

**CHELMSFORD COLLEGE  
PERSONNEL FINANCE & GENERAL PURPOSES COMMITTEE  
21 June 2016**

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Minutes of a Meeting of the Committee held at Moulsham Street, Chelmsford on Tuesday 21 June 2016 at 3.30 pm.

**PRESENT:** Michael Lager (Chair)  
Elaine Oddie  
Andy Sparks (Principal)  
Graham Evans  
Amanda Montague

**IN ATTENDANCE:** Debs Hurst (Assistant Principal, Finance & Risk)  
Caroline Williams (Deputy Principal)  
Mark Emerson (Director of Information Services)  
Mike Tadman (Assistant Principal, People & Services)  
Peter Moore (Director of Finance)  
Rob Millea (Clerk to the Corporation)  
Joanne Harrington (Assistant Clerk)

At the start of the meeting the Committee agreed a timetable for considering each item in order to give proper attention and conclude the meeting within two hours.

**PRESENTATION ON FRS102 AND FINANCIAL HEALTH**

The Committee received a presentation from the Assistant Principal, Finance & Risk on the College's Financial Health and the effects of the application of the new Accounting standard FRS102, which applies to the College's Accounts for the year ended 31 July 2016, with the figures for last year end being restated on this new basis.

The Audit Committee had received this presentation last Monday evening.

The restated figures and the principles behind the restatement have been reviewed by KPMG, the external auditors, and, subject to formal year end audit, they are comfortable with the restatement.

The key issues which Debs Hurst addressed were as follows:

- Valuation of the College land bank
- Accrual of holiday pay for staff
- The reclassification of Government Grants from reserves to current and long term liabilities
- LGPS Pension Accounting

None of these adjustments are cash outflows. The effect of the adjustments on the statement of comprehensive income account at 1 August last is to increase the reported deficit from £151K to £633K

The Committee was asked for their views as to whether to adopt the performance method in respect of the accounting for deferred government grants – the response was no – and whether to revalue some of the College assets, for which there is a one off opportunity on implementation of FRS102 and within which assets can be cherry picked.

Debs Hurst informed the Committee that the College could revalue its land at Moulsham Street and at Princes Road on an existing use basis and also seek to revalue Beacon House land & buildings. Indications from the County Valuer suggests that the land at Moulsham Street and Princes Road could be valued at £8million to £10 million, split equally.

Beacon House revaluation would produce an impairment of maybe £2million on book values.

The Committee agreed to commission a valuation of the land at the two main Campuses and for the whole property at Beacon House and Debs Hurst was authorised to spend up to £7,000 plus VAT in procuring a professional valuation from the County Valuer.

Debs Hurst also referred to the revised SFA Financial Health methodology and advised that, under the revised FRS102 including the adjustments noted above, the College's Financial Health would be Satisfactory for the year ended 31 July 2016.

The revised 2015 figures would produce an Inadequate rating but the SFA is not interested on the effect of FRS102 adjustments on restated prior year figures.

The bank have advised that they wish to see a balance of at least £5 million of net assets. The revaluations will ensure this is not at risk.

The Committee thanked Debs for her presentation and **AGREED** that the valuation of selected assets described above be put into effect.

Debs Hurst further advised that, for the future, financial KPIs would include the three tests applied in determining the College's status under the new Financial Health Methodology, namely EBITDA (earnings before interest, taxation, depreciation and amortisation), Borrowing cost as a % of income and the adjusted current ratio.

**ACTION:DH**

## **551. WELCOME AND APOLOGIES FOR ABSENCE**

The Chair welcomed Amanda Montague to her first Meeting of the Committee following her appointment as a new Governor of the College.

There were no apologies for absence.

## **552. DECLARATIONS OF INTERESTS AND CONFIDENTIAL ITEMS**

The Assistant Principal, Finance & Risk and the Clerk to the Corporation declared their interests as Director of Finance and Clerk to the Corporation at South Essex College respectively.

## **553. MINUTES OF THE MEETING HELD ON 8 MARCH 2016**

The Minutes of the Meeting held on Tuesday 8 March 2016 were **APPROVED** and **SIGNED** by the Chair.

## **554. MATTERS ARISING**

The Clerk reported that the Board has **APPROVED** the College Treasury Policy at its Meeting on 18 March 2016.

The Human Resources Report (minute **545**) **ADDRESSES** the Appraisal Monitoring System, Academic Restructuring and plans for the College Nursery to work with Moulsham Street Infants' School.

Mark Emerson **PROVIDED** a verbal update on the work with Aspire GB. The contract has been extended to 350 learners with a potential to rise to 450 learners (£385 maximum value funding per learner) relating to unemployed individuals from JobCentrePlus. This is within the budget for 2016/17 and existing sub-contractor arrangements.

