

CENTRAL SUSSEX CORPORATION

Minutes of a meeting of the Resources Committee held at 5.00 pm on Monday, 30th November 2009

Membership: Patrick Berry (Chair)*, Russ Bryan*, Paul Harding, Tony Hyams-Parish, Gill Marshman*, Sylvia Meli* and Phil Roberts*.

Also present: John Peel, Russell Strutt, Suri Araniyasundaran, Jenny Poore, Nick Whitley (Clerk) and for part of the meeting David Kimber (KPMG).

* = present

APOLOGIES FOR ABSENCE

1. Apologies for absence were received from Paul Harding and Tony Hyams-Parish.

DECLARATION OF INTERESTS

2. There were no interests to declare.

MINUTES OF THE MEETING OF 24th SEPTEMBER 2009

3. The minutes were signed as a correct record.

MATTERS ARISING

4. **Age Analysis/7 and 9:** It was pointed out that the wording of these paragraphs could be read as implying that the College was discrimination against members of staff on grounds of age. It was confirmed that this was neither the intention nor the practice; the reference to opportunities for reducing staff costs related to the fact that those members of staff due to retire or able to take early retirement were almost always paid at the top of their scale (because increments were awarded annually until the individual reached the top of the scale), whereas it would be a number of years before a new member of staff replacing them would reach the top of the scale. The reference to a correlation between age and sickness absence referred to the hypothesis that older members of the workforce might suffer a higher incidence of ill health; this hypothesis had been disproved by the data.

DRAFT ACCOUNTS FOR CENTRAL SUSSEX COLLEGE FOR THE YEAR ENDED 31ST JULY 2009

5. It was agreed to take the next item, the Highlights Memorandum with this item.
6. Suri Araniyasundaran advised the meeting that there had been no significant changes to the forecast financial outturn reported to the Committee at its last meeting in September.
7. David Kimber then introduced the Highlights Memorandum. He advised the meeting that he would be focussing on the finances rather than audit issues; these would be discussed at the Audit Committee later in the week. There were some corrections of the detail that remained outstanding; however the accounts themselves had been agreed.
8. There was one matter which could result in a change and that related to the going concern status of the College. The accounts had been agreed on the understanding that the required actions to secure the College's financial position over the next twelve months would be put in place by the Corporation meeting of the 14th December. These were the approval by the Learning & Skills Council (LSC) of the £2.5m loan to part settle the revolving loan and confirmation from College's bankers that the covenant arrangements had been re-negotiated satisfactorily.

9. He drew attention to the treatment of the £3m fees that had previously been capitalised; these were offset against income from the LSC of £500m, which was due to be received by the College imminently.
10. David Kimber advised the Committee that any variation of the covenant by Lloyds TSB could not be applied retrospectively to the Balance Sheet as this had to show the position as it was at the 31st July 2009. However he confirmed that it could be referred to in the Members' Report and also as a note to the accounts under Post Balance Sheet events.
11. It was noted that, as well as the breach of the bank covenant, the auditors had identified that the College had delayed a payment to the Pension Fund. It was explained that this payment had been included with other amounts due to be paid to West Sussex County Council, as a general supplier and the critical nature of the element relating to the pension contributions had been overlooked. The arrears had been repaid subsequently and steps had now been taken to identify payments to West Sussex County Council as critical to avoid the situation arising again.
12. The pension deficit was discussed in some detail. It was recognised that the adjustments shown were in some senses artificial. The three yearly valuation of the Local Government Pension Scheme would be carried out at the end of March 2010 and the actuaries would then calculate the contribution rate required to meet both the deficit and the future service costs. The new contribution rate would be set for the following three years, commencing 1st April 2011. This exercise was independent of the annual FRS 17 adjustments.
13. It was pointed out to the auditors that the College was not in control of its pension scheme and that this should be recognised in the Highlights Memorandum. West Sussex County Council administered the Scheme and the College was but one member of the pool of six Colleges within the West Sussex administered Scheme.
14. It was noted that the auditors were recommending in their report that the Corporation review all the discretionary practices relating to the fund; it was pointed out that the Corporation had already resolved not to exercise any discretion that would result in any increased cost. The auditors were asked to remove reference to that review.
15. **The report was noted.**
16. **It was agreed that the Audit Committee be advised that the Resources Committee was satisfied that the annual accounts were correct, subject to the requirements being met to satisfy the going concern test.**
17. **It was agreed, subject to the concurrent recommendation of the Audit Committee, that the Corporation be recommended to approve the accounts.**

David Kimber left the meeting at 5.30 p.m.

