

SPARSHOLT COLLEGE HAMPSHIRE
MINUTES OF THE MEETING OF THE
RESOURCES COMMITTEE
held on 16 June 2022 at 09:30
at Sparsholt College

¹PRESENT M Coombes (C) (to minute 162); J Emm (SCS S); T Floyd (E); N Hopkins (E) (Chair); J Lander (E); J Milburn (P); A Neal (E); P Jordan (E).

In attendance: S Cameron, HR Manager (minutes 131-141)
S Evans, Finance Manager (to minute 162)
S Grant, Deputy Principal
N Heslop, Director of Finance
S Willson, Head of Corporate Governance

DECLARATION OF INTERESTS

95. There were no interests to declare.

MINUTES

96. **Resolved** – that the minutes of the meeting held on 17 March 2022 (Parts 1 and 2) be confirmed as a correct record.

97. Human Resources (minute 47): The Principal explained that, following the discussion at the Board of Governors meeting in March and new inflationary pressures, the SLT had decided to pause plans for undertaking a job evaluation scheme and reconsider during 2022-23.

98. The committee noted that the other resolutions of the committee had been implemented and that there were no matters arising not covered elsewhere on the agenda.

FINANCE

Management Accounts

99. The committee had received the latest College Group management accounts (to 30 April 2022).

100. The Director of Finance highlighted key headlines from the management accounts and provided further updates since the accounts were issued.

101. The accounts continued to forecast an end of year surplus but the committee noted the pressures on the budget due to acute cost inflation, primarily steep increases in utilities and costs relating to operating the farm in support of the land-based curriculum. Members endorsed the mitigating actions taken by management, such as reduction in livestock numbers where possible while still maintaining the current student experience

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

and the ability to support the curriculum in the next academic year.

102. In addition, it was noted that temporary additional financial controls had been implemented (which required SLT level approval to all budget managers' spend requests in order to control discretionary spend) and that agency staffing numbers had been reviewed and reduced where no longer required to support assessment/exam activity. Responding to a member's question seeking assurance that changes to budget holders' responsibilities would not have an unforeseen negative impact on the management of efficiencies in the future, the Director of Finance assured the committee that management of departmental budgets remained the role of the budget holders and that the additional control level was not intended to be long-term. The context for the change had been explained to managers and managers also had a leading role in shaping the budgets for the following year. The committee endorsed the approach being taken and the communication with managers.
103. The committee noted the additional assurance that key financial performance measures, including EBITDA and the cash balance, remained healthy. It was recognised that there was a temporarily uplift in the cash balance due to T level allocation grant monies which would be spent in the next few months.
104. Asked about whether there was an option to carry over provision for additional energy costs to the following financial year, the Director of Finance explained that the accrual was reducing each month and therefore was unlikely to have a material effect by year end.
105. Asked about the £276k adverse budget projection in FE tuition income (including Learner Loans), the Deputy Principal explained that this related to a change in the profile of learners and their eligibility for funding having an impact on the income outside of the main 16-18 year olds ESFA grant income.

ESFA Financial Dashboard

106. The committee had received the latest ESFA's 'college governing body financial dashboard', together with confirmation that the College's 2020-21 financial health grade had been confirmed as 'Outstanding' following review of the audited financial statements.
107. The Head of Corporate Governance reported that the dashboard was also now available via a ESFA online portal, to which governors could register and access the information direct. Members expressed a preference for continuing to receive a downloaded copy of the dashboard and it was noted that this would also continue to be presented at Board of Governors meetings.
108. The committee reviewed the information, discussing a number of points about the comparative data, while recognising that this covered both GFE and Sixth Form colleges.

Healthcheck Report

109. The committee had received the latest Healthcheck (key performance indicators) report (2022-04 issue).
110. The committee noted the positive applications indicator for FE at Sparsholt College and sought further information about the red RAG rating for FE at Andover College. The Principal explained that the Andover applications were higher than in previous years, other than the immediately

preceding year. Applications from the three main feeder schools were positive but the uplift in applications from students from Wiltshire, which had been seen the previous year, had not been maintained. However, the conversion rate for these applicants had been lower because of travel issues. Recruitment activity underway included sessions offered to pupils in Andover schools who did not yet have an onward destination to help them to identify a progression route and distribution of information to military families moving to the area. In addition a Community Engagement strategy was in development. The committee welcomed the actions being taken and that the forecasting suggested that a greater proportion of applications would convert to enrolments compared to the previous year.

