

## CENTRAL SUSSEX CORPORATION

### Minutes of a meeting of the Resources Committee held at 5.00 pm on Thursday, 9<sup>th</sup> July 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, Maureen Kilminster, Jenny Poore, Helen Tracey and Nick Whitley (Clerk).

\* = present

#### APOLOGIES FOR ABSENCE

1. Apologies for absence were received from Russ Bryan.

#### DECLARATION OF INTERESTS

2. There were no interests to declare.

#### MINUTES OF THE MEETING OF 7<sup>th</sup> MAY 2009

3. The minutes were signed as a correct record.

#### MATTERS ARISING

4. **Extension to revolving loan/23:** It was noted that negotiations to extend the revolving loan were dependant upon the Corporation's approval of the budget and three year financial forecast.
5. **Applications/39:** The Principal circulated copies of a table showing the latest position with respect to applications for 2009/2010.
6. It was noted that full-time applications were up by 14% compared with the same time the previous year; offers accepted were even higher, up by 21%, suggesting that the overall conversion rate from application to acceptance was likely to rise. A number of pressure points had been identified and the Executive had taken action to address these.
7. A number of waiting lists had been set up in respect of programmes where the College's facilities were limited, such as dedicated workshop space for vocational programmes. It would be necessary to establish selection criteria for the future.

Tony Hyams-Parish joined the meeting at 5.12 p.m.

8. It was noted that arrangements were being made at Haywards Heath campus to extend the length of the day; Crawley campus was already in use from 8.00 a.m. to 9.30 p.m. during the week and also open on Saturdays.
9. The Principal advised that he would be drawing to the attention of the Curriculum, Quality & Standards Committee the areas of pressure, and in particular, those programmes where learners were being turned away.

#### HUMAN RESOURCES REPORT

10. Jenny Poore introduced the report.
11. It was noted that the number of staff employed by the College remained in line with previous reports; Jenny Poore pointed out that there would be a reduction at the end of

July and August as fixed term contracts came to an end and the efficiency gains in staffing took effect. Staff Turnover was consistent with the normal cyclical pattern for this time of year.

12. Jenny Poore advised the Committee that she had introduced a termly meeting with Directors to review all HR and staffing issues within their Department/Faculty; managers were finding this supportive.
13. The Investors in People (IiP) assessors had given much positive feedback following their assessment visit; however the College had not met one of the ten criteria. The main reason for this was that management and staff members had not articulated clearly and consistently what the management role, expectations and requirements within the College consisted of.
14. The Job Evaluation exercise was progressing but the timescale for completing it had now been extended to the end of the calendar year. Unison, one of the Unions involved had advised that they must refer the application of the scheme, and in particular its gender proofing to the Union's headquarters and legal advisers before they could commit to approving it.

Philip Roberts joined the meeting at 5.27 p.m.

15. It was confirmed that the exercise to harmonise contracts across the College (with the exception of existing teaching staff at Haywards Heath campus) was almost complete. There were a few individuals who had not signed the new contracts for a variety of reasons; these would not be forced to accept new contracts. It had always been anticipated that there would be a small number of individuals who would insist on remaining on their original contracts.
16. It was stressed that any internal promotion whether within the Haywards Heath campus or elsewhere, was subject to appointment on the new harmonised terms and conditions.
17. The Equality and Diversity survey of staff was progressing; so far some 53% of staff had responded. Of these 9% had declared that they had some form of disability. The Equality & Diversity Officer was chasing those members of staff who had not responded.
18. It was noted that the sickness absence rate had improved, although it was still too high. The Committee reviewed the additional data that had been provided analysing the sickness incidence together with the age profile for staff. Jenny Poore advised that in general the relatively high level of muscular and skeletal problems were experienced by older members of staff (as might be expected), while the shorter absences correlated with the younger age groups.
19. **It was agreed that a table correlating age groups with types of sickness absence should be provided to the next meeting of the Committee.**
20. The Principal advised the Committee that the Further Education (FE) sector in general had a workload problem, and he wanted to establish how much of an issue this was for the College.
21. **The report was noted.**

#### **CAPITAL AND SPECIAL PROJECTS**

22. The Principal introduced the report and advised the Committee that Suri Araniyasundaran had attended the "Capital Summit Meeting" arranged by the Association of Colleges (AoC) earlier in the week. It had been announced that Colleges would not be compensated for the cost of fees incurred in developing capital projects beyond the amounts identified in the LSC Capital Handbook.

