard Launder's concern regarding AEB clawback is dealt with under Income & Expenditure Account above.

David O'Halloran commented that agency costs are still not fully controlled and there are still 'hard to staff' areas. The agency costs severely hamper the College's ability to make a surplus.

Maya West asked about the College's Financial Health (ESFA methodology). Peter Moore responded that, due to buoyant cash balances arising from the Nethermayne land sale improving the current ratio, the Financial Health is currently Good. At the year end, it will be a strong Satisfactory leaning toward Good. Peter Moore further commented that this measure is the causa belli of the ESFA Intervention Unit.

The ESFA have seen these draft accounts to 31 May 2018 and the disappointing results but they seem more concerned about the College's Financial Health. The DPCE commented that lifting of the Notice of Financial Concern is possible after the end of year accounts and the financial forecast to 2019-20 are submitted, assuming, as is currently expected, that they show Satisfactory Financial Health.

.David O'Halloran was concerned that the January reforecast has not been met and that this was very disappointing. Peter Moore said that there are still considerable concerns about meeting the reforecast particularly on achieving income targets and the outturn is almost certainly looking like being worse than the reforecast of £515K (before revaluation reserve release of £151K) but it is hoped not by much.

The DPCE said that it is imperative that all possible sources of income be generated before the end of the year (e.g. AEB Budget income) and that pay costs be kept down.

The Committee otherwise **NOTED** the position.

(d) Draft Fees Policy (FE/HE) 2018-19

The DPCE **PRESENTED** this Policy for review by the Committee and advised that it has been prepared in accordance with Funding Body criteria. The changes from last year reflects the change from HEFCE to Office for Students and updating the policy on refunds including setting an administration fee of 10% for learner refunds.

The Committee **RECOMMENDED** that the Fees Policy be approved by the Board at its Meeting on 9 July 2018.

(e) Annual Expenses Report

The Committee **RECEIVED** this Report, which details the expenses paid by the College in the year ended 31 March 2018 for the Principal & Chief Executive and other governors in respect of expenses incurred by them in fulfilling their duties.

(f) Review of Financial Regulations

The Committee **RECEIVED** a paper from the Director of Finance on this matter. The Regulations were last reviewed in September 2017 and need updating.

The changes are:

- Where necessary, change HEFCE to Office for Students
- Delegated authority schedule now reflects Audit requirement changes
- Status of appendices and review dates have been revised

The Director of Finance advised that the Regulations, appendices and financial delegation schedules will be distributed to all staff requiring confirmation that they have read the Policy – this will be monitored.

The Committee **RECOMMENDED** that the Regulations be approved by the Board at its Meeting on 9 July 2018.

9. Committee Matters

The Clerk **PRESENTED** a draft Annual Cycle of Business for 2018/19, which the Committee **RECOMMENDED** for Approval by the Board on 9 July 2018.

David O'Halloran stated that a Steering Group needs to be set up with PROCAT comprising, perhaps, with three governors from each side. It was **AGREED** that volunteers would be sought from the Board at the Board Development Day on 2 July and then again at the Board Meeting on 9 July. Richer Launder expressed an interest in being part of the Steering Group.

ACTION: CLERK

10. Forthcoming Events (Paper PRC.18.15)

The Clerk provided details to the Committee of Forthcoming Events in the College.

11. Any Other Business

There were no items of AOB.

12. Dates of Next Meetings

Monday 24 September 2018 – Southend Campus at 6.00 pm.

Monday 19 November 2018 – Southend Campus at 6.00 pm.

There being no further business, the Meeting terminated at 7.40 pm.

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