



## **Finance and Employment Committee Minutes**

Meeting held on Thursday 21<sup>st</sup> June at 11am in Room 301

**Present:** Mr P Cook, Mr M Duffey, Mr D Johnson, Mr R McCallion (Chair)

**Officials:** Paul Hiser (HR Director), Phil Hastie (Vice Principal: Corporate Planning and Performance), Fiona Sharp (Finance Director), Sarah Thompson (Clerk to the Corporation), Tracy Thomas (Governance Support Officer, minutes), Kimberly Stevenson (Estates Manager)

**Apologies:** Mark White

No declarations of interest were made:

The Chair welcomed members to the meeting.

### **F18/26 Agenda Item 1 – Estates Update (presentation)**

The Estates Manager presented an overview of her career to date and the current position within the Estates Department.

Consideration was being given to the installation of security barriers at SRC Stockton and to securing the rear entrance of the building. Discussions were in the early stages and capital investment was estimated to be around [redacted]. A governor expressed reservations about the barriers and felt that they may be psychologically unappealing to students and visitors. The necessity for installation was discussed and the VP:CPP reported that there was not a pressing requirement for barriers and that their consideration had not been in response to a directive from Ofsted; nor was it a legislative requirement. The Estates Manager advised that she had taken advice from the Counter Terrorism Team who felt that the area was "low risk". Discussions were ongoing as to whether and where to introduce barriers.

A five year maintenance plan to introduce membrane to the roof of NETA premises, at a cost of [redacted], was discussed. The Chair recommended that the Estates Manager consider the cost effectiveness of undertaking the work as a whole.

With regards to mandatory Health and Safety Training, 19 members of staff were RAG rated red. The SRC Principal directed the Estates Manager to urgently liaise with a member of HR and to mirror their procedure for safeguarding training with the

expectation that, within two weeks, there would be zero staff outstanding for training. It was felt by the HR Director that this would be trackable through the new HR system. The SRC Principal requested an update from the Estates Manager in early July.

The cost benefits of solar energy were discussed as under consideration and a governor reported an instance where solar panels had enabled a commercial site to be self-sufficient. The Estates Manager briefly outlined the Sunflower Project whereby plastic bottles were being recycled into a public art installation. The SRC Principal requested further details of the scheme. Fair Trade was discussed and the SRC Principal felt it important to give this due consideration and saw an opportunity to differentiate the college strategically.

A governor raised the subject of small wind turbines and the Estates Manager indicated current discussions with a local company involved in their manufacture although there were felt to be some difficulties with their implementation at college due to the roof design.

Members thanked the Estates Manager for her presentation.

*Kimberly Stephenson left the meeting.*

#### F18/27 **Agenda Item 2 - Minutes of Previous Meeting**

The minutes of a Finance and Employment Committee meeting held on 24<sup>th</sup> May 2018 had been circulated and were **approved** as an accurate record. Progress against actions was noted.

With regards to the item on Governors' Dashboard, the VP:CPP would report to the next meeting.

In relation to the addition of trend lines to the graph indicating SRC apprenticeship starts, this would be circulated at the next meeting.

The action on future reports re NETA was removed as complete.

The fees policy which had been reported on at the last meeting was discussed. The ESFA had updated their funding regulations and governors were asked to approve changes to the value of the amount a learner could earn per week (from £330 to £338). In response to a governor's query the VP:CPP advised that there would not be a material effect.

Governors **approved** the increase of allowable learner earnings from £330 to £338.

### F18/28 **Additional item 3 – Merger Update**

[Redacted] Progress was still being made towards meeting the 1<sup>st</sup> August 2018 target date. [Redacted]

An agreement between RCC and the Sir William Turner Foundation Trust in relation to beneficial ownership of some of the RCC site was described by the VP:CPP. RCC had, at the request of SRC, taken legal advice which would be funded by SRC. It was deemed essential to resolve the matter in a timely manner so that it would not affect merger progress. Feedback was expected on 21<sup>st</sup> June from their legal representatives.

The VP:CPP had expected that the draft resolution of the Redcar Board would be published on the RCC website by 21<sup>st</sup> June (one month before the proposed FE Corporation meetings scheduled for 26<sup>th</sup> July) and this had not been evidenced as yet. The SRC Principal urged the VP:CPP to ensure that this was issued in a timely manner and to alert the Director of Students when it was posted.

The update was received and noted.