HUMAN RESOURCES REPORT UP TO THE END OF OCTOBER 2009

18. Jenny Poore took the meeting through the report. She drew attention to the staffing figures, which were broadly stable, with a slight reduction in headcount for the coming period. There had been a reduction in the support staff family numbers, resulting in a raising of the percentage of staff directly involved in supporting teaching and learning.
19. It was noted that a small number of teachers had left during the term, which was abnormal; Jenny Poore explained that there were some exceptional circumstances that had led to this.
20. Short-term absences were higher than a year ago; much of this was attributed to flu. The focus on short-term absence was continuing and was proving constructive. The

personnel records system had recently been upgraded and this should make it easier to provide a variety of management reports.

21. It was proposed to simplify the performance reporting at College and Faculty level; this would probably focus on a single measure of days lost.
22. Jenny Poore drew attention to the re-assessment visit for Investors in People; the assessor had stated that she would be recommending to the relevant panel that the College be accredited. She gave some detailed feedback about the re-assessment; a formal feedback report would be provided once the Panel had given its formal decision.
23. It was noted that only 83% of lecturers had declared to the Institute for learning (IfL) that they had undertaken the required 30 hours of Continuous Professional development (CPD) for 2008/2009. It was explained that the IfL merely stated the percentage that had declared and would not provide any information about those who had not responded.
24. The only opportunity the College had to follow this up was through the appraisal system. It was known which appraisals had not yet been completed; managers were being encouraged to do so. One of the points for review was the timing of the appraisal cycle. There were also a number of part-time staff (particularly those involved with non-qualification adult education classes) for whom it was proving difficult to schedule appraisal meetings.
25. **The report was received.**

JOB EVALUATION

26. The Principal advised the meeting that the College had completed the Job Evaluation to its satisfaction in May 2009. Unfortunately a major problem had then arisen with one of the Unions at a national level. Despite having been a signatory to the original Job Evaluation Scheme agreement, the Union was now challenging the Association of Colleges (AoC) use of job families within that scheme. The Union had taken matters out of the hands of the local and regional officials.
27. The Principal advised that the problem had been referred to the AoC and a response was awaited. One of the complicating factors was that it would appear that Central Sussex College was the first College to have applied the scheme across the whole body of its staff. There was a risk that the College could become a test case if it went ahead without resolving the issue.
28. The Executive was asked to address the College's exposure to risk at the Risk Assurance Group meeting on the 3rd December.

Gill Marshman declared an interest as a Union Member and member of support staff affected by the delay to the implementation of the Job Evaluation Scheme.

29. **It was agreed to take Item 10 (Key Performance Indicators) next as it informed the Management Accounts.**

REVIEW OF KEY PERFORMANCE INDICATORS

30. Suri Araniyasundaran took the meeting through the table. He focussed on the section on apprenticeships, as that was the only target that was likely to be missed.
31. He advised the meeting that at the beginning of the year (2009/2010) there had been some fifty more applicants aged 16-18 than there were employers offering to take them as apprentices. These had therefore been accommodated on mainstream courses, to avoid the risk of their becoming NEETs (Not in Education, Employment or Training).
32. Steps were being taken to address the shortfall in recruitment of 16-18 apprentices, including recruiting to programme-led apprenticeships (whereby the young person was

given a minimum of twelve weeks full-time initial training before being placed with an employer).

