THE TRAFFORD COLLEGE GROUP

 **Minutes of the Meeting of the Resources Committee**

**held at 5.30 pm on Monday 25 June 2018**

**in the Boardroom at Trafford College**

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| **Present:** | Guy RobsonLesley DaviesJohn CowellSue DerbyshireGraham LuccockLouise Richardson | (Chairperson)(Principal & Chief Executive Officer  |
| **In Attendance:** | Barry Watson Michelle LeslieJames ScottMike DillonKeith Oxspring  | Corporation Secretary(Vice Principal Corporate Services and Planning)(Vice Principal C&Q and Campus Principal)(Director of MIS)(Interim Director of Finance) |

| **Minute No:** |  |
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|  | Prior to the commencement of the meeting the Corporation Secretary (CS) welcomed members to the first Resources Committee meeting of The Trafford College Group. The CS also welcomed the Interim Director of Finance (IDF), the Director of MIS (DMIS) to their first Committee meeting and members and managers introduced themselves to each other. |
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| **GRES/09/18** | **Election of Chairperson for the Academic Years 2108/2020** |
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|  | The Corporation Secretary sought nominations for the position of Chairperson of the Committee for the Academic Year 2018/2020.Guy Robson was the sole nomination and it was unanimously resolved that he be elected as Chairperson of the Committee for the period outlined. |
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| **GRES/10/18** | **Apologies for Absence** |
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|  | The CS reported that apologies for absence had been received from Janet Grant and James Beazley. |
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| **GRES/11/18** | **Election of Vice Chairperson for the Academic Years 2108/2020** |
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|  | The CS advised that he had discussed the appointment of Vice Chairperson of the Committee with the Chairperson of the Board of the Corporation and it was suggested that this item be deferred until the next Committee meeting when the Chairperson of the Board would have completed the Individual Non-Executive Review with all members.**Action: Chairperson of the Board of the Corporation**After due discussion and consideration it was resolved that the Committee approve the recommendation.**Action: Corporation Secretary** |
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| **GRES/12/18** | **Declaration of Direct or Indirect Interest in any of the Meeting’s Business Items** |
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|  | There were no declarations of either direct or indirect interest in any of the meeting’s business items. |
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| **GRES/13/18** | **Minutes of the Trafford College Resources Committee meeting held on 25 February 2018** |
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|  | The minutes of the meeting were approved and accepted as a correct account of the meeting’s proceedings. |
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| **GRES/14/18** | **Matters Arising from the Minutes** |
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|  | There were no matters arising from the minutes. |
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| **GRES/15/18** | **Management Accounts up to 31 May 2018 – The Trafford College Group** |
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|  | The Interim Director of Finance (IDF) presented a report which included The Trafford College Group Management Accounts for the Ten Months Ending 31 May 2018. The report also included the following additional information:* The Trafford College Income and Expenditure Statement May 2018.
* The Stockport College Income and Expenditure Statement May 2018.
* The combined Trafford & Stockport (before Merger overlay) Statement May 2018.
* The Merger Overlay Income & Expenditure Statement May 2018.
* The Trafford College Group Balance sheet as at 31 May 2018.
* The Trafford College Group Cash flow forecast for 12 months.
* The Trafford College Group Key Performance Indicators base d on May 2018 management accounts.

The IDF advised that the financial reporting format for the accounts, had been reviewed, and was now designed to provide users with a clear view of the current financial position of both Colleges and provide details of performance which was significantly different to budget together with reasons and management actions either being taken or needed to be taken. It was noted that areas of risk would also be identified and highlighted in the reports.Members welcomed the change in format and it was commented that the revised format was an improvement on previously presented information and was easily understood and provided clarity for governors around the key financial issues and performance. The IDF commented that it was his intention to add additional schedules going forward which would include, an analysis of contribution, debtor, staffing and capital expenditure.**Action Interim Director of Finance**The IDF further commented that the merging of the data for the two College’s had been particularly challenging due to the different format of the accounts, the drawn down impact on the accounts and the comparator position in relation to the CFADS targets set by the Transaction Unit (TU).The IDF drew the Committees attention to main issues arising from the report and accounts as follows:* Trafford College Group Management Accounts for the Ten Months Ending 31 May 2018.