Debs Hurst will **REVERT** to the next Meeting of the Committee with the result of an Audit Fees review which was requested.

## **555. HUMAN RESOURCES REPORT**

Mike Tadman, Assistant Principal, People and Services presented an update Report on current HR issues.

He explained that significant activity continues to be applied in support of post-inspection actions, financial recovery and general operational staffing.

Key issues include:

- Restructuring of middle management completed (Board Members have been provided with a copy of the new Structure Chart and it has been placed on the Governors' portal)
- Performance management refinement
- Staff turnover is stabilising (lower than last year) but still too high at an annualised YTD rate of 24% - AoC comparator is 18% to 21% in the sector) – there is a lot of turbulence in the sector at the moment for a variety of reasons
- Resource planning for 2016/17 nearing completion
- Staff absence under control although slightly above target range (3.9 days per person per annum against target of 3.5)
- Still some agency workers (5.8 FTE) all in teaching posts and this is reviewed weekly
- Restructure seems to have positive effect on morale, especially at Moulsham Street
- Consultation has been undertaken with all CTS staff in connection with the proposed TUPE transfer of their employment to the College and this will be completed by 1 July 2016
- Agreement reached with Moulsham Street infants' School to provide out of school care on the school site from September 2016, commencing with 30 children initially. This has now been approved by Ofsted.

Mike was fairly confident that all teaching posts will be filled for the start of the new academic year.

At present, there is no trade union representation in the College so discussions to improve this are being held with the local offices of the relevant unions.

The Committee reviewed the entries on the Risk Register in the HR area and agreed the new actions being taken since the previous Report. In particular, it was noted that the appraisal system of staff is going well against target. 67% have been completed so far this year which is consistent with achieving the 100% target.

The Committee asked about the apparently low % of lesson observations as good or better, currently shown as 49%. The Deputy Principal responded that the optimised forecast for the year is 71%, which better reflects the sector method of measurement. However, in the sector, one would be looking for a % around 80% for a 'Good' College. The College

target is 85% and that looks optimistic but, to set a lower target, would be evidence of low aspiration.

The Committee asked for the reasons for the pattern of staff turnover – it can be related to poorer performers leaving and new starters leaving after one year. There is a lot of salary competition.

The Committee also asked about recruitment processes. The Principal explained that they were much more robust but English & Maths teachers are very transient due to supply shortages.

A demonstration of the new appraisal monitoring system will be arranged later in the year, focusing on one or two individuals in each of the teaching areas and one in the support staff area, taking the form of a 'deep dive'. It was suggested that this will be done at the Board Development Day on 21 October 2016.

### **ACTION: MT**

The Committee noted that, as requested at the last Meeting, the Staff KPIs now include a forecast for the current year as well as the original target and the entries for 2013/14 have been dropped.

The Committee **RECEIVED** the Report.

## **556. FINANCE REPORT**

The Assistant Principal, Finance and Risk presented the Finance Report incorporating the Management Accounts of the College, for the six months ended 31 January 2016, revised year end forecast for the year to 31 July 2016 and the current cash flow position.

The Report also addressed issues and actions related to Value for Money.

### **556.1 Management Accounts to 31 May 2016**

For the ten month period, the College is showing a surplus of £90,000 against a budgeted surplus of £250,000, and adverse variance of £160,000.

Total income amounted to £12.9 million and total expenditure amounted to £12.8 million.

The Accounts were accompanied by a Detailed Commentary explaining the variances from budget. These management accounts do not take into account any adjustments that would arise from applying FRS17 pension adjustments.

Key issues:

- Commercial income target of £100K is not being met and unlikely to recover
- Nursery income £50K below budget to competition taking some of our customers and the number of reduced price places which have to be provided. Nevertheless, the Nursery still shows a small surplus
- SFA income is phased and currently behind the profile by £100K, but this should improve by year end
- Favourable variance on staff costs despite agency costs as FTE vacancies have not been all filled

At 31 January 2016, group net assets stood at £10million, including cash of £1.2 million and fixed assets of £24million.

The College's Financial Health for 2014/15, as advised by the SFA, was deemed Satisfactory and should remain as such this year and next. This was on the old Methodology.

The current ratio stands at 0.8%, better than at the time of the last Report (0.55%), but much the same as last month and in line with expectations. Pay expenditure as a percentage of income is 60% against target of 61%.

As recommended by the Internal Auditors, the Report now shows a Trade debtor aged analysis at 31 May 2016.

