

THE TRAFFORD COLLEGE GROUP

**Minutes of the Meeting of the Resources Committee
held at 5.30 pm on Wednesday 26 February 2020
in the Boardroom at Trafford College, Altrincham**

Present: Guy Robson (Chairperson)
Louise Richardson
Graham Luccock
Jill Bottomley
Jeremey Woodside

In Attendance: Barry Watson (Corporation Secretary)
Michelle Leslie (Vice Principal Corporate Services & Planning)
Andrea Bennett (Director of Finance & Strategy)
Naomi Harrop (Head of Human Resources & Performance)
Jerome Wittersheim (Interim Director of MIS)

Minute No:

GRES/01/20 Apologies for Absence

The Corporation Secretary (CS) reported that apologies for absence had been received from the Principal, James Beazley and Janet Grant.

It was noted that the Vice Principal Curriculum & Quality/Campus Principal was unable to attend the meeting.

GRES/02/20 Declarations of Interest

JW declared an interest in the tabled report under any other business relating to Due Diligence (DD) – Proposed Merger with Cheadle & Marple Sixth Form College (CAMSFC).

It was agreed that he should withdraw from the meeting during the Committee's consideration relating to the selection of organisations that were invited to submit a bid for the Financial DD.

GRES/03/20 Minutes of the meeting held on 20 November 2020

The minutes of the meeting were approved and accepted as a correct account of the meetings proceedings.

GRES/04/20 Matters Arising from the Minutes

There were no matters arising from the minutes.

GRES/05/20 People Strategy Mid-Year Update

The Head of Human Resources & Performance (HHRP) presented a report that provided members with an update in relation to the progress of the People Strategy Action Plan (PSAP).

The DHRP advised that the report and action plan had been updated and re-configured based on member comments from the meeting in October 2019 and that the following actions had been undertaken/ incorporated in the plan /report:

- Actions connected to the Key Performance Indicators (KPIs.)
- Narrative around measures for success.
- RAG rating of progress.
- Comparisons to previous year's performance to see trends.
- Timelines.
- Inclusion of a summary report.

Minute No:

The HHRP also advised that staff survey had been revised for 2010-2020 to align it with the new Ofsted Staff Survey and that consequently the KPIs for staff survey questions had not been set.

It was noted that once the surveys for 2019/2020 had been set then the targets for 2020/2021 could be established. The HHRP agreed to present the targets to the Committee at its next meeting.

Action: Head of Human Resources & Performance

The report provided a progress update in respect of the Strategic aims as follows:

- Attract. The HHRP advised that good progress was being made and that all KPIs were RAG rated as green.
- Develop and Excellence in Leadership and Management. The HHRP advised that good progress was being made and that all KPIs were RAG rated as green.
- Retain. The HHRP advised that good progress was being made and that all KPIs were RAG rated as green.
- Supportive, Collaborative and Healthy Working Environment. The HHRP advised that good progress was being made and that all KPI's were RAG Rated as green. In answer to a question raised by a member the Vice Principal Corporate Services & Planning (VPCSP) outlined the Groups approach to first aid training, which was duly noted. The HHRP advised that the review of practices regarding modern slavery was expected to be completed by the end of the Academic year and that early indications from the initial staff survey were that 78% of staff were positive about their workload and wellbeing.

Members of the Committee welcomed the new format of the report and the Chairperson commented that it was now a much more readable document.

There were no further matters raised by members and it was resolved that the report be noted.

GRES/06/20 Management Accounts for the 5 months ending 31 December 2019

The Director of Finance & Strategy (DFS) presented a report, which informed members of the financial performance of the Group for the 5 month period up to 31 December 2019.

In respect of the Executive Summary to the accounts, it was reported that the overall performance in the five - month period was a surplus of £163k compared to the budgeted deficit of £177k.

The DFS advised that the positive position was largely the result of the profiling of pay and non-pay expenditure and that management action was still required to deliver the plan. The DFS further advised that the forecast for the year under the "best case" scenario was a deficit of £222k and the worst and mid case scenarios, which forecasted larger deficit positions.

It was also advised that the following financial objectives had been maintained for 2019/2020 financial year:

- ESFA Financial Health- maintain or improve current rating.
- Pay to income of below 65%.
- Cash balance in excess of £3m covenant.