The IDF advised that the headline issues were that the Group had generated a surplus of £6.321m in the 10 months to May 2018 which was £9.663m better than the combined original budget deficits of the 2 Colleges. The additional surplus was as a result of the receipt of TU support, £15.889m of which was released in the period against costs incurred of £5.403m, the net benefit being £10.486m.It was also advised that the combined general trading deficit in both colleges was £823k worse than budget in the 10 months to May 2018 and that the full year forecast indicated that the Group would generate a surplus of £17.720m which is £0.489m lower than that forecast in CFADS.With regard to the £0.489m lower forecast figure the IDF provided a Committee with details of the key variances that contributed to the figure which were as follows:

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|  | £k |
| Additional re-organisation costs | 491 |
| Release of TU income to support additional re-org costs | (252) |
| Shortfall in Stockport income vs forecast | 609 |
| Increase in forecast pay costs at Stockport | 372 |
| Reduction in forecast non pay costs at Stockport | (416) |
| Reduction in forecast pay costs at Trafford | (117) |
| Reduction in depreciation at both locations | (110) |
| Reduced forecast bank interest costs | (82) |
| Other | (6) |
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| Total | 489k |

The Committee had a detailed debate around the issues relating to the variances including the reasons for pre-merger redundancy payments made at Stockport College which had been made earlier in the year and not accounted for in the forecasts, the reasons for the shortfall in income at Stockport College and some of the difficulties that had been encountered in getting an accurate picture of the figures. It was noted that accounting errors had been made in respect of income position at Stockport relating to double accounting of some HE income and rental costs with the HCA. A member asked about the TU position in regard to this and was advised that discussions had been held with relevant officers and that they were comfortable with the position.The IDF also advised the Committee of position at Stockport College in respect of the accounting practices relating to the operation of the Bursary Fund for Adult Loans. It was advised that separate account for the Fund had been operated and that payments from the account had been separated from the normal College accounts although the income had been shown in the normal manner. The IDF advised that he would be discussing the matter with Stockport College’s Financial Statements and Regularity Auditors at the close down meeting and clarity around the position would be hopefully established following the meeting. Members commented that if the auditors had not identified this as in issue in their audit of the accounts then some form of recompense should be considered.**Action: Interim Director of Finance** In answer to a question raised by a member relating the overlay of £1.2m for restructuring costs the IDF advised that the Group were operating currently below that figure and that the managers would continue to monitor the position. The Vice Principal Corporate Services and Planning (VPCSP) advised that the restructuring process had yet to be concluded and the outcome relating to certain posts was still determined. It was advised that this would be completed and the final figures known before the implementation date of the revised structure which was 1 August 2018**.**In discussion the IDF also advised that there were concerns in relation to the debtor position at Stockport and whether some of the debts were fully recoverable. He also advised the Committee of the position with regard to the Financial Health rating which currently point was scoring as “satisfactory”. He commented that if the point score dropped then it could lead to an inadequate health rating with the consequences actions from the External Agencies. The IDF also outline in detail the income position in relation to the various funding streams including 16-18 Learner Responsive, Adult Education Budget, Apprentices, TU/ EFSA/ Other income and FE Tuition Fees/ Full Cost and Managing Agents. In answer to a question from a member concerning the Adult Education Budget the Director of MIS (DMIS) advised of the actions that would be taken in order to seek to ensure that the budget target is achieved. He advised that the Group would be close to achieving the target and advised of the subcontracting arrangements that would be put in place to support the budget.In discussion it was agreed that the plans for subcontracting for 2018/2019 would be presented to the Board of the Corporation at its meeting on 11 July 2018.**Action: Director of MIS/ Corporation Secretary**The IDF also provided the Committee with narrative in relation to the key highlights with regard to Pay and Non Pay costs, the balance sheet cash flow and Key Financial Performance Indicators.In answer to a number of issues raised by members the VPCSP advised of the reasons for high agency staff costs which it was advised would be reduced going forward. With regard to KPIs the IDF advised that they were still in discussion with the TU in respect of agreeing the KPIs and at this stage he had only reported on the agreed Barclays Bank KPIs. It was noted that a full set of indicators should be in place in time for the next reporting timeframe for the accounts.**Action: Interim Director of Finance**With regard to the cash flow position the IDF advised that it was projected that the closing balance for the period up to July 2019 would remain above the £3m threshold and also advised the Committee of the cash assumptions for the Stockport Capital project which were in line with the plan. The IDF advised that the cash flow position would be monitored and updated on an ongoing basis. There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that they be recommended to the Board of the Corporation for approval.**Action: Board of the Corporation** |
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| **GRES/16/18** | **Draft Budget 2018/19 and Financial Forecast 2019/2020** |
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|  | The IDF presented a report which detailed proposals for the College Budget for 2018/19 and theFinancial Forecast 2019/2020. The IDF advised that the purpose of the report was to provide members with an overview of Trafford College Group’s (TCG) annual budget for 2018/19 and forecast for 2019/20.It was noted that the preparation of the annual budget has been significantly different to prior years because of the merger between Trafford and Stockport College. The IDF also advised that the presentation of financial information within the report has been structured to align with the reporting requirement of the ESFA’s Transaction Unit (TU) using the Cash Flow Available after Debt Servicing (CFADS) model and that the CFADS model would be used by the TU as one of the primary methods of assessing the performance of TCG during the review period from present to July 2021. It was also noted that the Group were still required to comply with the ESFA general reporting requirements and that the ESFA 3 year financial plan would be completed and presented to the Board of the Corporation on 11 July 2018. **Action: Interim Director of Finance**The IDF advised the Committee that the proposed budget for 2018/19 and forecast for 2019/20 had largely been based on the work undertaken at a strategic level which was completed during the first phase of due diligence undertaken by Deloitte’s and that since then, the strategic plans and assumptions had been developed into much more detailed plans which had been subsequently reviewed and costed. It was further advised that the financial costing of the strategies and operational strands has been based on several factors including: * Historic financial data gather from Trafford and Stockport College
* Implementation of financial savings and efficiencies
* Acknowledgement of the need for curriculum investment
* Professional expertise of curriculum and finance staff.

