SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
held on 11 March 2021 at 9.30 am
via videoconference

[1]**PRESENT**	M Coombes (C); J Emm (SCS S); T Floyd (E); A Hoad (C) (from min 52); N Hopkins (E) (Chair); J Lander (E); J Milburn (P); A Neal (E).
In attendance:	J Baker, Vice Principal Curriculum (Sparsholt) S Cameron, HR Manager (mins 30 to 51) S Hermiston, Director of Information & Funding (mins 75 to 84) B Stokes, Vice Principal Curriculum (Andover) A Whitworth, Director of Finance S Willson, Clerk to the Corporation

DECLARATION OF INTERESTS

1. There were no interests to declare.

MINUTES

2. **Resolved –** that the minutes of the meeting held on 19 November 2020 (Parts I and 2) be confirmed.

HE Bursaries (min 174(c))

3. The Deputy Principal reported it was expected to reduce the additional £50k which had been budgeted for the HE bursaries fund to c£30k due to additional funding received from government.

Long Service Awards (min 214)

4. It was noted that the new policy was due to start in the summer and the approach regarding staff who had already passed one of their milestones would be decided by then.
5. There were no other matters arising not covered by items on the agenda.

PERFORMANCE MONITORING

Healthcheck Report

6. The committee had received the latest College Healthcheck Report (2021/02).
7. The number of school leavers recruited to Andover College in 2020/21 was confirmed to be 13 less (not 139 as erroneously stated in the report). 2021/22 applications for FE on both campuses and HE were up year on year reflecting the start of an upward demographic trend and access and recruitment activities.

[1] (E) = External; (SCS S) = Sparsholt College Services Ltd Staff; (C) = Co-opted committee Member

FINANCE

Management Accounts

8. The committee had received the latest College Group management accounts (to 31 January 2021), together with a letter from the FE Commissioner (22 February 2021) setting out revised financial benchmarks for colleges.

9. The Director of Finance highlighted key points from the management accounts, noting the year end forecast was slightly better than budget.

10. Asked about 16-19 tuition funding, the Director of Finance explained that the funding required the College to demonstrate that it has incurred the extra costs to support students. Once the detail of this had been confirmed, the funding would be added to the forecast but would be neutral to the bottom line.

11. A member asked for further information about the forecasts, in particular how the improvements to the actual income and spend each month related to the end of year forecast as the headline figures did not appear to correlate.

12. The Director of Finance assured members that she and the Finance Managers reviewed the forecast in detail and gave examples of complex factors underlying individual budget lines and the variation in the income and expenditure uncertainties each month which led to adjustments. The Director of Finance confirmed she took a prudent approach but was becoming more confident as the level of uncertainty reduced that the financial outturn would improve.

13. The Chair acknowledged that it was necessary for members to understand the likely improvement but also recognised the Director of Finance's reasons for being cautious in the meantime.

14. It was noted that, providing the current cautious method to forecasting was understood by members and the SLT, an informed approach could reasonably be taken to understanding the risk to compliance with bank covenants and to financial decision-making.

15. It was also noted that the SLT's proposals for a staff pay award had been designed in two potential stages to ensure the award was affordable and would not risk breaching the bank covenants.

16. The Director of Finance explained that the prediction of the ESFA financial health rating, based on the 2020/21 forecast, was 'Good', a reduction from 'Outstanding' the previous year.

17. It was also noted that the management accounts had been updated to includes the ESFA benchmark KPIs for financial ratios. Members discussed the level of staffing ratios, compared to GFE and land-based sector norms, and the positioning of the ESFA's benchmarks in terms of achievability for the sector.

    [Addendum: following the meeting, the Director of Finance provided members with a supplementary information about the variances in various income lines in the 2020/21 forecast.]

2021/22

18. The Director of Finance reported that management had commenced the detailed planning process for the 2021/22 budget and summarised some of the key assumptions which had

been included in the 2021/22 forecast presented to the Board in July 2020 and subsequent known variations.

19. The Director of Finance also explained the financial impact on 2021/22 of the proposals for staff remuneration.

Banking arrangements

20. The committee had received the report of the Director of Finance on banking arrangements, including loans and covenants.

