

Date 4 July 2017

Clerk to the Corporation

Venue Board Room, City Campus

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**Present** Gil Vasey - Chair  
Paul Corcoran  
Chris Linacre  
Sally Neocosmos  
Richard Wright

**In attendance** Rav Garcha, Financial Consultant  
Alison Shillito, Clerk to the Corporation  
Kim Streets, Governor, observer  
Darren Tidmarsh, Executive Director Human Resources

**Minute**

**Action**

**17/5/1 Apologies for absence**

Apologies for absence were received from Ian Brown, Heather Smith and Bella Abrams. The Chair welcomed Kim Streets to the meeting as an observer. It was noted that Search Committee had recommended that Kim join FE&GP in September 2017. The Clerk confirmed that should any further changes be proposed for 2017/18, relevant committee chairs would be fully consulted prior to any change. The meeting was confirmed as quorate.

Clerk

**17/5/2 Minutes of the meeting held on 5 June 2017 and action plan**

The minutes of the meeting were agreed as an accurate record.

**17/5/3 Declarations of interest**

There were no declarations made.

**17/5/4 Monthly Management Accounts: May 2017**

4.1 The Financial Consultant introduced the Monthly Management Accounts which had been prepared in a new streamlined format. Important changes in the May accounts were:

- i) The forecast for staff costs have been carefully scrutinised to provide a more accurate forecast of the likely cost of staff, particularly agency staff, up to the year end.
- ii) The liabilities included an amount for VAT that the College is currently holding in relation to its 'Lennartz' claim. The First Tier Tribunal is due to consider the leading case on a similar claim at the end of July. The College's legal advisers are cautiously optimistic the outcome.
- iii) The May accounts do not include the restatement of balances to reflect the change of treatment of deferred capital grants endorsed by the Audit and Risk Assurance Committee at its meeting on 26 June. This change would strengthen the balance sheet as capital grants would no longer appear as creditors but would go straight to reserves.
- iv) The revised forecast indicates that the College is likely to have a cash balance of £4.6m at the year-end, which is better than that forecast in April 2017. Depending on the outcome of consultation, this balance

would enable the College to meet Organisation Change costs that arise in the current financial and start 2017/18 with a relatively strong cash balance of around £4.1m.

4.2 The Committee considered the report as follows

- i) Members asked about the accounting changes and their impact on the balance sheet. The Financial Consultant said that the change had been endorsed by Audit and Risk Assurance Committee as it would simplify accounting practices and accounts would reflect more accurately the income that the College is generating. Most funding agency and bank calculations already exclude capital income and depreciation figures so moving to the new performance basis for treatment of deferred capital grants would not have a significant impact on the financial health score or performance against covenants. The Committee commented that this seemed to be a significant change and therefore should be presented to Governing Body for final approval. Financial Consultant to propose to GB
- i) Members asked for clarification of the underlying assumptions in the accounts and the provisions included in the accounts and forecast. Financial Consultant
- ii) The Financial Consultant agreed to provide clarification in the report to Governing Body.
- iii) Governors wanted to understand the reasons for the significant change between the April and May accounts. The Chief Executive said that this was mainly due to a much tighter forecasting of the College's expenditure plans for the remainder of the financial year, particularly agency costs. The estimated spend on agency staff costs forecast in April had been significantly over-stated. The in-year changes that the Principal's team had done on making the timetable more efficient had not been fully reflected in the forecast until May. The College is continuing to reconcile the vacancy list against the payroll forecast and this process needs to be quicker to produce more accurate forecast data in a timely manner.
- iv) The members welcomed the more succinct format of the monthly accounts. The Chair asked members to reflect on the presentation of the data and to send feedback to him to inform his discussions with the Financial Consultant to finalise the revised format into a standard template. All

4.3 The Committee noted the report and requested the following actions be completed in response to the discussion:

- i) The proposal to change the accounting treatment of deferred capital grants to be presented to Governing Body to consider for approval at its meeting on 17 July 2017. Financial Consultant and Clerk
- ii) Financial Consultant to provide to governors clarification of the underlying assumptions in the accounts and the provisions included in the accounts and forecast. Financial Consultant
- iii) Members to send to the Chair their feedback on the content and format of the May Monthly Management Accounts to inform revising the standard template. All and Chair

**17/5/5 Final draft Budget 2017/18 and Three Year Financial Forecast 2017/18 - 2019/2020**

5.1 The Financial Consultant presented the revised draft budget and the three year forecast for 2017 - 2020 and highlighted the following issues.

- i) The final draft budget excludes income and depreciation for capital grants and any costs arising from organisation changes, as these are excluded from ESFA ratios. It includes all income that is due to be received by the College, including amounts for Learner Support Funds

and Free School Meals which are passed directly to eligible learners.