### F18/29 **Agenda Item 4 – Group Monthly Management Accounts**

The Finance Director updated MMA9 having been through PR9 within departments. A group operating deficit of [redacted] against a budgeted surplus of [redacted] was reported. Variances had been detailed in a previously circulated report. Compared to the previous forecast, production of income was reduced by [redacted]. Pay costs were largely the same with savings in non-pay of [redacted]. There were extra costs for restructuring in light of the Voluntary Redundancy scheme. In response to a governor's query around the adverse figures and whether these had been expected the variances were said to be largely across two departments. Project Income had been reduced through lack of take up of ESFA projects and low levels of support for unemployed learners. [redacted] had been included on the assumption of selection for the T Level pilot scheme and, although the college had been selected, the funding would be received in the next academic year. Results suggested compliance with bank covenants but it was felt that ESFA health rating may fall from Good to Satisfactory. The Finance Director undertook to consider measures that could be taken in order to retain the Good rating and it was felt that, should there be a dip to Satisfactory, this would be resolved by 2021. The rating of Good was deemed to be of reputational significance. Restructuring costs were reportedly [redacted] higher than at the beginning of the year and, it was felt by the Finance Director, that there had been at least [redacted] worth of merger related costs. Governors discussed the additional merger related costs and were advised that the Finance Departments were undertaking work to identify pockets of expenditure that had been influenced by, but were not directly related to, merger to

provide a clearer picture. It was estimated that without the extra restructuring costs relating to merger the college would not be in a position of deficit.

The report was received and noted.

#### F18/30 **Agenda Item 5 – Group Budget Monitoring Reports**

The VP:CPP spoke to a suite of reports which had been previously circulated. In macro terms performance was below budget but broadly in line with expectations at the last meeting. In response to a query from the SRC Principal around lessons learned, the Finance Director spoke to processes outside of Performance Review and monitoring which should be undertaken by the Finance Department to establish, on a monthly basis, where income is expected and actuals are not recorded. A more proactive approach was deemed necessary. The VP:CPP added that improvements were needed around commercial and apprenticeship performance. It was felt that robust systems, in terms of forecasting where opportunities would come from and when they would come to fruition, were not in place. The business engagement strategy, in terms of where commercial income “lives” was discussed and felt not to be resolved. RCC was noted to be doing well in this respect and the VP:CPP undertook to consider whether sufficient investment in the area was being made.

Agenda Item 5.7 Sub-contracting was discussed in some detail and a marginal reduction [redacted] was noted. The VP:CPP reported operational concerns about one particular Sub-contractor. Whilst their output and performance pertaining to qualifications was deemed as robust as ever, significant work was required in their underlying process to ensure a sustainable position and that their claims were robust. There were questions over quality of delivery from one Sub-contractor. The effect would be limited as the organisations in question were not in next year’s plan. In response to a question from the Chair, the VP:CPP advised that none of SRCs suppliers, as evidenced through due diligence, were questionable in terms of viability. One new Sub-contractor, Tyne & Wear Fire and Rescue, who deliver Prince’s Trust, was discussed and, although not yet planned in as activity, consideration was being given to their undertaking of apprenticeship provision.

Members were asked to, and **recommended approval** of revised Sub-contracting levels.

#### F18/31 **Agenda Item 6 – Subsidiary Companies – Finance Update**

Updates had been reported through NETA and TVC boards and reports had been circulated prior to the meeting.

The VP:CPP reported excellent management stability and solidity at NETA and expressed a high level of confidence. Engagement with the college was described as

“excellent”. A governor, whilst recognising changes in the management structure and style, and whilst reporting enthusiastically on NETA’s engagement at Open Evenings etc., felt that teaching and learning still warranted close observation. The VP:CPP informed members that the Head of Quality had reported in detail to the Standards Improvement Committee on very positive work which had been undertaken and on robust processes which were now in place. The SRC Principal was keen to empower department heads at NETA in their decision making capabilities.

The Finance Director reported that Tees Valley Catering would end the year with a small deficit. There had been many changes to the subsidiary company and the Estates Manager, who was now overseeing TVC’s operations, was having a positive impact. The Chair requested further details on the activities of the Estates Manager and was advised that she was in regular contact with outlet managers and was assisting them with financial and operational aspects of their roles. The HR Director reported high morale within the department and the Finance Director reported that discussions were taking place at board level about the strategic direction of the company; whose main priority was to provide a high quality food and beverage service to staff and students. The Chair was advised that an internal audit had taken place with the focus on TVC following concerns about lack of performance. Although initial feedback did not flag up any significant concerns, there had been errors in the information provided to auditors around which outlet was which. Banking procedures at The Skills Academy had been problematic and were highlighted as a discrepancy. Action had been taken to ensure that all outlets now completed weekly management reports and all were linked to EPOS (Electronic Point of Sale). [redacted] the Chair was advised that lessons had been learned and controls were now in place. Discussion ensued about the possibility of a cashless college although governors expressed some concern around the effect this would have on learners.

The reports were received and noted.

#### **F18/32 Agenda Item 7 – Draft Budgets and financial forecasts**

The Finance Director spoke to her report which set out the proposed budget for 2018-19 and forecast for 2019-20 and 2021 (the extra year was provided to highlight movement to members).

Business Planning had been undertaken at Stockton and was ongoing at Redcar where departmental targets were under consideration. [redacted] Discussion took place about ownership of budgets post-merger. [redacted] The SRC Principal stressed the importance of more accurate forecasting in future and discussion took place around lessons learned. The SRC Principal requested clarification as to what information had been disseminated to staff in terms of budget and the Finance Director undertook to organise a meeting with senior managers and the SRC Principal to discuss this.