Minute No:

In discussing the performance indicators, the DFS advised of the current position against performance for each of the indicators. With regard to the latest set of management accounts the DFS advised that they would be published a week late due to the submission requirement for the IFMC by 28 February 2020.

Action: Director of Finance & Strategy

In presenting the report the DFS advised the Committee concerning the following details of the Group's financial performance:

- **Income and Expenditure Account including Income, Pay and Non-Costs.**

With regard to the EBITDA it was advised that this was in a positive position against the plan by £164k which was largely due to the receipt of full cost income earlier in the year and the realisation of some non-recurring non-pay benefits.

The DFS reaffirmed that management action was still required to achieve the overall financial plan for the year. It was further advised that the current position of a surplus of £163k included the benefit of depreciation, which was a non-cash item. In answer to a question from a member, the DFS advised that there was still some recruitment risk to the Apprenticeship provision and that this was still at the planning stage.

A member asked about Higher Education tuition fees and whether it was expected to receive more income through recruitment in February 2020. The Interim Director of MIS (IDMIS) advised that 21 additional students had been recruited which was around the planned intake. The position with regard to income from T Levels was noted that there were no plans at this stage for income streams from this source.

In respect of pay costs the DFS advised that they were currently £230k below forecasts and that, as explained previously, this was due to profiling factors. The DFS advised that the restructuring costs of £75k had not yet been utilised and that non-pay costs were £276 under budget and that the Group had benefitted from a number of non-recurrent benefits such as the reduction in insurance costs and water charges.

- **Cash Flow, Capital Expenditure, Full Forecast 2019/2020**

The report provided the Committee with details of the position with regard to each of these aspects of financial performance, which was noted. The DFS advised that the financial forecast position had not changed since the last set of accounts were reported and outlined the best case, mid and worst case scenarios. The report also identified the mitigating action that had been taken by management and the status of the action. The risk to delivery of each of the mitigations was RAG rated with all risks being either amber or green.

With regard to cash flow, the DFS advised the Committee that the bank balance was £6,022k as at 31 December 2019 and provided a rolling cash flow forecast through to July 2021.

The DFS went through the timings of the receipts of the sales from land proceeds at Stockport and Timperley in order to support the Group's contribution for the Stockport re-development project. THE DFS advised that should there be any delay in the receipt of the proceeds it would create significant risks particularly around December 2020 and March 2021. The DFS reminded members of the mitigation plan that the Board had agreed in December 2019 to address this issue. The report also provided members of the potential impact on cash flow if their continued to be delay in Greater Manchester Combined Authority (GMCA) receipts for the redevelopment.

Minute No:

The Committee had a detailed discussion in respect of the cash flow position and overall financial position going forward as follows:

- The position of the bank re the £3m covenant that the Group has on its reserves and cash flow and its approach to covenant breach. The DFS advised that these issues were being discussed with the Bank and that meetings to try and improve the position would be held shortly. A member commented that with regard to receipts of payments from GMCA it would be useful if they were made aware of the position in order to support the profiling of payments. The DFS advised of the payments process and commented that the GMCA project team were working positively with the Group to mitigate the risk.
- The treatment of redundancy payments and the DFS confirmed that would be treated as a none expected recurring item.
- Clarification in respect of trade debtors which were an improving position for the Group.
- The final draw down position with the Transaction Unit. The DFS confirmed that the appropriate forms had been submitted and that the drawdown receipts of circa £750k would be received on time. It was noted that the final claim of outstanding balances would be made in March and received in April 2020.

There were no other issues raised by members arising from the report and after due discussion and consideration it was resolved that the Management Accounts for the 5 months ending 31 December 2019 be recommended to the Board of the Corporation for approval.

Action: Board of the Corporation**GRES/07/20 Employee Relations Update**

The VPCSP presented a report, which provide members with an employee relations update. The report also included a copy of the letter that had been received from UCU in respect of their 2019/2020 Pay and Conditions claim.

The report covered the following issues:

- Details of the three-year pay claim that had been agreed with the accredited trades unions in 2019. The report provided members with full details relating to Pay for 2019/2020, Pay Harmonisation in 2018/2020, Salary structure for 2019/2021, the local UCU claim for 2019/2020.
- The TCG offer in relation to Harmonisation of Terms and Conditions, Pay and Salary structure, Additional Annual Leave and Workload.

