

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
BOARD OF GOVERNORS
held on 24 February 2020 at 5.00 pm

¹PRESENT: J Blaber (St); J Emm (SCS); Z Carter (E); T Floyd (E); N Hopkins (E); T Jackson (P); M Lauder (E); A Neal (E); S Morgan (E); A Owen (E); R Palmer (E); H Perry (S); C Wilson (E).

In attendance: S Grant, Deputy Principal – Corporate
J Milburn, Deputy Principal – Curriculum
A Whitworth, Director of Finance
S Willson, Clerk to the Corporation

APOLOGIES AND MEMBERSHIP

1. Apologies were received from J Porter.
2. The Chair of Governors welcomed J Emm to her first meeting as the Sparsholt College Services (SCS) Staff Governor.

DECLARATION OF INTERESTS

3. There were no new interests to declare. The Board's Register of Interests records Members who hold (unremunerated) directorships of the College's subsidiary companies.

FINANCE

4. The Board had received the report of the Director of Finance on the proposed financial forecasts for 2019-22, including a sensitivity analysis, together with the completed financial model for colleges (IFMC) and ESFA financial planning checklist. The special meeting of the Board had been convened to enable review and approval of the IFMC ahead of submission to the Education & Skills Funding Agency (ESFA) by the deadline of 28 February 2020.
5. The Director of Finance explained that the ESFA had confirmed that the IFMC spreadsheet templates contained some errors but that colleges should nevertheless submit their financial plans using these templates by the deadline and that variances as a result of the errors should be ignored.
6. In relation to the current year, the Board noted that the forecast outturn was a much improved forecast deficit of £109k, compared to the budget of £460k, and that the forecast appeared to be prudent.
7. The Board reviewed the reasons for the major changes from the high level forecast for 2020-21, which had been submitted to the Board last July, and the high level information and assumptions in relation to the new forecast for 2021-22 prepared. There was a small

¹ (E) = External; (P) = Principal; (S) = Staff; (SCS) = Sparsholt College Services Staff Governor; (St) = Student

surplus estimated for both years and the cash flow was anticipated to remain healthy at a minimum of £1.5m at any month end over the planning period. The Board also noted that, given this, it was anticipated that the bank loan covenants would be met in both future years.

8. The Principal highlighted the CoVID-19 situation in Italy and that this was likely to have a detrimental impact on College's summer language school business.
9. A member questioned the assumption in relation to 2021-22 that additional costs funding for the Teachers' Pension Scheme (TPS) would continue to be provided by Government. The Principal agreed that this was a risk, although he noted that failing to fund the additional costs would have a material impact on the education sector.
10. It was also noted in discussion that, to be prudent, a potential inflationary FE funding increase in 2021-22 had not be included in the plans and that the College continued to seek to avoid the common financial planning error in the sector of over-optimism in relation to future applicant numbers.
11. The Director of Finance set out the headlines in relation to capital expenditure, noting that the only major capital project included was the Animal Management Centre redevelopment approved by the Board in July 2019. However, even if separate proposals in relation to new capital spend were approved, there would be sufficient cash flow.
12. The Board discussed with the Director of Finance which financial health self-assessment rating the College should submit in the IFMC, noting that the IFMC model had assessed the College's financial health as 'Outstanding' in all four years (2018-19 to 2020-21). After careful consideration and taking into account a range of factors, including the recent Local Government Pension Scheme (LGPS) evaluation of the College's cash flow, key assumptions such as future pension costs and staff pay, together with the imminent consideration of additional capital expenditure for large projects, the Board agreed that it would be prudent to assess future years as 'Good'.
13. **Resolved** – that
 - a. a forecast for 2019-20 which shows a deficit of £109k before FRS 102 pension charges or credits be approved;
 - b. a high-level forecast for 2020/21 before FRS 102 pension charges or credits showing a surplus of £145k be approved;
 - c. a high-level forecast for 2021/22 before FRS 102 pension charges or credits showing a surplus of £166k be approved;
 - d. the IFMC be approved and submitted to the ESFA by 28 February 2020.
14. The Chair of Governors expressed the gratitude of the Board to the Director of Finance and her team for the substantial work involved in preparing the new IFMC on behalf of the College.

PROPERTY STRATEGY

15. The Board had received the report of the Principal on developments to the College's property strategy in relation to major capital projects.
16. The Principal provided an update on the Animal Health and Welfare Research Centre capital project, explaining the reasons for the recommendation to increase the overall

budget at this stage of the project. In summary, the main construction tenders had been over budget and there had been some changes required to various building requirements across the site because of emerging technical and construction complexities. College management had worked with the contractors to revise the design specification where required, simplify elements of the project and to propose value engineering to reduce the tender bids. As a result, the project had been re-costed at a total budget of £2.358m from an original budget of £1.95m, including a further £458k of College cash. It was proposed that this additional budget was funded from the balance of funds raised from the previous sale of properties which was 'ring-fenced' for development of the College estate. The LEP grant element would remain at £1.15m.