The Committee asked whether the overdraft of £300K negotiated for the early part of this year was necessary – no, it wasn't. It is unlikely that an overdraft facility will be necessary at all for the early part of 2017.

The Principal informed the Committee that he and Debs Hurst would be meeting with the new representative from the SFA regarding the College's Financial Health and the Financial Recovery Plan shortly.

It is hoped that, given the satisfactory performance of the College this year, that it may be possible to get the SFA to remove the Notice of Concern, which still exists regarding the College's finances.

The Committee **RECEIVED** the Management Accounts and Report.

## **556.2 Budget 2016/17 and Year end Forecast 31 July 2016**

### Forecast 31 July 2016

All budget areas have been reviewed and a revised forecast prepared for the year to 31 July 2016.

The anticipated surplus for the year is £104K against an original budgeted surplus of £220K.

The reasons for the likely shortfall against budget were itemised and discussed by the Committee at its last Meeting, mainly reflecting the points noted in the Finance Report in 556.1 above. The position has not changed.

On the basis of this, our Financial Health will be maintained at Satisfactory.

The Committee **RECEIVED** the Forecast.

### Budget 2016/17

The Assistant Principal, Finance & Risk presented a draft high level Budget for 2016/17 for consideration by the Committee and to recommend to the Board, in principle, approval at its Meeting on 8 July 2016.

The Budget shows a surplus of £0.2 million, based on projected income of £15.8 million, up by £200K on last year.

Debs Hurst outlined in the accompanying paper to the draft Budget the key aspects in framing the draft Budget for the information of the Committee.

The Committee asked about making optimum use of the College's assets for other income sources, e.g. lettings, etc. This is regularly reviewed (Princes Road restaurant is regularly open in the evenings) and opportunities investigated, bearing in mind the standing costs of opening the buildings.

## **556.3 Financial Forecast to 2017/18**

A copy of the Forecast was provided to Members, comprising the actual results for 2014/5, forecast outturn for this year and a forecast for 2016/7.

These show satisfactory financial health in each of the three years and SFA monitoring will continue until this year's actual outturn is known.

The Committee was made aware of the fact that there is no information as to SFA/EFA allocations for the next two years, so the forecast for income is based on this year's experience.

Apprenticeship income is uncertain given the introduction from 1 April 2017 of the Apprenticeship Levy and it is impossible to estimate what engagement there will be from employers wishing to spend their Levy share with the College, as the money for this work will no longer come direct from the SFA as part of their Adult allocation.

No pay increase is budgeted in either 2016/17 or 2017/18 – 0.5% maximum might be affordable but it depends on income growth, which is not assumed. This will be discussed at the next Meeting.

The Forecast also needs to be approved by the Board on 8 July 2016 and submitted to the SFA by 31 July 2016 as part of the College's financial Memorandum with the SFA.

The Committee **RECEIVED** a copy of the SFA Financial Planning Handbook and they were reminded of the Governing Body's responsibility for the College's financial plan.

It was **AGREED**, that the full Board would receive a completed Checklist included within this Handbook regarding completion of the Plan demonstrating the Board's scrutiny of the process and the content of the Budget and Financial Plan.

The Checklist would include risk and evidence.

The Committee **RECEIVED** the Report and **AGREED** to **RECOMMEND** that the Budget and Financial Forecast be approved by the full Board at their Meeting on 11 July 2016.

#### **556.4 Chelmsford Training Services Limited**

The Committee was informed of progress to transfer the operation of Chelmsford Training Services Limited into the College. Debs Hurst gave the background to this issue. She reported that:

- The Company is not going to be wound up but made dormant
- CTES Limited, an intermediate holding company, between the College and CTS, will be struck off as its only asset (the shares of CTS) are being acquired by the College

- Staff consultation is almost complete as they will be TUPE'd across to the College
- Staff will be opted into the LGPS and the TPS
- A step plan has been agreed with the College's lawyers and is being followed

In order to ensure the Company is wound down by 1 July 2016, formal approval is required from the whole Board for the necessary resolutions to effect the transactions.

The Clerk was asked to arrange a resolution for approval by the Board by email as the next Meeting of the Board is not until 8 July 2016. A copy of this resolution is attached to these Minutes

*(Post meeting note: draft resolution sent to Board Members on 22 June 2016)*

The resolution covers the purchase by the College of the £2 issued share capital of CTS from CTS Essex Limited, the intermediate holding company, the purchase of the business undertaking and the assets of Chelmsford Training Services Limited as a going concern, transfer of the land & buildings at Beacon House from CTS to the College and execution of a new mortgage to Lloyds Bank from the College as it will become the owner of the freehold replacing CTS.