- ii) There are three main growth areas for income growth:
  - a. **ESFA income** will decrease next year but grow in 2018/19 to reflect the additional learners recruited at SWFCCP and there will be an opportunity to attract more learners in subjects in the higher funding band.
  - b. **Apprenticeship growth** for 2017/18 is based on business developments that that are in progress or highly likely. Forecasts for 2018/19 and 2019/20 have been moderated down to ensure projections are realistic. The College recruited more apprentices than forecast in 2016/17 but a higher number than planned were in lower funded frameworks. The College aims to increase its margins in future years by increasing the number of learners enrolled on higher value apprenticeship standards in advanced manufacturing and engineering.
  - c. **HE income** - the forecast is conservative in terms of retention rates (set at 90% from first to second year which is lower than the College average for HE at around 94%) and for new courses starting. New provision in veterinary nursing and professions related to dentistry due to be validated in September 2017, has shown good potential to attract applicants but its start date has been assumed as 2018/19.
- iii) Pay forecasts include an assumption that pay increases will be held at around 1% in 2017/18 and 2018/19, in line with the public sector pay cap, but are likely to rise to 2.5% in 2019/20. The three year plan includes provision for growth in the number of Teaching and Assessment Facilitators (TAFs), to support the forecast growth in the number of apprentices and changes to standards, as well as the cost of purchasing of new equipment and refurbishing facilities.

5.2 The Committee considered the report as follows. Some of the discussions are recorded in a confidential minute because they include commercially sensitive information.

- i) The Committee queried the basis on which the forecasts of the cost of staff had been calculated. Members asked about the impact of a likely increase in the level of the National Living Wage, in terms of both the cost of staff groups paid at this rate and the pressure on wage differentials for other staff at the lower end of the pay scale. Further increases in pension costs were also likely with revaluations of Teachers' Pension Scheme and Local Government Pension Scheme during three year period.
- ii) The Chair asked for a more detailed month by month profile of the College's cash flow to be provided so the Committee could assess the adequacy of the College's access to working capital over the year. The Financial Consultant said that this would be detailed once the overall plan had been completed.
- iii) The forecast included an indication of the College's performance against its loan covenants that suggested at least one covenant might be breached in 2017/18 and two in 2018/19. Governors asked about the impact of a breach. The Financial Consultant said that a breach of covenant could be grounds for a bank to recall or renegotiate a loan. To mitigate this risk, the plan has been devised to ensure that the College can satisfy the most important covenant - the debt servicing covenant - throughout the entire period. The College maintains good relationships with its lenders and it would probably not be in lenders' interests to re-

price loans at current market rates.

5.3 The Committee considered the report and recommended approval to Governing Body subject to the following changes and further work.

- i) Include details of the key assumptions, opportunities and risks of the proposed budget and three year forecast.
- ii) Provide a detailed month by month profile of the College's cash flow to highlight where the College might require additional working capital.
- iii) Explain how the break-even is achieved over the plan period, particularly with respect to ensuring sufficient teaching resource, when the College is supporting more learners but funding lags a year behind.

CEO and  
Financial  
Consultant

#### **17/5/6 Strategic Developments: Technology**

6.1 The Chief Executive Officer presented the report on behalf of the Chief Information Officer.

- i) The report is an overview of the CIO's findings in her first few months in post
- ii) The bringing together of student records and systems support teams under the authority of the CIO is an ideal opportunity to develop a coherent strategy for this area.
- iii) The 2017/18 budget includes provision for project manager support to assist the CIO in undertaking rapid process improvement projects and process review to achieve efficiencies.

6.2 The Committee considered the report as follows:

- i) Members welcomed the succinct and clear style of the report and looked forward to receiving a detailed plan and longer term strategy for technology. The CEO commented that the Executive Team had considered a longer draft list of proposed capital investments for technology and had provided for the prioritised proposals (i.e. those included in the report) in the 2017/18 budget.
- ii) It was commented that the cyber security risks identified in the report should be prioritised for immediate action. The CEO said that he would be working with the new Executive Director of Finance and Resources to review and refresh the risk register, including the cyber security risks mentioned in the report.
- iii) Members stressed the importance of training for staff - professional updating for staff who manage the College's technology as well as end-users. The Executive Director of HR commented that some curriculum areas demonstrate excellent practice in using technology but many teaching staff do not see technology as essential to their teaching practice and there is relatively low digital literacy in many areas. This being the case, members stressed the importance of the College developing its systems in a way that quickly responds to staff feedback where problems or barriers to use are identified.

6.3 The Committee noted the report.

#### **17/5/7 Strategic developments: Human Resource Management**

7.1 The Executive Director of HR reported to the Committee on developments as follows.

- i) Leadership and management development: the College had decided

to put on hold the proposal to work with Leeds and Hull Colleges on a joint programme, pending discussions about organisation change. The colleges that proceeded are reporting that the programme is proving successful and the approach is one the College may wish to adopt to develop the leadership skills of staff managing curriculum areas, many of whom may be more used to managing operational detail.