21. The committee noted that the current indication was that seven of the eight covenants (across the three lending banks) would be met at 31 July 2021 and that, with tight cost management and potentially a relaxation of Covid restrictions from 8 March, it remained achievable for all the covenants to be met. If one covenant was breached, this automatically breached all covenants.

22. It was noted, however, that the covenants remained challenging, with slim margins on some of the covenants which would need to be regularly monitored. The most challenging were those linked to EBITDA. A small improvement of EBITDA would enable all eight covenants to be met, providing other factors did not deteriorate.

23. The Director of Finance confirmed that all three banks were being kept up to date with the College Group's latest management accounts and outturn position and remained supportive, as reported to the December meeting of the Board of Governors. The banks were aware that the forecast was prudent and were content with that approach.

24. In discussion, members questioned the likely response of the banks if the covenants were breached after a staff pay award and reiterated that the possible loan renegotiation terms outlined by Barclays were problematic. The Director of Finance confirmed that the SLT's proposals for staff remuneration were designed to avoid breaching the covenants and that Barclays had been informed about the College's position.

25. The committee also noted that, due to the LIBOR being phased out and replaced by SONIA (Sterling Overnight Index Average) by the end of 2021, the loan agreements would need to be updated to reference either SONIA or the base rate in place of LIBOR.

Financial Regulations

26. The committee had received the report of the Director of Finance proposing an update to the Treasury Management section of the College Group Financial Regulations.

27. The Director of Finance explained the treasury management section had been expanded to include treasury management objectives, risks and constraints. The maximum funds to be placed with any one organisation was proposed to be £5m.

28. The references to 'gifts and gratuities' in the Financial Regulations had also been updated to 'gifts, gratuities and hospitality', to provide clearer signposting to staff.

29. **Resolved** – that the Board of Governors be recommended to approve the updates Financial Regulations.

HUMAN RESOURCES

30. The committee had received the report of the Principal and Human Resources Manager updating on Human Resources (HR) matters, including staff remuneration and Gender Pay Gap reporting.

Staff Remuneration

31. The Director of Finance explained the basis of the modelling of the staff remuneration proposals within the 2020/21 budget provision, noting that the SLT was seeking to provide a greater uplift to lower salaries and to amend the pay scales to ensure that all roles (with the exception of student casuals) were paid more than National Minimum Wage.

32. In discussion, members recognised that approving a pay award in a deficit budget year and against a national position of public sector pay constraint required a clear justification. It was noted that it had been the objective of the College over several years to address the fact that a cost of living pay award had not been given for over 10 years and that careful financial and strategic management had enabled the inclusion of a provision for an award in this year's budget. The cost of living pay award was planned against the backdrop of an improving position regarding the pandemic, an upward trajectory for applications in 2021/22 and prudent proposals which would not put the bank covenants at risk.

33. It was noted that the cost of the salary uplift proposals was less than the budget provision and would leave a contingency towards an additional one-off payment if this was confirmed as affordable once the end of year position was more certain.

34. **Resolved** – that the Board of Governors be recommended to approve:

    a) c2% uplift on all salaries which were £22,508 or below commencing at business support scale 3. This would incorporate business support Scales 3 to 6 (points 9 to 23) and the first 2 points on the Lecturer ATL scale (ATL 1 and ATL2);

    b) 1.5% uplift on all salaries between £22,518 to £26,939. This would incorporate business support Scales Scale 7 and 8 (points 24 to 29) and points ATL3, Lec 1 and Lec 2 on the Lecturer scale;

    c) 1% uplift on all salaries above £26,939. This would incorporate business support Scales 9 to 12 (points 30 to 41), all remaining points on the Lecturer pay scale) Lec 3 to Lec 6 and SP1 to SP6 and all scales on the management scale (points 01 to 29);

    d) Any golden hello payments and contractual overtime payments would be recalculated as a result of the increases as these payments are calculated using scale point;

    e) Market supplement payments and fixed amount allowances would remain unchanged;

    f) On a permanent basis extend business support Scale 3 to include points 13 and 14. This will result in a cross over between Scale 3 and Scale 4;

    g) To amend point 03 (currently £6.45 per hour) on the business support scale to £6.56 per hour;

    h) To amend the hourly rate for Year 1 Apprentices from £4.32 per hour to £4.45 per hour for level 2 Apprentices and from £5.00 per hour to £ 5.15 per hour for Level 3 Apprentices. Apprentices in Year 2 to be paid the National Minimum Wage for their age;

    i) And that the affordability of an additional one-off payment to staff is considered in the Summer term.