17. Members questioned a number of aspects of the budget and received assurance that the proposed increased budget included a contingency budget of £100k (on the advice of the Quantity Surveyor (QS)) and professional fees at a fixed rate. The Director of Finance confirmed she was satisfied that the College's cash flow could accommodate the extra spend.
18. Given the previously good track record in delivering capital, Members further questioned the size of the budget increase at this stage of the project. The Deputy Principal – Curriculum highlighted the changes needed to the original specification, for a number of reasons. The Principal also noted that the architects had overseen the original costings, which had proved too low, and that management would ensure that future costings were obtained/verified by a QS prior to setting the budget and going to tender for future large capital projects.
19. Members noted that management were confident the project would be delivered within the increased budget and agreed that it remained in the best interests of the College to proceed, given the strategic importance of the project in providing new and improved facilities for those studying animal management related HE courses and the related benefits for the animal management FE offer.
20. **Resolved** – that the budget for the Animal Health and Welfare Research Centre project be raised to £2.358m, to include an addition £458k of College cash, and that the project proceeds to constructions with Brymor Ltd.
21. The Principal set out a proposal to submit a project bid to the Enterprise M3 Local Enterprise Partnership (EM3 LEP) for a 79% grant towards a Higher Education (HE) building which would support the College in its ambition to expand technologically based HE provision in line with needs of industry and student applications. This followed previous discussions with the Board about the strategic value of enhancing and differentiating the University Centre Sparsholt offer and facilities on the Sparsholt College campus and was being presented at this time in light of the potential availability in the short-term of grant funding from the LEP for projects relating to relevant Level 4 technical skills requirements. College management had estimated a budget of c£4m would be required and recommended that the College bid for a £3.2m grant, with the College funding the balance of £800k should the bid be successful.
22. The Deputy Principal – Corporate set out the context in relation to anticipated changes to the provision of external capital funding for colleges, the role of the LEP and the strategic priorities and conditions which could apply in the future. As a result of this analysis, College management had concluded that it was in the College's best interest to

submit a bid for an HE building now. It was also noted that it appeared an intervention rate of 71% would be introduced, with colleges expected to make up the additional 21%. Given the proximity of these expected changes, this provided a case for the College to submit a bid at this level of match-funding. However, the Deputy Principal – Corporate cautioned that there was no certainty that the LEP would accept a bid application at this time.

23. Asked about the achievability of meeting any funding conditions in relation to increasing HE student numbers, the Deputy Principal – Corporate noted that, while HE enrolments were currently under pressure, there would be an upward demographic trend for 18 year olds in the near future which could reasonably be expected to support strategic aims and College actions to grow HE enrolments.
24. The Principal explained the basis of the budget estimation, noting that the final costs would depend on the specification of the building and where it was to be located. Draft, illustrative building design plans and a map of possible locations had been provided with the report based on a building design that the College had considered constructing some years previously.
25. Members raised a number of questions about the suitability and flexibility of these plans for a new HE building, including in relation to accessibility and promotion of the HE offer, and the Principal confirmed that, should the LEP bid be successful, plans would be drawn up which were fit for purpose before approval was sought from the Board for the location, submission to planning and construction of the building. The £4m budget included the costs of redesigning the building plans and allowed for some specialist HE facilities.
26. The HE Student Governor supported the proposals, noting that a new study building might also enable HE social spaces to be reconfigured to improve the overall student experience.
27. The Director of Finance confirmed that the College's 21% of a £4m budget would be fundable from College cash flow without having a detrimental impact on the College's ESFA financial health rating or bank loan covenants. In the event that the cash flow position changed, the College could sell its last remaining outlier residential property at Garstons.
28. The Board agreed to give 'in principle' approval to the project and to submitting the bid, on the basis that specific proposals for the building would return to the Board for consideration and approval should the LEP funding be confirmed.
29. **Resolved** – that College officers submit a bid to the EM3 LEP for a Higher Education study facility building with a budget up to £4m where the College contribution is no greater than 21% of the total.

ARMED FORCES COVENANT

30. The Board had received the draft Armed Forces Covenant to which it was proposed that the 'College Group' sign up in order that the College's long established approach of supporting the armed forces be formalised and publicised more widely.
31. Members endorsed the College's commitments as set out in the Covenant and discussed a number of ways in which such commitments operated in practice, including a comment about avoiding unintended disadvantage to service spouses.

32. **Resolved** – that the Principal sign the Armed Forces Covenant on behalf of Andover College and Sparsholt College
33. The meeting closed at 6.00 pm.