 The IDF advised that a bottom up approach had been taken in developing the proposed budget which was based on the Group’s curriculum plan which included an increase in 16-19 learner numbers from 3400 in 2017/2018 to the proposed 3964 for 2018/2019. It was also noted that the IDF was working towards the CFADS model and that the College was working on the EFCA to achieve a financial Health rating. The report provide the Committee with a detailed analysis and breakdown of the following:* Income and Expenditure account including forecast for 2017/2018 and 2019/2020 together with CFADS and Group Budget for 2018/2019.

The IDF advised that the key features were that the 2018/19 forecast was for comparison purposes and excluded the impact of TU funding and some merger related costs. It was advised that for 2018/19, TCG was expected to realise a surplus EBITDA of £2.553m before interest, tax, dividends and depreciation (ITDA) and an operating loss after ITDA of £1.210m. It was noted that at EBITDA level, the projected surplus was £283k lower than CFADS which was mainly due to the budget excluding the release of deferred capital grants of £295k in respect of the Stockport redevelopment which would be incomplete at that time and that there was a compensating adjustment in depreciation. The income and expenditure schedule for 2018/19 is inclusive of £1.224m of TU funding and a similar amount of associated costs to support the restructure of TCG.It was also noted that the second TU draw down of funds had not been included in the proposed income due to evidence required to achieve the draw down. The IDF advised that if the draw down was achieved then the operating deficit for 2018/2019 would be turned into a surplus of £574k. With regard to other low other income position in the proposed budget the IDF advise that further tidying up work was needed in respect of an allocation issue in the management accounts which was noted.A member asked for clarification of the income for Capacity Delivery Funding and was advised that this was income relating to the Work Experience Project.* Balance Sheet