111. The committee also sought further information about the application numbers for the T Level courses commencing at Andover College from September 2022, noting that there was good progress with the Health (Adult Nursing), Onsite Construction (Brick and Carpentry) and Digital Design and Production T Levels, albeit that some applicants might require a one-year transition programme. There had been insufficient numbers to launch Accountancy or Science (Laboratory Science).
112. In relation to the Quality key performance measures, the committee discussed and sought assurance about the student attendance data and underlying factors regarding student behaviour issues reaching stage 3 conduct reviews. The Principal and Deputy Principal explained the comprehensive education and support mechanisms, and the processes and controls in place, and discussed with the committee the impact of the pandemic on student behaviours and expectations.

Budget & Two-Year Financial Plan

113. The committee had received the draft income and expenditure (I&E) budget for 2022-23 and high-level forecast for the following year, together with the key budgeting assumptions, a summary of changes in the staff costs budget, an assessment of compliance with bank loan covenants, a sensitivity analysis, a cash flow forecast and a summary of operational capital expenditure.
114. The Director of Finance explained the budgeting process which had been undertaken and highlighted a number of headlines, including in relation to the main income strands, changes to staffing costs, and key assumptions.
115. The committee noted that the increased funding for 16-18 years olds in 2022-23 was linked to a requirement to provide an additional 40 hours tuition, both equivalent to c8.5% increase in income and c7.5% increase in expected tuition hours. The overall increase in staff costs year on year included an amount to fund a cost of living pay award and reflected the recruitment of additional English, Maths and Foundation posts during the year to reflect an increase in student numbers and tuition hours; which had not been included in the 2021—22 budget.
116. The Principal explained the strategy for delivering the 40 additional hours tuition, which took in account the significant proportion of learners (c45%) with an additional need of some kind and the focus on areas such as Maths, mental health and wellbeing. It also recognised the workload of specialist teaching teams.
117. The committee discussed the funding of a cost of living pay award during 2022-23, subject to a review of affordability in the Autumn term. The Director of Finance explained the basis on which the costs had been budgeted, noting that the SLT's initial aspirations had been constrained by the vast increases in energy costs which were greater for land-based colleges

with more complex estates. The proposed budget for a pay award took into account additional NI and pension contribution costs, the need to deliver an end of year surplus and the need for any consolidated increase to be sustainable in future years.

118. The committee welcomed the clarity and thoroughness of the budget and supporting information and discussed whether a budgeted surplus of £100k provided sufficient comfort, given the levels of uncertainty in areas such as cost inflation. A member also emphasised the importance of generating cash each year sufficient to build reserves in order to invest in capital projects in line with the objectives of the Property Strategy. The member's view was that generating an extra £0.5m of cash from normal operations through a combination of profit and control of operational capital expenditure would enable this, noting that the proposed 2022-23 budget represented a shift from previous years where cash reserves had been built up year on year. The member suggested that building cash to further invest in future capital projects would require, for example, budgeting for a surplus of c£300k, together with a limit on operational capex to £1m.
119. A member also raised a point about the relationship between the level of the surplus and the ability for the College to negotiate future bank loans if required to fund implementation of the Property Strategy.
120. The SLT members present responded to these points, explaining discussions which had taken place between the SLT and that the £100k budget surplus was as a result of taking a prudent approach to inflationary cost risks, while also supporting the strategic aims to address staff pay levels and to improve the condition of the estate to support the student experience and avoid incurring more costs through reactive maintenance. The SLT had prioritised proposed operational capex from the c£4m requested by departments to the recommended priority projects, totalling £1.5m, which were considered to be necessary in order for the College to function successfully and to be competitive in the market. This included £300k to replace the Beef Barn as part of the redevelopment of the dairy and linked to delivery of land-based T Levels.
121. Asked about the return on investment in relation to renovation of the Equine International Arena, it was noted that the planned improvements were essential for retaining external equine events income.
122. The Director of Finance also confirmed that managed actions could be taken during the year to ensure a surplus outcome and that the proposed budget for a staff cost of living pay award was subject to affordability. Further context would be known in the Autumn term regarding enrolments and new gas and electricity contracts.
123. The committee noted the assurance provided by the assessment of the budget in relation to compliance with bank loan covenants. Cash reserves would decrease over the two-year financial period, mainly due to investment in capital projects to support T Levels (subject to changes once the outcomes of the T Level capital bids were known) but were still forecast to be £3.5m at the end of 2023-24. Committee members cautioned that the reduction in cash reserves needed careful management and a plan to rebuild reserves in future years and the Director of Finance confirmed that was the aim.
124. It was noted that the College also continued to actively bid for available funding to develop the curriculum offer and facilities through mechanisms such as the Strategic Development Fund, Local Skills Improvement Plan, T Level funds, and Salix grants. There were contingency plans in

preparation should any of the current T Level bids not to successful and the investment in capital projects would be revisited.