Members thanked the VPCSP for the update and some members had expressed their surprise as to why some Stockport staff had not transferred to more favourable contracts that had been offered. The VPCSP explained the communication effort that had been undertaken to inform staff of the difference in the contracts and speculated that there could be a number of reasons that were individual in nature.

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.

GRES/08/20 Accommodation Update

The VPCSP presented a report which updated the Committee on the Group's accommodation strategy activities in respect of the following key issues:

- Stockport College Campus Redevelopment. The VPCSP reported in detail and specifically in relation to the procurement of the main contractor, budget and value engineering challenges and actions, decanting and demolition

Minute No:

arrangements and the option around the split of the procurement for the project. The VPCSP advised of the up to date position with regard to the claw back position with the ESFA which the Committee welcomed. It was noted that the Strategic Property Working Group would be looking at project costs, cash flow, design matters and procurement delivery at its next meeting at the end of March 2020.

- **Stockport College Disposal Plans.** The VPCSP advised that as it had been necessary to bring forward the disposal plans prior to the completion of Stockport College campus, a phased disposal had been agreed with the final contract sum to include an entitlement to lease accommodation. It was further advised that under the contractual and lease terms the Group would need to vacate the University Centre in summer 2020, part of the Greek Street car park by December 2020 and the remaining leased buildings by summer 2021. The VPCSP advised that the phased leasing did present additional challenges to the programme and increased the costs associated directly with the disposal plans. It was noted that a meeting was scheduled to take place on 19 February 2020 with Investar to agree programme requirements and it had been assumed that the additional costs would need to be deducted from the disposal receipt. The VPCSP further advised that it was anticipated that the exchange of contracts would be achieved this month.
- **Timperley Campus Disposal Plans.** The up to date position was noted and the VPCSP drew the Committees attention to the costs associated with securing a replacement site, the mechanism/responsibility for the implementation an alternative pitch, the Grampian condition and the level of affordable housing on the site. The Committee discussed the impact on cash flow of the changed position from the ESFA in detail. The DFS confirmed that there would still be a funding gap of circa £250k without the proceeds from the Timperley land disposal.

The VPCs concluded by advising that the SPWG were looking and considering in the detail all the relevant issues and challenges particularly with regard to options, cash flow, budget, other funding sources and work to the Lyme Tower.

There were no further issues raised by members arising from the report and after due discussion and consideration it was resolved that it be noted.

GRES/09/19 Learner Numbers and Funding Update 2019/2020

The Committee received a report from the IDMIS which report detailed the Group's Learner numbers and funding update.

The report covered the following funding streams:

- **16-19 Study Programmes.** The IDMIS advised that the predicted allocation for 2020/2021 was an increase in allocation, which with the inclusion of the capacity and funding allocation would increase the total allocation by £774,962 to £17,322,416. He further advised that the programme allocation for 2020/2021 was due to be received shortly and advised of the increase in level of funding for the year by 4.7% to £ 4,188 per student which was duly noted.
- **Adult Education Budget.** The IDIMIS advised that the Group was set to achieve its funding targets and provided details of the levels of income for programme funding and learner support. He advised that the provision was due to be audited by the GMCA within a fortnight. He further advised that there were no significant issues to delivering the income target but that the remaining delivery in respect of learner support might prove challenging.

Minute No:

- Apprenticeships Higher Education and advanced Learner Loans. The position with regard to each of the funding streams was advised and noted. A member asked if the Apprenticeship funding included the recent recruitment increase. The IDMIS advised that it did not and that this would be updated at the next meeting.

Action: Interim 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.

GRES/10/20 Partner Subcontracting Activities Update 2019/2020

The IDMIS presented a report, which detailed the up to date position in respect of partner subcontracting provision in 2019/2020.

The report also provided the Committee with details of the Group's Partnership working in 2019/2020 together with the key issues for both aspect of delivery. It was advised that the numbers had not changed since the last report

The Committee discussed in detail the current performance and arrangements and raised the following issues:

- A member asked if the Tax changes relating to contractors would impact on the provision. The IDMIS undertake to check the level of risk relating to this issue.

Action: Interim 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.