23. The AoC had been under the impression that the LSC had set aside some £200 million for the reimbursement of fees; it transpired that the funds amounted to no more than £70 million, and the priority for those funds was to support any Colleges facing insolvency.
24. It was therefore clear that all Colleges would have to draw on their reserves and borrow to cover the abortive costs.
25. Suri Araniyasundaran informed the meeting that the 13 Colleges that had been granted capital support had been awarded bonus points for such items as, third party funding towards the costs of their projects; this was funding that the LSC had not wanted to lose from the sector. The LSC had made it clear at the "Summit Meeting" that the £300m additional capital funding made available by the Government had been intended to act as a stimulus to the economy: hence the requirement for projects to be "shovel ready". The Government was not prepared to see this money spent on what it regarded as sunk costs such as fees that had already been incurred.
26. The Government and the LSC were looking to the sector to come up with solutions to the problem. The 2007/2008 accounts had been analysed across the whole sector; and this had revealed that the sector as a whole was in surplus, and that aggregate borrowing was no higher than 8% of turnover. Geoff Russell was now talking to the Government about how borrowing could be facilitated for the sector. A Task group had been convened to look at possible solutions; these might include approaching banks on a sector wide basis or Local Authorities.
27. It had become clear that Colleges in general had no wish to enter into legal action, although individual Colleges or groups of Colleges might take a different view, depending upon their precise circumstances.
28. As far as central Sussex College was concerned, the total sunk costs amounted to £2.96m, of which £500k should be covered by the rules set out within the Capital Handbook (£250k for Crawley and £250k for Haywards Heath). There was a possibility that the LSC might agree to reimburse a further £120k in respect of Haywards Heath, on a best case scenario. This depended upon their agreeing to reimburse the College at the percentage contribution rate (65%) agreed for Phases 1 and 2 collectively.
29. It was noted that there seemed little likelihood of the College having any actionable claim against the LSC; it was therefore considered appropriate to take time to reflect on the situation and to convene a Task & Finish Group meeting in the autumn to review the possible options for proceeding.
30. Suri Araniyasundaran then took the meeting through the paper outlining the impact on the financial forecast of writing off the fees, and whether the College would become insolvent in consequence. The paper had been prepared on a worst case scenario with no reimbursement of fees by the LSC; however as stated earlier the LSC had now confirmed that they would be honouring the Capital Handbook guidance. He would therefore need to adjust the figures for the £500k reimbursement.
31. The paper drew on guidance from a number of audit firms and quoted specifically from a briefing by Baker Tilly. Essentially the Corporation would need to make an assessment of whether the College was a going concern before adopting financial statements for 2008/2009, taking into account the three year financial forecast. The following factors were critical:-
  - Did the forecast follow LSC guidance?
  - Were the underlying assumptions reasonable?
  - Were the cash flow forecasts reasonable?
  - Was the College in breach of its bank covenants?
  - Are the accounting treatments appropriate?
32. Suri Araniyasundaran pointed out that, in the attached revised forecast, he had incorporated the fees write off as an exceptional item for 2008/2009. The additional cost

of borrowing would not take effect until 2010/2011 and the forecast had been amended to take this into account. He had been in discussions with the College's two current lenders to consider their covenants; in one case they had confirmed that there would not be a breach of their covenants and in the other they were prepared to provide a waiver in respect of the breach of covenants subject to the approval of the three year financial forecast.

33. It was recognised that the Committee needed to consider the implication for the financial forecast in more detail and therefore the discussion moved to agenda item 7.