125. Summing up the discussions, the Chair of Governors noted the care and attention which had been exercised by management in presenting the budget and acknowledged the concerns of some members about the relatively small year-end budget surplus and about reducing cash reserves over the two-year period. The Chair noted that the October Board of Governors meeting, the November Resources Committee meeting and the December Board of Governors meeting would provide opportunities to review key income and expenditure assumptions and adjust decisions accordingly.
126. Committee members confirmed that they were content to support the budget on this basis and given that the proposed £1.5m operational capital expenditure included the amount for Beef Barn project.
127. **Resolved** – that the Board of Governors be recommended to approve:
- a) A budget for 2022-23 which shows a surplus of £100k before FRS 102 pension charges or credits
 - b) A high-level forecast for 2023-24 which shows a surplus of £106k before FRS 102 pension charges or credits
 - c) An operational capital spend allocation of £1.5m for 2022-23 and 2023-24 fully funded by the College.

Tender Waivers

128. The committee had received the annual report of the Director of Finance and Finance & Procurement Officer on the tender waivers process, noting that there had been 8 waivers agreed by the Principal and Director of Finance from April 2021 to March 2022 on the basis that the purchases represented best value for the College. This was less than the 12 agreed the previous year as a result of the increased of the tender threshold from £10k to £25k.
129. Under the authority defined by the Financial Regulations, the committee was asked to approve four tender waivers which would be required for the following year above £100k. It was noted in discussion of the proposals that there was limited ability to change awarding bodies.
130. **Resolved** – that the following tender waivers be approved:
- a) University of Winchester, Halls of Residence Fee of c£272k;
 - b) Pig Feed from ABN of >£170k (subject to current inflationary pressures);
 - c) Pig Feed and Farm supplies from procurement consortium, Anglian Farmers, of >£150k (subject to current inflationary pressures);
 - d) Awarding Bodies: City and Guilds (c£375k); Pearsons (c£160k); and the University of Portsmouth (c£120k). Subject to annual cost increases to be confirmed and with £900k budgeted in total.

[Addendum: a subsequent tender waiver request for £150k for IT related equipment from Dell was notified to the committee by email on 30 June 2022 and approved by the committee by written resolution on 1 July 2022.]

HUMAN RESOURCES

131. The committee had received the report of the Principal and Human Resources Manager updating on Human Resources (HR) matters, including the Employee Engagement Strategy.
132. The committee discussed the continuing staff recruitment challenges which the College continues to face.
133. The committee noted that the University and College Union (UCU) had declared a trade dispute between the College and UCU members and that a ballot in respect of industrial action was taking place between 14 June to 15 July 2022, with any resulting strike action due to take place in September. This was in relation to the UCU pay claim in the FE sector and 32 colleges were also currently involved in the dispute. UCU was recognised by the College for academic staff. The Principal reported the AOC's discussions with the joint trade unions which had not yet concluded, communications with UCU and UCU data about membership at the College.
134. The committee discussed the level and types of risks associated with potential strike action, particularly in relation to any impact on students. It was noted that the SLT was already committed to addressing levels of pay for staff, in recognition of the impact on staff of both pay constraints over the last decade and current increases in the cost of living, but would continue to consider recommendations in the context of affordability and financial sustainability. The SLT would be seeking to explain the budget position to the ICE Group and through other internal communications routes. The Principal had also written to the Andover and Sparsholt College local MPs about the cost inflation challenges faced by the college.
135. The committee welcomed the favourable results from the benchmarking of the College's and Sparsholt College Services Ltd's 2021 Gender Pay Gap data with 22 other colleges in and around Hampshire or with land-based provision, 3 local councils and a local university.
136. The committee noted that College managers were regularly reviewing and, as necessary, amending the College Covid risk assessment and associated procedures put in place. The Principal reported that, given current rises in Covid cases, the SLT intended to maintain the risk register at least until September.
137. The HR Manager reported that there was a forthcoming change to legal requirements for provision of Fit Notes for sickness absence. From 1 July 2022, health care professionals, rather than just doctors, would be able to sign a Fit Note. The categories of registered health care professionals and the requirements regarding assessment were set out in the new government regulations.
138. The committee noted that the College Group Staff Survey would be conducted in June and noted the continued work which is being carried out to promote Staff Well-being.
139. In response to a member's challenge as to the choice of awards for 25 years long service, the HR Manager explained that there were options available, including those not associated with alcohol consumption.