Covid-19

35. The committee noted that College Group managers are regularly reviewing, and as necessary amending, the College's COVID risk assessment and associated procedures put in place. Responding to query about the vaccination policy for staff working with residential students, the Principal confirmed that all the relevant staff had confirmed that they planned to be vaccinated and two had already been.

36. Asked about Covid testing, the Principal explained that plans to join the Southampton saliva testing pilot were on hold as the programme was currently at maximum capacity, having prioritised schools due to age profile of pupils. The College had expressed a continuing interest should capacity be extended.

37. **Resolved** – that the Board of Governors be recommended to approve the SLT's position of supporting, but not requiring, staff to have a Covid-19 vaccination.

Kick Start

38. The committee noted that the College Group would be participating in the government's Kick Start Scheme and the HR Manager gave some examples of the roles involved.

Staff Surveys

39. The committee noted the results of the Staff Mental Wellbeing Survey and discussed the benchmarking data which indicated that the College was slightly above the sector. The Board of Governors was due to receive the first annual report on the Wellbeing Strategy in March.

40. It was also noted that a full staff survey would be conducted towards the end of the Summer term.

Gender Pay Gap

41. The committee considered the results of the Gender Pay Gap reporting and that the College report would be published on the College website.

42. The HR Manager reported that the Wellbeing Committee had scrutinised the data and was satisfied that there no specific actions required given the protections in place for staff, such as pay scales, and that the management data was affected by the small numbers and subsequent new appointments. It was noted that the government was proposing to make publishing an action plan a statutory requirement from March 2022.

43. The committee agreed that, while the College Group should aim for a zero-pay gap, the results were relatively good compared to benchmark data and the underlying factors understood.

PENSIONS

44. The committee had received the annual report of the Director of Finance and HR Manager on the College Group's pension schemes and Local Government Pension Scheme (LGPS) Discretions Policy.

45. It was noted that the employer's contribution rate for the LGPS increased to 21.8% from April 2020 and would continue at this level until the rates were reviewed again in two years. This compared to 5% for NEST and 23.68% for the Teachers' Pension Scheme (TPS). The Department for Education had made extra grant payments to colleges to cover the increase in the TPS rate since September 2019 and the ESFA had confirmed the amount of the college's grant until July 2022.

46. It was noted that public sector pension schemes continued to be a concern for the government and that future reforms were therefore quite likely.

47. The committee also noted the summary of savings to the College Group resulting from the pension arrangements for Sparsholt College Services Ltd (SCS). These were less than the projections which were based on 18% turnover and turnover had been lower.

48. Noting the proportion of eligible staff who participation in one of the pension schemes and that the employer's contributions were a benefit for staff, a member questioned if staff were encouraged to join a scheme.

49. The HR Manager confirmed that information about financial health and details of pension schemes were available on the staff wellbeing intranet site and that updates on pay and pensions would feature in the next staff newsletter. Staff benefits, including pensions, were also included in the induction information.

    [Addendum: a statutory pension auto-enrolment process takes place every 3 years, at which point the College is required to automatically enrol those staff who meet the relevant earnings threshold and are not in a pension. It is up to the member of staff to then opt out.]

50. It was noted that SCS was required to have a separate LGPS Discretions Policy and that this has been reviewed and approved by the SCS Board of Directors. The policy provisions mirrored those of the College's policy.

51. **Resolved** - that the Board of Governors be recommended to approve the LGPS Discretions Policy be approved without amendment.

PROPERTY

52. The committee had received the report of the Principal on progress with and developments to the Property Strategy 2020/21 and proposing capital funding applications.

53. The Principal reported that the Animal Management Centre project was 90% complete, some elements having been put on hold due to Avian Flu restrictions in place. It was expected to be able to occupy most of the facility by late April.