The IDF advised that during the first year of combined operations, the value of fixed assets was anticipated to increase by £6,636k mainly due to the impact of the Stockport Campus redevelopment and that there would be no increase in depreciation until the development is concluded post July 2020. It was also advised that the second drawdown of TU funds in March 2019 of £6,281k would contribute to a strong cash position of £7.432m as at 31 July 2019 and that the £3,081k of this draw down would be ring fenced to fund essential repairs and renewals to support the Stockport campus redevelopment. The Committee had a wide ranging discussion and raised a number of issues as follows:* Had the external agencies seen the proposed budget and what was their view with regard to the proposed budget? The Principal advised that discussions had been held with the various agencies and advised that the Bank were comfortable with position as the College was hitting all their set KPIs. The Principal further commented that with regard to other external funders it was important that the Group stayed away from an inadequate financial health rating and that all the other financial indicators were acceptable. It was further advised that the end of year position would be important in this respect.
* Staffing costs as a % of income. The Principal advised that the final position was not yet known due to the restructuring position but that it was anticipated that it would be in the region of 65%. The Principal further commented that this was a good achievement given that Stockport (71%) and Trafford (72%) had both been previously carrying too high staffing costs. The Principal further commented on the importance of hitting income targets in this respect.

In discussion it was advised that College mangers were currently looking into the arrangement at Stockport College in relation to the payment of Electricity costs for SMBC regarding the Art Gallery building.**Action: Vice Principal Corporate Services and Planning*** Key Performance Financial Indicators

The IDF advised that the KPIs, with the exception of Financial Health, reflected the KPIs that were in line with expectations. He advised that further discussion needed to be undertaken with the TU concerning the financial health results generated by CFADS.* Risk and Opportunities.

The IDF advised that there were a number of risks that needed to be monitored closely throughout the period which were in the following areas of activity:* Adult Education Budget. (AEB)
* Office for Students.
* Advanced Learner Loans.
* Higher Education Loans.
* Full Cost Provision.
* Staff restructuring costs.

The report provided the Committee with details of each of the risks and challenges and a member asked about the delivery of the target income for AEB. The Vice Principal Curriculum & Quality, Campus Principal advised of the actions that would be taken to deliver the additional allocation of 0.45m income and advised that the actions to deliver this would be taken immediately. A member asked if the proposed 21% increase in Adult Learner Loans was ambitious. The VPCQP advised that extra provision had been for additional learner support and the Group planned to achieve the target.* Financial Forecasts 2019/2012

It was noted that this was forecasted in line with the CFAD model.There were no further issues raised by members arising from the report and after due discussion and consideration it was unanimously resolved that the Draft Budget 2018/2019 and Financial Forecast for 2019/2020 be recommended to the Board of the Corporation for approval.**Action: Board of the Corporation** |
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| **GRES/17/18** | **Learner Numbers and Funding Update 2017/2018** |
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|  | The Director of MIS (DMIS) presented a report detailing the College’s learner numbers and funding update for June 2018 and highlighted the consequential impact on income levels.The report covered the following funding streams:* 16-18 and 19-24 Study Programme Funding from the EFSA. The position for both Colleges was duly noted and the DMIS advised that both Colleges were currently on separate ILR’s until the year end.
* 16-18 Apprenticeship Funding from the ESFA and Levy. The position for both Colleges was duly noted and the VPCQP commented that he was particularly pleased with the performance in respect of 16-18 co- investment. A member asked if the College was bucking the trend with regard to apprenticeship numbers. The Principal advised that the College was indeed performing better than all local and most national providers in this respect and outlined the reasons why the College had been able to secure such a good performances for this income stream. The DMIS advised that the revised income target was now £4,029m and that the revised target would be achieved.
* Adult Education Budget from the ESFA. The position for both Colleges was duly noted and the DMIS advised that the potential achievement funding position was based on previous achievement rates.
* Higher Education Funding Council for England (HEFCE). The position for both Colleges was duly noted and a member expressed his concerns concerning the performance and hence income relating to the Higher Education provision. The VPCQP outlined the actions that had been taken to seek to address the shortfall in numbers which was largely at the Stockport College. He further advised of the factors that were potentially impacting on the position including the increase in demand for Apprenticeships. In discussion it was agreed that the DMIS would include the value of tuition fee income in the next report.