140. The committee noted the review of the previous Staff Involvement Strategy had resulted in the updating and retitling of the strategy as an Employee Engagement Strategy and reflected initial discussions with ICE about how the SLT could better communicate strategic management matters.
141. **Resolved** – that the Board of Governors be recommended to approve the Employee Engagement Strategy, subject to consultation with the ICE Group.

PROPERTY & SUSTAINABILITY

Property Strategy

142. The committee had received the report of the Principal on progress with delivering the Property Strategy 2021-22 to 2026-27.
143. The committee noted that the outcomes of the applications to the T Level Capital Transformation Fund were expected in July. In the meantime, implementation planning was underway with architects and specialist contractors identified.
144. Responding to a member's query about contingency plans in the event that any T Level applications were not successful, the Principal confirmed that the land-based (dairy) project was the priority given the growth in agriculture students, developments in the sector, local agri-tech skills needs and comparative facilities available at other colleges. Management had plans in place to be able to start delivering the Construction T Level in September through alternative use of current spaces and then contingency plans involving externally owned buildings near to campus.
145. The Principal noted that, as reported to the Curriculum, Employers & Market Requirements Committee, the College had submitted a Strategic Development Fund bid to the DfE in partnership with 7 other FE colleges and the Surrey Chamber of Commerce to support the development of skills for green jobs. The College's share was c£200k and covered green equipment and resources to support curriculum advancements in motor vehicle, construction, agriculture and horticulture. The Deputy Principal confirmed that there were strong indicators from subsequent clarifications sought to the bid from the DfE that it would be successful.
146. The committee noted that University Centre Sparsholt had been allocated £50k of the Office for Students (OfS) capital funding, calculated via a fixed formula. In addition, the Principal reported that the College proposed to submit an application to the OfS three year £400m capital fund for a small dedicated HE facility (located near to HE residential halls) at a cost of £4m over a two-year period. The deadline for submissions was 11 July. It was noted that the application process was expected to be highly competitive, and that the College would be competing with significantly larger institutions.
147. The committee endorsed the planned OfS capital fund application on the basis that investing in a new HE building to further enhance the student experience had been a long-term priority and was reflected in the Property Strategy.
148. The Principal and Deputy Principal agreed to include a grant application funding tracker as an appendix to future reports to assist the committee and Board to maintain oversight of these funding opportunities.

149. The Principal confirmed that dialogue between the College and Test Valley Borough Council about redevelopment of the town centre continued to be positive. Scheme feasibility and design works were being progressed. The College had also asked that consideration be given to including supporting a further extension to the Skills Centre to host environmental technology as part of the council's Levelling Up application and awaited a response.
150. The Principal reported discussions with a potential investor about the anaerobic digester project, noting that a Non-Disclosure Agreement (NDA) had been signed. There was no commitment to entering into an option agreement or granting exclusivity and it was thought that the organisation was also looking at other sites. The Principal also noted that the College had been approached by two other potential investors.
151. The Principal reported the intention to progress a number of small works capital projects funded via the annual capital expenditure allocation in 2022-23 and explained the strategic reasons for the projects. This committee endorsed the spend.

Sustainability

152. The committee had received the report of the Principal on progress with the Sustainability Strategy and Climate Action Roadmap.
153. The Principal highlighted the publication of the DfE's new strategy on 'Sustainability and Climate Change' and confirmation of the strategic aims and key actions areas for education. From 2022-23, the College would monitor progress against these action areas.
154. The committee welcomed and endorsed the progress on the sustainability strategy and Climate Action Road Map and thanked those in the College Green Group and around the wider College Group for their contribution.

GOVERNANCE

155. The committee had received the report of the Head of Corporate Governance which provided information to inform the Committee's annual review of its performance and terms of reference.
156. The Head of Corporate Governance drew the committee's attention to the plans for a new ESFA Accountability Agreement and Performance Dashboard and to the review by the ONS of the classification of colleges. There were no other known changes to the external governance or funding frameworks which would impact on the terms of reference or business plan of the committee.
157. The Principal proposed that a separate progress report be presented in the next year on major capital projects, subject to the outcome of the funding applications. Discussions were already underway with property advisors, Fusion, about the oversight and reporting of the capital projects.
158. The committee was satisfied to report to the Board that it continued to undertake its activities in line with its terms of reference and that no concerns had arisen about the effective operation of the committee. There were no updates recommended to the terms of reference.

SPARSHOLT COLLEGE SERVICES

159. The committee had received and noted the latest Sparsholt College Services Limited (SCS) management accounts (to 31 January 2022) for information.
160. The meeting ended at 12:30. Confidential items were discussed and are recorded separately.