54. The committee also noted that the application to the Public Sector Decarbonisation Scheme had been successful, with a grant of £473k to replace lighting on the Sparsholt campus awarded. An additional £13.8k had been secured to fund the development of a Carbon Reduction Plan (including a Heat Reduction Plan). As part of the Climate Action Plan Road Map, the College would be required to set net-zero targets and sustainability ambitions and publish them on the website.

55. In addition, it was noted that condition improvement funding had enabled c£200k to be made available in year for upgrades to residential accommodation.

56. The Principal explained that in-year updates were proposed to the Property Strategy due to a number of significant strategic and funding developments and the SLT was proposing to submit capital funding bids (as set out below), a second stage application for an Institute of Technology and a future Local Growth Fund application for the redevelopment of Andover College.

87. The committee agreed that differentiating HE study facilities remained a strategic priority. The response to the College's Institute of Technology first round submission was expected shortly. There was no set location for an HE building and proposals would be brought to the committee.

Capital Funds

57. The Principal introduced the SLT's proposals for an application to the Further Education Capital Transformation Fund (FECTF) for an Agri-Tech Centre and a Central Teaching Facility and for an application to the T Level Capital Fund (TLFC) for an extension to the Andover Future Skills Centre in order to deliver T Levels in Construction.

58. In relation to the FECTF bid, the Principal highlighted that the eligibility criteria included the condition of the building as evidenced by the FE Condition Data Collection, a survey of the estate conducted in January 2020, or by a more recent independent condition report acceptable to the DfE. It was noted that there were a number of failings with the January 2020 survey and that the College would also be submitting the results of a more detailed independent survey as evidence of eligibility. Management were seeking further independent confirmation of the condition of the buildings to support the application.

59. The Principal also explained that there would be a second, and possibly third round, of FECTF funding bids and therefore management had prioritised submitting an application, despite the short timeframe, in order to address feedback and resubmit should the bid be unsuccessful in this round.

60. The Deputy Principal added further context in relation to the FECTF application and match funding potential opportunities, reporting discussions with the LEP.

61. In relation to the Agri Tech Facility part of the FECTF application, members questioned whether investing significantly in the farm and dairy facilities should be a strategic priority for the College in the context of the decline of small to medium sized dairy farms. Members also asked whether arranging for students to access facilities on local farms, or further afield in the case of dairy, could be an alternative to retaining a working farm on the campus, particularly given the level of investment required.

62. The Vice Principal, Curriculum (Sparsholt) acknowledged the general trend in dairy farming and explained that it was not planned to move to a full robotic milking system but to develop facilities which would support a range of educational and research activities, such as analysis of feed and the impact on animal welfare, in line with the sustainable farming agenda. There was a definite need to upgrade farm buildings given their age and condition and student surveys had confirmed that students sought up-to-date facilities when selecting education establishments. The Vice Principal agreed that building partnerships with local farms was worthwhile, and indeed was in place, but cautioned against increasing longer distance student travel as this conflicted with the College's aims in relation to carbon reduction.

63. The Principal further clarified the confines of the proposed dairy operation, reporting that it was not intended to grow the herd beyond 100 and that milking the herd would be split between the traditional dairy and robotic dairy facilities. This was a substantially smaller scale operation that some land-based colleges/universities but would provide relevant experience for students. In addition, by retaining a working farm at the College, it was possible to provide student work placement hours, including for Level 1 and 2 and future T Level provision, and to support the wider Sparsholt College curriculum.

64. Members of the SLT addressed a number of further queries raised by members, including confirming that the proposed new Agri-Tech Facility would be planned with flexible use in mind and that management had regard to the longer-term costs associated with the

economic life of robotic dairy equipment. A member's advice to take independent advice at the procurement stage was noted.

65. Having received additional information about the restricted scope and the planned educational uses of the proposed new dairy facilities, members were re-assured that the plans were consistent with the College's educational mission and supported developments to the curriculum. While some members had some reservations, overall members were supportive of the strategic intent to invest in the College's agriculture teaching and research facilities and to respond to the developments in agri-tech, the national sustainable farming agenda and qualification requirements.

66. Members were content that the proposed TLCF application for an extension to the Andover Skills Centre was appropriately planned to support the delivery of the T Level in Construction and had been considered in the context of the wider strategy for the Andover College campus and the T Level preparedness planning.