**Action: Director of MIS*** Advanced Learning Loans Facility. The position for both Colleges was duly noted and there were no issues raised by members with regard to this funding stream.

The DMIS advised that it was his intention for the next report to provide less narrative and more pictorial presentation of information which would aid members understanding in consideration of the reports.**Action**: **Director of MIS**There were no other issues raised by members and after due discussion and consideration it was resolved that the report be noted. |
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| **GRES/18/18** | **Supply Chain Fees and Charges Policy June 2018** |
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|  | The DMIS presented a report which made proposals for the Supply Chain Fees Policy for 2018/2019 together with details of the sub-contracting Funding.The Committee considered and debated the Policy in detail and it was agreed that the Policy be recommended to the Board of the Corporation subject to the following changes being made:* Paragraph 5 is amended to include safeguarding as a service the subcontractors will receive.
* Paragraph 5 is further amended to include any Ofsted requirements that are relevant to the contact with individual organisations.
* Paragraph 6 is amended to include the facility for the College to increase the percentage of fees charged if there are quality issues with the provider.

The DMIS undertook to make the agreed amendments/additions to the Policy and to present it to the Board of the Corporation at its next meeting for approval.**Action: Director of MIS/ Board of the Corporation** |
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| **GRES/19/18** | **Industrial Relations Update**  |
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|  | The Vice Principal Corporate Services and Planning (VPCSP) provided a verbal report which updated the Committee in respect of Industrial relation issues/ matters at the Group.The main items that were raised were as follows:* Restructuring discussions and consultations were still on going with the restructure arrangements expected to be completed this month an in place for 1 August 2018.
* It was expected that payroll costs would be significantly reduced and would reflect best practice in the sector.
* The current position in respect of the number of posts still at risk, the numbers of acceptances of voluntary redundancies, processes and outcomes agreed with the Trades Union’s in terms of selection and consultation with individuals particularly with regard to redeployment and support.
* Leadership structure was now in place and would be emailed out to members.

**Action: Vice Principal Corporate Services and Planning*** Next steps in the process**.**
* Recruitment for vacant posts had commenced**.**
* Staff Engagement processes to be reconsidered going forward and formulated during 2018/2019**.**

**Action: Vice Principal Corporate Services and Planning**Members raised a number of issues arising from the update as follows:* Are good quality candidates being attracted to the vacancies? The VPCSP confirmed that they were and that successful appointments had been made to the Assistant Principal positions and the Head of Construction. It was advised that all A level positions had been filled along with Physics and that Engineering continued to be a challenge.

The VPCQP advised of the actions that had been taken in respect of working with recruitment consultants to head hunt for the hard to fill vacancies. The VPCSP advised that the Group was competitive concerning salary and that she was optimistic that the recruitment to vacancies would generally go well.* Clarification around the timing of outcomes for the staff that were still at risk. The VPCSP advised that the end date for the positions was still under discussion and that some staff had been allowed to leave early but that she would expect that the outcomes would all be concluded by Mid July 2018. It was noted that the Principal was holding a staff conference day on 22 August 2018.

There were no other issues raised by members and after due discussion and consideration it was resolved that the update be noted. |
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| **GRES/20/18** | **Any Other Business** |
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|  | There were no matters raised under any other business. |
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| **GRES/21/18** | **Date of Next Meeting** |
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|  | It was agreed that the next meeting would be held on Wednesday 10 October 2018 at 5.30 pm in the Boardroom at Trafford College.**Action: Corporation Secretary** |
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|  | The meeting closed at 7.15 pm |
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