GRES/11/20 Any Other Business

The VPCSP presented a report, which provided the Committee with information in relation to the Due Diligence (DD) process and the actions required to inform the merger process with Cheadle & Marple Sixth Form College (CAMSFC.)

The report provided members with details relating to the following issues:

The purpose of the DD process and the adoption of a two phased approach to DD which would include an initial review of the proposed partner to identify 'deal breakers' and to inform the development of the strategic business case and implementation plan. This phase informs the board assurance requirements. A more detailed review of the plans later once the strategic business case and implementation plan are developed. The VPCSP advised how such an approach may allow a key number of issues to be identified prior to incurring more costs and time.

The VPCSP further advised the Committee that during discussions with the ESFA/ PMO team they advised that the TCG should proceed with financial and legal due diligence exercises on CAMSFC but to make clear to prospective providers that the scope is likely to be extended to include due diligence on the merger implementation plan and the required legal support.

It was noted that it had also been agreed that the scope for the financial and legal due diligence exercises would be shared with the ESFA/PMO teams. In this respect, the VPCSP advised that this had already been shared with the ESFA with a view to receiving feedback by Monday of the following week and to go out to seek bids by the following week.

Minute No:

The report also provided members with details of the areas of due diligence activities together with the rationale and purpose of the activities. The VPCSP advised that the activities included; Financial, Legal, Curriculum Offer and Performance, and Human Resources, Estates and Information Technology and outlined a proposed process for the appointments together with a list of proposed service provider organisations for the financial and legal services providers.

The Committee had a wide ranging discussion on the key issues arising from the report as follows:

- The costings for the DD's. The VPCSP advised that they were not known yet and a member commented that the first phase would normally be in the region of 25-40k with the second phase at approximately 60k. The VPCSP confirmed that the costs would be met from the pre-merger allocation that the Group would receive.
- The reasons for the identification of the organisations that would be invited to tender and why smaller and more local firms were not included. The VPCSP advised that the advice of the Department for Education at the time of the ABR was that only organisations with a strong, national reputation and proven track record of undertaking recent due diligence within the sector should be considered but that the choice was with the Board of the Corporation. In discussing this a member suggested that inviting five organisations to tender was too broad and that he would recommend that only three for each activity be invited. In discussing this the Committee agreed with the suggestion and went through each of the activities to agree a set of organisations to invite. In doing this, the Committee agreed a set of criteria based on previous experience, understanding of the sector and approaches to costings for the determining of the invitees. (JW left the meeting during the consideration of the firms to be invited to the Finance DD undertaking).
- Engagement with the Group's bank over the process and the very tight time-frame for the process. The VPCSP advised that the Bank would be consulted in the process and that the tight frame was very tight and would require a very quick turn round of activities.

After due discussion and consideration, it was resolved that:

- The Trafford College Group acts as client for the initial financial and legal due diligence services on Cheadle and Marple Sixth Form College with delegated powers to the Procurement Appointment Panel.
- GR and SD serve on the Legal DD Panel and JG and LD serve on the Financial Due Diligence Panel. It was also agreed that in the case of unavailability of members the Chairperson of the Corporation would act in a substitute capacity.
- The organisations invited to tender for the Legal DD be ES LLP, IM LLP and MR LLP.
- The organisations invited to tender for the Financial DD be GTUK LLP, BDO LLP and RSM UK LLP.
- The financial and legal due diligence processes are in accordance with the proposed scope, subject to agreement with the ESFA/PMO.
- The selection process for the procurement of the financial and legal due diligence is in line with the information contained within the report.

Minute No:

- In view of the very tight timescales to achieve a merger on 1 August 2020 the due diligence processes commence once the scopes are agreed with the ESFA/PMO.

Action: Vice Principal Corporate Services and Planning

There were no further matters raised under any other business.

GRES/12/20 Date of Next Meeting

It was agreed that the next Committee meeting would be held on Wednesday 22 April 2020 at 5.30 pm in the Boardroom at Trafford College, Altrincham.

Action: Corporation Secretary

The Head of HR and Performance left the meeting at 5.41pm after the consideration of Agenda item 5.

The Interim Director of MIS left the meeting at 6.39 pm after the consideration of agenda item10.

The meeting closed at 7.09 pm