MANAGEMENT ACCOUNTS FOR THE MONTH ENDED 31ST OCTOBER 2009

33. Suri Araniyasundaran introduced the management accounts, drawing attention to the revised forecast for Education Contracts, which showed a reduction of £200k for the year. This reflected the shortfall in recruitment of 16-18 apprentices.
34. This was offset to some extent by an increase in activity for Train to Gain and it was anticipated that this would achieve additional income over the year of £100k, leading to a net reduction of 100k.
35. It was noted that the Executive was looking to achieve an efficiency gain over the year of 1% that had not been built into the budgeted figures; this initiative was being taken to ensure costs were kept under control and that £900k headroom should be secured.
36. It was confirmed that the budget included provision for a 1% pay increase. The ability to pay this was critically dependent upon maintaining control over staff costs; these were being monitored regularly both at an individual and at a College and Faculty level, through the HR reporting mechanisms.
37. There were a number of learning points that had arisen from the previous year's experience; one was the risk that it would not prove possible to recruit sufficient apprentices during January and February to meet the contract profile; another was the risk of additional resources being deployed as the year progressed be it in staff numbers or non-pay costs. Levels of demand-led activity were now being monitored every ten working days.
38. The cash flow forecast was reviewed; Suri Araniyasundaran advised that, operationally the finance team were now working with a three year rolling forecast for the cash flow.
39. **The report was noted.**

GOVERNMENT FUNDING TRENDS FOR THE FUTURE

40. It was noted that the net effect on the College of the rate changes in Government funding for adult provision for 2010/2011 was a reduction of £400k. The Principal confirmed that the value assumed for the purposes of the financial forecast had been a reduction of 5%, which was greater than the £400k announced so far; however there could be a reduction in the number of adults that the Government were prepared to fund. Thus there may be further reductions for the College to be announced.
41. The Executive was currently modelling an overall reduction in Government funding for 2010/2011 of £1.5m; it was planned to address £500k of this through increasing the net income from non-government funded training together with £1m efficiency savings for 2010/2011, and for the subsequent year. It would be essential to approach both increasing income and finding the savings by doing things differently.
42. The Principal then drew attention to some of the highlights from the Skills White Paper. It was noted that the Government had shifted the emphasis from a target of 50% of all under 30 year olds achieving Higher Education (Level 4) qualifications to 75% achieving a Higher Education qualification or an advanced apprenticeship.
43. It was noted that there was no information yet about the level of funding for young people; this information was critical for the College in its business planning for the coming year. A key question was whether there would be a 2% rate reduction or not.
44. The Principal then advised that he had circulated the FE Sussex positioning paper as background information. He had already circulated this and the paper on Joint and

Shared Services to the Chairs of the Sussex Colleges at their last meeting. He laid round a table analysing the Colleges' aggregate procurement spend on high value items or contracts. The table was not wholly accurate, as it contained some coding errors, but it was indicative of the opportunities for joint working on procurement to reduce costs. The Finance Directors of the Sussex Colleges were working together on this, to see where and how savings could be achieved jointly.

45. Central Sussex College was also working with Northbrook and City College Brighton to develop a model for a joint Human Resources function. The initial approach was for Jenny Poore to act as the strategic lead for this project; the proposal was that she be seconded on a part-time basis to work with Northbrook to establish their HR function on a similar basis to that of Central Sussex College, with a view to developing a common model for all three Colleges that could be adopted elsewhere. Northbrook Corporation had confirmed their agreement to reimburse Central Sussex College for the portion of time she was seconded to them.
46. There were other aspects of the back office functions that were being addressed by other groupings within FE Sussex. At this stage only the General Further Education Colleges that had recognised the need for these developments; the Sixth Form Colleges within FE Sussex were not participating as yet.
47. Jenny Poore advised that she was still working through the implications of the proposal and in particular how best to safeguard Central Sussex's needs during the period of her secondment. She and the Principal would report progress regularly to the Resources Committee to ensure that the College's needs were being met.
48. The Principal reassured the Committee that Jenny Poore had built up an HR team with considerable expertise.
49. As far as the Joint Procurement Project was concerned the Finance Directors had been asked in the first instance to prioritise eight or nine areas of procurement that could deliver savings within the next twelve to eighteen months. Targets had not yet been set, but it was anticipated that joint procurement exercises could deliver between ½% and 1% savings for the Colleges.
50. As far as efficiency savings for the coming year were concerned, it was planned to achieve the growth in student numbers without increasing the number of groups being taught. This would require an increase in average class sizes across the College, although it was not possible to lay down a common group size across the board. There were a number of different constraints particularly in respect of the vocational curriculum. There would be a maximum group size of between 22 and 24, to ensure that classes were manageable and to ensure the quality of reading and learning. The effective use of virtual learning environments was one key to the success of this approach.