The Chair of the Corporation and the Clerk to the Corporation will be authorised to sign all necessary documents to execute the transactions described above.

Debs Hurst advised the Committee that there was a potential, although unlikely, taxation risk arising from the acquisition of CTS, being the waiver of the inter entity loan account in CTS owed to the College. RSM are investigating this but the risk is felt to be small.

This minute suffices as a Directors' Meeting of Chelmsford Training Services Limited wherein they agree the transfer of the business and assets and the land/mortgage to the College. Both Directors were present.

The Committee **APPROVED** this approach and the Clerk will report the outcome at the Board Meeting on 8 July 2016.

### **556.5 Fees Policy 2016-17**

The Committee **REVIEWED** the draft Fees Policy for 2016-17, which the College Board is required to review and update each year, and sought comment.

Mark Emerson introduced this item and commented that the Policy is fully compliant with HE and FE funding guidance and it also sets out the ways in which the College can assist students where fees might prevent them accessing provision.

The policy is in substance unchanged from 2015/16 save that it reflects the expansion of 24+ Advanced Learning Loans to students aged 19+.

The Committee **RECOMMENDED** that the Policy be **APPROVED** by the Board at their Meeting on 8 July 2016, thus discharging the College's legal responsibilities.

**ACTION: CLERK**

### **556.5 Financial Regulations**

The Assistant Principal, Finance & Risk, **REPORTED** that these have not yet been reviewed and updated and this will be carried forward to the next Meeting of the Committee. However, she was not expecting to need to make any amendments.

**ACTION: DH**

### **557. CAPITAL EXPENDITURE AND MAINTENANCE PROGRAMME 2016-17**

The Principal presented a Report on the proposed Capital Expenditure Programme and Estates Maintenance Programme for 2016/17.

He explained that the Plan for **capital expenditure** is predicated on the objective that the College will save £400K of potential spend over this year and next to help build up cash reserves, supporting the Financial Recovery Plan. Accordingly, the projected spend as itemised in the accompanying paper is in the order of £850K.

The principal items are:

- Sports Hall (shared equally with the City Council) £60K
- Health & Safety related items £180K
- Refurbishment of staff accommodation at Moulsham Street £200K
- Window, classroom and reception refurbishment at Princes Road £200K
- Academic equipment and IT £200K

The **estates maintenance programme** will address a variety of risks within the estate, including those which are health & safety related. It

supports regular maintenance contracts and in total will amount to around £170K. It was noted that around £30K is directly attributable to Beacon House.

The Committee **APPROVED** the Capital Expenditure and Estates Maintenance Programme for 2016/17. The full Board will approve the Budget for the College for 2016/17 of which this expenditure is a part.

## **558. AREA REVIEWS**

The Principal gave a verbal update. No official outcomes have yet been published although some proposals are known. No consistent themes are emerging and, unsurprisingly, there are particular difficulties arising. 'Good' Colleges (both in Ofsted grading terms and/or financially) are being pushed to take on less prosperous institutions and that is proving difficult.

The Chair of the Corporation informed the Meeting that she and the Principal would be meeting on 21 July with their opposite numbers at South Essex College to discuss Area Reviews in Essex and how the two Colleges might participate in the process.

The Clerk would also be in attendance.

The Clerk informed the Meeting that he would be bringing a paper to the Board Meeting seeking the Board's approval to establish an Area Review Working Group, to decide on its Membership and to approve draft Terms of Reference.

Mark Emerson is intending to create a place on the governors' portal to encapsulate all material in connection with Area Reviews.

The Report was **NOTED**.

**ACTION: ME/CLERK**

## **559. COMMITTEE MATTERS**

The Clerk **PRESENTED** a Report on Committee Matters, which was considered by the Committee, covering Terms of Reference of the Committee, Schedule of Business for 2016/17, Meeting Dates for 2016/17 and Committee Self-Assessment.

The Committee:

- **AGREED** the Terms of Reference for the Committee and **RECOMMENDED** that they be **APPROVED** by the Board at their Meeting on 8 July 2016
- **AGREED** the Self-Assessment process proposed by the Clerk and the Chair asked all Members to return the completed forms to the Clerk within the next two weeks. He will collate the responses and report back to the Board in September
- **NOTED** the Schedule of Business for the Committee for 2016/17 and the proposed Meeting Dates for 2016/17

**ACTION: CLERK**

**560. ANY OTHER BUSINESS**

There were no items of Any Other Business.

**561. DATE OF NEXT MEETING**

Tuesday 22 November 2016 at 3.30pm.

There being no further business, the Meeting terminated at 5.30 pm.

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