- ii) **Performance Management** - it is a priority to redevelop the College's procedures and guidance for performance management to replace summative annual performance ratings and embed rolling objective setting and review through regular 1:1 meetings. Where there is more serious under-performance, the College has taken a coaching approach to give staff the development and opportunity to improve their practice but this can make it very difficult to complete capability proceedings in one academic cycle. HMI feedback is that they expect providers to address severe under-performance in 12 week cycle. The College needs to review its procedures to ensure that severe under-performance can be addressed efficiently whilst encouraging all staff to reflect on and improve their practice.
- iii) **Rewards and pay** - the College has introduced excellence awards and in-year staff recognition rewards to identify and encourage positive behaviours. With the pressure of individualised spot salaries for hard to recruit areas and inflationary wage pressures, the College will need to review the pay framework and ensure that it meets its duties under the Equality Act for reporting on the gender pay gap and undertaking equality analysis on changes to the framework.
- iv) **Grievances and complaints** - an increase in the number of individual and collective grievances has led to a delay in hearing grievances, which in itself can result in a further grievance. There is evidence that the current processes are thorough and fair but at the end of the process in many cases the parties remain aggrieved so the approach is resource intensive but not achieving resolution. The College wants to move to a mediation approach with triage to settle minor issues informally. The change would need to be negotiated with recognised trade unions and implementation would require training and effective communication.
- v) **Staff engagement** - need to make engagement at departmental level as the third KPI for departments. The staff survey indicates that collective/whole college activities had greatest positive impact on staff engagement last year.

## 7.2 The Committee noted the report commenting that

- i) The College's most expensive resource is its staff so it is appropriate that strategic developments to improve staff performance, reward and engagement are a high priority in the 2017/18 business plan.
- ii) Governing Body has indicated its commitment to prioritising staff issues by including staff experience as a standing agenda item for Governing Body meetings to ensure that staff feedback, through surveys and engagement groups, and changes to policies that affect employment conditions are thoroughly considered.
- iii) There are some significant developments in the proposals presented by the Executive Director of HR that will require partnership working with recognised trade unions and staff voice groups. The Executive should start discussions about changes to performance

management and grievance procedures as soon as possible to engage them in developing processes that are fit for purpose.

**17/5/8 Strategic developments: Business Development**

- 8.1 The CEO made an oral report to the Committee about recent business development successes securing contracts with SWFCCP, Amey and Liberty Steel. In addition to submitting bids and tenders for apprenticeship provision, the College had been approached directly by some levy employers. The College had not won every bid submitted but it was maintaining a healthy flow of new opportunities and being successful in securing those that were of highest strategic importance.
- 8.2 The Committee noted the report.

**17/5/9 Relevant Steering Groups**

- 9.1 The Chief Executive Officer reported that steering group convenors are currently finalising proposals for priorities and change initiative projects for 2017/2018 and a report will be presented to the next meeting of the Committee.

**17/5/10 Arrangements to retain the services of the Interim Financial Consultant**

- 10.1 The Committee considered a confidential report and the discussions are recorded in a confidential minute as they include material about the working arrangements of an individual person that is personal data. It was noted that the Consultant is not a Senior Post Holder nor is he an officer of any of the College's subsidiary companies.
- 10.2 The Committee endorsed the proposals to contract directly with a third party to provide the services of a financial consultant to continue working on change priorities.

ED HR

**17/5/11 Appointment of Chair and Vice Chair for the period 1 September 2017 - 31 August 2018**

- 11.1 The Committee agree to recommend approval to Governing Body that Gil Vasey continue as Chair of the Finance, Employment and General Purposes Committee and that Kim Streets be appointed as Vice Chair.

**17/5/12 Any other business**

- 12.1 The Committee asked what the College is doing in response to the issues raised by the Grenfell fire. The CEO reported that the Estates Manager is liaising with building contractors and design engineers to assess the fire resistance rating of the different types of cladding and insulation used across the estate. So far they have identified 19 different types of cladding and 18 of these are rated as highly resistant. The College is also working with SY Fire Service and an independent consultant to ensure the fire risk assessment and mitigating actions are updated.
- 12.2 The Committee noted the action being taken to review the fire resistance of cladding and insulation materials used across the estate and requested that staff be informed of the ongoing review and that the outcome of the review and any changes or remedial actions be communicated once confirmed.

CEO

**17/5/13 Review of the meeting**

The Chair invited members to comment on the meeting.

**17/5/14 Date of next meeting**

Monday 18 September 2017 at 8.00am in the Boardroom, City Campus