REVIEW/RENEWAL OF BANK COVENANTS AND OVERDRAFT FACILITY

51. Concern was expressed that the current overdraft facility of £1.25m gave the Executive very little room for manoeuvre over the next four to five months. It was pointed out that the College's cash position was better than it had been twelve months ago, both because of the budgeted headroom of £900k and because of the anticipated reimbursement by the LSC of £500k of the capital project fees. It would therefore be difficult to go back to Lloyds Bank at this stage and ask for an increased overdraft limit, particularly since the bank had already confirmed its willingness to renew the overdraft facility on the same basis as last year.
52. It was confirmed that it should not cost any more to have a higher overdraft limit, as it would merely be an extension of the existing facility.
53. While it was recognised that the Finance Team would continue to manage the cash requirements as tightly as before, the Committee resolved to ask the Corporation to

authorise the Executive to negotiate an increase in the maximum limit of the overdraft to £1.5m to allow for some extra flexibility in cash flow management.

54. The meeting was informed that Barclays Bank had asked for a variation to the Facility Letter approved at the last Corporation meeting for the £2.5m loan. The standard terms had been designed for a loan to enable a construction project to go ahead and therefore included references to the project progressing on time and to budget, and requiring certificates of work done. These were clearly not relevant in this case and the deletion of that clause would be in the College's interest.
55. **The report was noted**
56. **It was agreed that the Corporation be recommended to authorise the Executive to seek a renewal of the overdraft facility with Lloyds TSB (the College's bankers) at £1.25m for a further year.**
57. **It was further agreed that the Corporation be recommended to instruct the Executive Director (Corporate Services) to apply for an increase in the overdraft facility to £1.5m to give comfort to the Corporation that there is an increased safety margin for cash flow management.**
58. **It was agreed that the Corporation be recommended to approve the variation to the terms of the Facility Letter offering the College a £2.5m loan (and agreed at the Corporation meeting of the 19th October 2009).**

FEE POLICY

59. The Fee Policy for 2010/2011 was reviewed.
60. **It was agreed that the paragraph under the Concessionary Fees relating to special arrangements for fee remission for disabled learners should be deleted, so that disabled learners would be treated on the same basis as other learners entitled to concessions. This would bring the College in line with other West Sussex Colleges.**
61. **It was agreed to recommend that the Corporation approve the revised Fee Policy for 2010/2011.**

INSURANCE TENDERING TIMETABLE

62. It was noted that the five year long-term agreement for the College's insurance requirements ended 31st July 2010; a tender exercise therefore needed to be carried out for a new 5 year agreement. The College had been informed that the current Further and Higher Education framework for tendering could only be used for insurance contracts that started before the 1st of August 2010; unfortunately the new version would not be available until March 2010. If the College's current insurers were not reappointed, there would be a significant amount of administrative infrastructure to put in place before the 1st August.
63. **It was agreed that the Corporation be asked to delegate the authority to let the new contract to the Resources Committee at its meeting of the 8th July.**

CAPITAL & SPECIAL PROJECTS

64. The meeting was informed that the sale of Three Bridges had not gone ahead as expected; despite a recommendation by the Crawley Borough Council planning officers that the developers' appeal be granted, the planning inspector had dismissed the appeal.

65. The developers' deposit, held in escrow by the solicitors, had now been repaid in line with the terms of the conditional sale contract.
66. It was confirmed that the overcrowding at Haywards Heath (that resulted because Phase 3 had not been approved) was being managed; some of the mothballed classrooms in the old building were being brought into use to provide social space and to enable key skills to be taught.
67. It was hoped to find a way to finance the completion of Phase 3 as the costs of planned maintenance over the coming ten years plus the cost of refurbishment would be little less than the cost of a new building. There was also a significant risk that future learner numbers would drop if the building work was not to be completed.

ANY OTHER BUSINESS

There being no other business, the meeting closed at 7 p.m.