[redacted]

Members **agreed** to recommend approval of the budget to the FE Corporation.

#### F18/33 **Agenda Item 8 – 2018-19 Subcontracting Proposals**

The VP:CPP spoke to his report which provided historical data for the purpose of comparison. Levels broadly similar to previous years were reported for SRC although these were slightly lower due to the omission of one sub-contractor, whose higher management qualifications were not progressing. In this instance there was felt to be no strategic rationale to continue Sub-contracting with this provider. Three Sub-contractors at RCC had not undergone SRC due diligence processes. The current contract with TTE would be maintained. One provider, Flexi-Training, was described as relatively small and largely reliant on Redcar & Cleveland College income. A new provider Falck Training, based in Haverton Hill, had been working with RCC on pre-employment routes into the wind turbine industry. A large proportion of the Sub-contracting activity was from The Prince's Trust. 5% was previously felt to be a reasonable level of income from Sub-contractors. While this was no longer a nationally recognised figure the college would continue to measure against it.

Members were asked to note the report and

- i. recommend to the FE Corporation approval of the parameters, with the partners stated, for proposed subcontracting activity in 2018-19 as detailed in Appendix 1 (for SRC) and
- ii. consider the current plans for RCC related Sub-contracting.

Members **noted** the report and **recommended approval** of the parameters for subcontracting activity and considered plans for RCC related sub-contracting.

#### F18/34 **Agenda Item 9 – Group Employment Monitoring Reports**

A report had been circulated prior to the meeting. The HR Director spoke to his report and indicated that there were at present felt to be seven possible compulsory redundancies; although the figure may be lower following redeployments and staffing adjustments. All business cases had now been received. One member of staff had received compulsory redundancy and left the college.

Two members of curriculum staff within the Government Funded function at NETA had received two successive observation grades of less than good. One would progress to the next stage of performance management and one had resigned. One member of

staff at SRC Bede was subject to performance management procedures with a hearing to take place in June.

The report was received and noted.

#### **F18/35 Agenda Item 10 – HR and Payroll System Development**

The HR Director reported that the new HR and Payroll system went live in May, having fallen a little behind schedule due to staffing difficulties at MHR, the supplier. Activity was ongoing and the 1<sup>st</sup> August target date was felt to be achievable. Although it had been previously reported that staff at RCC would be added to the system at a later date, this was now not to be the case. In response to an enquiry from the Chair, the Finance Director reported that it was now clear that it would not be possible for RCC to be allocated a temporary PAYE reference number due to the type of merger and the dissolution of the college. There were not felt to be any obstacles to the incorporation of RCC staff onto the new HR and Payroll System in a timely manner.

The report was received and noted.

#### **F18/36 Agenda Item 11 – HR Merger Issues**

The Voluntary Redundancy scheme was issued on Friday 15<sup>th</sup> June 2018 and would close on Monday 25<sup>th</sup> June 2018. There had been a significant amount of interest in the scheme and a number of conversations had taken place. Six applications had been received at SRC and there was some discussion about the process of approval of these. Most of the applications were in line with expectations, but not all. RCC, as of 20<sup>th</sup> June 2018 had received seven definite applications.

A positive meeting had taken place with unions on 20<sup>th</sup> June 2018. SRC had reserved the right to carry out internal reviews post-merger and these would take place in the Autumn term. Union recognition across the colleges was not felt to be an issue. Unions had been invited to discuss the business planning process with the SRC Principal and Mark Clifford was reported to be the new UNISON representative.

The HR Director had met with cleaners and caterers at RCC. Transfer on 1<sup>st</sup> August 2018 was on track. There was some discussion about temporary contracts at RCC and the SRC Principal reported that a process had been undertaken to identify those candidates suitable for permanent posts.

Management roles would be advertised in the coming weeks and a recruitment agency had been appointed to locate suitable candidates. In response to a governor's enquiry about the level of teaching resource at RCC, it was felt that there was sufficient quantity

at present. The VP:CPP would discuss this issue with the SRC Principal outside of the meeting.

The update was received and noted.

**F18/37 Agenda Item 12 – Infrastructure Issues including Estates Strategy**

[redacted]

**F18/38 Agenda Item 13 – Treasury Management**

A report had been submitted prior to the meeting and members were asked to and **noted** the content [redacted].

**F18/39 Agenda Item 14 – Financial Regulations**

A report had been submitted prior to the meeting and members were asked to and **recommended** the proposal for the Financial Regulations for Corporation approval.

**F18/40 Agenda Item 15 – Any other business (verbal)**

There were no other items of business.

**F18/41 Agenda Item 16 – Approval of Documents for Public Inspection (verbal)**

It was agreed to make available the agenda and approved minutes excluding any confidential sections and the report to Item 14 – Financial Regulations. All other items were deemed commercial in confidence or contained information relating to individual staff members.

**F18/42 Agenda Item 17 – Date and time of next meeting (verbal)**

25<sup>th</sup> October 2018 at 3pm