### **BUDGET WITH 3 YEAR FINANCIAL FORECAST**

34. The Principal reminded the Committee that in May he had presented the shape of the budget to include some £325k headroom. At that time he had referred to the need to achieve underlying efficiency gains in pay of at least £900k. He could now report that this had largely been achieved.
35. The original intention to reduce non-pay costs had been modified because of identified cost pressures: particularly because of additional maintenance requirements now that neither capital project would go forward this summer. Additional income of £1m plus had been secured since the last meeting; there would be additional costs associated with this. The net effect of all the movements of income and expenditure was to increase headroom by £275k to arrive at £600k.
36. The business planning process had gone very well this year; the achievement of the HR plan (which the Executive had been working on since January) was quite crucial. 41 posts had been removed, but 14 additional posts had been established giving a net loss in posts of 27 (very close to the 30 originally postulated). As a result pay costs had been reduced as a percentage of turnover to 67%; this would be further reduced by efficiency savings in the following two years to 66%.
37. A general pay increase of 1% had been incorporated into the budget; however there would be further discussions with the Corporation during the year to establish whether it could be paid or would be needed to secure the required headroom.
38. The HR plan had been very carefully managed to minimise any redundancy costs; a number of fixed term appointments were due to cease during July, August and September and would not be replaced or renewed. The Horsham campus had now been closed with a saving of 11 established posts; 9 members of staff had been redeployed, 1 had taken voluntary redundancy and the final position was a fixed term post that was coming to an end.
39. It was noted that there were potentially prohibitive pension costs associated with making support staff redundant, and that this had to be taken into account when planning any restructuring.
40. The Principal updated the Committee on the national pay negotiations (Item 11); the Association of Colleges (AoC) had originally made an offer of 1% across the board. The unions had rejected this, but the AoC negotiators had reconfirmed the original offer stating that it was the employers' final offer on the grounds of affordability. The latest news was that the AoC had gone back to the Unions with a revised offer of 1.5% on condition that the Unions recommended acceptance to their members.
41. The Principal advised the Committee that he had informed the local branch representatives that a 1.5% pay award was out of the question on the grounds of cost, and that it was not yet certain whether the original national offer of 1% could be afforded. It was noted that the 1% referred to was in addition to the contractual increments payable to many staff.
42. The costs of maintaining the College's buildings was raised in the light of the LSC decisions on the capital programme. Suri Araniyasundaran advised that he had included

£100k within the capital budget for 2009/2010 and a further £300k in each of the following two years. He had also increased the allowance for day to day maintenance, but had not included anything for any major refurbishment.

43. Concern was raised about the College's ability to respond to the Government's "September Guarantee" that all school leavers be offered education or training. The Principal advised the meeting that the College was planning to accommodate some 100 additional unfunded learners, and had also bid for and secured additional funding for young people who were not in education, employment or training (NEETs). However the funding would not allow the College to go beyond that.
44. The Committee tested the sensitivity analysis, recognising that at the beginning of the current financial year the budget had appeared adequate, but it had not withstood the impact of the recession.
45. The Principal drew attention to the strength of the applications, particularly with respect to the 16-18 funding and the key actions to reduce the cost base. The major area of risk lay with demand led funding and the College had secured additional funding to offset the reduction in Train to Gain.
46. It was also confirmed that the Executive would be looking to revise and develop a new HR model over the coming year, to address the longer term needs of the College.
47. **It was agreed that the budget and three year financial forecast (amended to take account of the write off of all but £500k of the fees for the capital development) be recommended for approval by the Corporation.**

#### **MANAGEMENT ACCOUNTS FOR THE MONTH ENDED 31<sup>ST</sup> MAY 2009 AND FINANCIAL FORECAST**

48. The Principal introduced the report drawing attention to the increase in the forecast deficit. He explained that the main reason for the deterioration in the College's finances was additional money spent during March and April to secure additional Train to Gain activity through partner providers. The LSC had announced that they would base next year's contract on the level of activity achieved during the year to 30<sup>th</sup> April. It had been planned to offset the additional payments to the partner providers against additional income earned through new contracts to support those at risk of redundancy or newly unemployed. It had recently become apparent that this income would be earned in the coming financial year rather than the current one.
49. On the positive side, the college was one of the few in the country to maintain its Train to Gain contract value for 2009/2010 and this was largely a consequence of the increased activity during March and April.
50. The cash flow forecast was reviewed; it was noted that it would not become positive before April 2011, largely as a result of the decisions on capital and the profile for the demand led income contracts.
51. **The report was received.**

#### **REVIEW OF KEY PERFORMANCE INDICATORS**

52. The Clerk laid round the report.
53. **It was agreed to defer this item to the next meeting.**

#### **FRANCHISE PROGRAMME 2009/2010**

54. The report was considered; it was recognised that this was a successful franchise arrangement that had been in existence for many years.

55. It was noted that there was to be a maximum limit on the payments under the franchise agreement.
56. **It was agreed to recommend to the Corporation that the proposed franchise programme with the Brighton Institute of Modern Music (BIMM) be approved for up to 130, 16-18 year old learners, with a maximum payment to BIMM not to exceed £530k, and that authority be given to the College Secretary to sign the agreements when negotiations had been concluded.**

#### **DISABILITY STATEMENT**

57. The Disability Statement was reviewed.
58. **It was agreed to recommend to the Corporation that the Disability Statement be approved.**

#### **ANY OTHER BUSINESS**

59. There being no other business, the meeting closed at 6.57 pm.