67. It was noted that there would be a subsequent opportunity to apply for capital funding for future T levels, such as in motor vehicle maintenance and that this would address the growth in electric vehicles. College management were also looking into installation of electric vehicle charging points on the Sparsholt campus.

68. The committee considered the financial elements and associated funding options of the FECTF and TLCF bids, noting that management had currently modelled match-funding on the basis of offering a 15% contribution, believing that this would be affordable, within ESFA financial monitoring criteria, and deliverable through a combination of reserves and borrowing. The modelling assumed at this stage that none of the VAT would be recoverable. As the details of the project plans and costs were confirmed, and match-funding options further explored, the percentage contribution might vary.

69. The Director of Finance explained the factors considered in the modelling and reported on the response of the College's current three lending banks to her enquiries about extending the College's borrowing. The Director of Finance noted that a Local Authority loan would be likely to have more favourable conditions, if available, and that she had not yet explored a possible loan with other banks.

70. For the FECTF application, the DfE required an estimated total cost of each project, including match funding, at this stage and the match funding element and total spend of the projects might be subject to negotiation at a later stage of the application process, if the College was successful at Stage 1. The committee was therefore content to recommend the application based on the current financial modelling and that approval for the finalised project costs and funding mechanisms would be sought from the Board at a later stage.

71. The TLCF application was required to include a firm budget and the College's view on its affordable match funding level.

72. The committee noted that the DfE's application submission deadlines were 22 March (FECTF) and 26 March (TLCF) and that the applications required the approval of the governing body. The timescale did not allow for consideration at the Board of Governors meeting on 25 March. The Chair requested that the SLT prepare a report to the Board which addressed the points raised in discussion by committee members and that the Board be requested to agree the proposed applications by written resolution.

73. **Resolved** – that the Board of Governors be recommended to approve the following capital funding applications and related in-year updates to the Property Strategy:

    a) a Further Education Capital Transformation Fund First Stage application for an Agri-Tech Centre (estimated costs c£2.2m) and a Central Teaching Facility (estimated costs c£10m);

    b) a T Level Capital Fund application for an extension to the Andover Future Skills Centre to deliver T Levels in Construction (grant up to £1.4m, project costs to be confirmed to the Board).

CURRICULUM CONTRIBUTION

74. The committee had received the annual report of the Director of Funding & Information on the College's curriculum contribution model.

75. The committee considered the findings of the contribution analysis, noting that there was an inevitable degree of variation in the contribution to overheads that different areas of the curriculum could make and that fees/funding, costs of delivery and class sizes were the principal determining factors.

76. Asked whether there was analysis at individual course level, the Director of Funding & Information explained that this was difficult due to staff teaching a number of courses and the more assumptions were required, the less robust the data. Management did review class sizes and staff to student ratios.

77. The committee noted that management would be reviewing low performing areas to assess their short, medium and long-term viability, being mindful that there were strong strategic rationales to continue with some courses, even where the contribution was negative. Management had also recognised that there was an ongoing need for curriculum reform and work on staff utilisation, without compromising the overall student experience.

78. The committee welcomed the thoroughness of the curriculum contribution model and endorsed management's approach of working to improve efficiency through an aligned strategy of income growth, increased class sizes, reduction in direct costs and reduction in central costs.

79. It was noted the report had also be considered by the Curriculum, Employers & Market Requirements Committee to inform its review of the curriculum plan.

DATA PROTECTION

80. The committee had received the report of the Data Protection Officer proposing updates to the College Group's Data Protection Policy.

81. The Data Protection Officer explained that the proposed changes consisted of the inclusion of new sections proposed by the College's employment lawyers, Warner Goodman, together with additional information on 'requesting access to personal data' and 'accountability' to add additional clarity.

82. The Staff Governor asked about the College Group's retention schedule and the Data Protection Officer confirmed that this covered all areas of the business and undertook to check that it was accessible to all staff.

83. **Resolved** – that the Board of Governors be recommended to approve the updated Data Protection Policy.

SPARSHOLT COLLEGE SERVICES

84. The committee had received the latest Sparsholt College Services Limited (SCS) management accounts (to 31 January) for information. There were no matters which required discussion under confidential cover.

85. The meeting ended at 12.30 pm. Confidential items were discussed and are recorded separately.