



Finance and Employment Committee Minutes

Meeting held on Thursday 25th October 2018 at 3pm in Room 301

- Present:** Mr P Cook, Mr M Duffey, Mr R McCallion (Chair) and Mr M White
- Officials:** Mark Flannery (Director of Marketing), Phil Hastie (Executive Director, Planning and Infrastructure), Paul Hiser (HR Director), Adam Howe (Governance Support Officer), Garry Potts (Director of Business Engagement), Fiona Sharp (Executive Director, Finance) and Sarah Thompson (Clerk to the Corporation)
- Apologies:** No apologies

No declarations of interest were made:

The Chair welcomed members to the meeting.

F18/43 Agenda Item 1 – Appointment of Chair and Vice-Chair

Members agreed to reappoint Russ McCallion as Chair and Mark White as Vice-Chair of the committee.

F18/44 Agenda Item 2 - Minutes of Previous Meeting

The minutes of a Finance and Employment Committee meeting held on 21st June 2018 had been circulated and were **approved** as an accurate record. Progress against actions was noted.

F18/45 Agenda Item 3 – Group Monthly Management Accounts (incorporating SRC, NETA and TVC)

The Executive Director, Planning and Infrastructure reminded members that Redcar and Cleveland College accounts were not included in this update.

The Executive Director, Finance spoke to her previously circulated report on the Monthly Management Accounts for period 12 which forecast a year end surplus [redacted] and confirmed it was expected the final year end accounts would be similar with very little variance. There had been an increase in Adult Education Budget funding and other income towards the back end of the year offset by lower Apprenticeship, fee, full cost and project income which had resulted in a minor flux to the income figures.

Savings had been made where possible across the period of April to July, however, restructuring costs were not as high as had been expected.

A governor asked if all restructuring costs had been included in the accounts, even those that had not yet occurred. The Executive Director, Finance advised that any costs agreed up until 31.7.18 had been included as accruals. The Chief Executive suggested that there was still work ongoing to finalise costs but that this should be completed by the end of the following week. The Executive Director, Finance and HR Director were to meet with the Chief Executive to finalise. Key Performance Indicators (KPIs) had not been achieved but were not too far adrift. Pay cost to income ratio was slightly high at 68% and this would be an area of work. EBITDA was positive. Bank covenants would not be tested but would have been complaint.

The Executive Director, Finance continued adding that the accounts indicated an outcome of satisfactory but until they had been transferred onto the ESFA template the outcome was uncertain. It was felt that the accounts were on the high end of satisfactory but could potentially be awarded good. A governor asked if the accounts were borderline between satisfactory and good what would the likelihood of a good rating be? The Executive Director, Finance indicated that she would hope for the outcome to tip towards good if it was borderline but could not say if it would.

The update was received and noted.

F18/46 **Agenda Item 4 – Group Budget Monitoring Reports (incorporating SRC)**

The Executive Director, Planning and Infrastructure spoke to a suite of reports which had been previously circulated, highlighting the following points:

Apprenticeship income was lower than forecast at the previous meeting due to recruitment delays, delays in learners' achievement and an increase in 'breaks in learning'. The delay in recruitment meant that a lower starting point had been achieved. The Director of Business Engagement confirmed that a review of the funding forecasting tools in use was underway. A governor asked if this was a significant organisational concern. The Executive Director, Planning and Infrastructure advised that the difference between forecast and actual was bigger than previous years due to a lack of understanding with levies/non levies. Work was ongoing to ensure a more accurate and robust forecasting model was implemented. Another governor asked what had been done wrong and what needed to be done to correct this. The Director of Business Engagement advised that nothing had been done wrong, a new system had been used which simply highlighted the weaknesses of its predecessor and that the new system needed to be viewed as a new way of forecasting which would provide a large amount of data which needed to be streamlined. The Chief Executive added that there had been significant changes to the system that had allowed frailties to come to the

surface and a new streamlined system provide the Director of Business Engagement (Garry Potts, GP) and his team more meaningful data instead of spending time looking at spreadsheets. GP advised that he was working on a tool that allowed him to press a button and a report was generated with everything that is required. A governor asked what the timescale is on this. GP advised that he expected it to be completed in a week or so with a longer timeframe for dynamic profiling.

As requested at a previous meeting the Executive Director, Planning and Infrastructure presented apprenticeship recruitment graphs against national average, highlighting that SRC was in line with the national average. July recruitment had been more positive than originally thought. RCC would not be in line with the national average but ETO work was undergoing which should help to boost RCC recruitment. The Chief Executive was surprised to see that February and March was a strong month for recruitment. Michael Duffey (MD) advised that most organisations work towards a December deadline and then pick back up after the festive period.

The Executive Director, Planning and Infrastructure advised that the other income was higher than the original budget due to a number of variances but nothing of concern. A governor commented that this showed an upward trend. The Executive Director, Planning and Infrastructure added that there were no huge variances to subcontracting. It was anticipated that AEB devolution to Tees Valley Combined Authority (TVCA) would mean that TVCA would work with fewer providers and subcontract some of the budget through larger providers. A governor asked if the right conversations with the right people were going ahead regarding AEB Devolution. It was confirmed that everything that needed to be done was being done. The Chief Executive and Campus Principal, RCC had been invited to a lunch to discuss the Adult Education Budget which had gone well.

The reports were received and noted.

F18/47 Agenda Item 5 – Subsidiary Companies

Draft financial positions had been reported through NETA and TVC boards and had been agreed for inclusion in the year end accounts. Reports had been circulated prior to the meeting.

The Executive Directors Finance and Planning and Infrastructure spoke to the reports highlighting that NETA would have a year end position of a deficit [redacted] and TVC would have a deficit of [redacted]. Since the appointment of Kimberly Stevenson (KS) as Head of Estates and her management of TVC over the last six months, there had been a huge improvement for TVC. A governor asked if colleagues were happy with the direction of travel of NETA and TVC. The Executive Director, Planning and Infrastructure advised that the direction was encouraging but that a few concerns still existed. The Chief Executive added that there was a sense of positivity around NETA and that a visit

should be arranged for governors. The Executive Director, Planning and Infrastructure added that there was an issue surrounding physical room space capacity at NETA which was being explored.

The Executive Director, Finance informed members that the year end accounts would show a deficit due to the timing of pension fund payments.

The reports were received and noted.

F18/48 Agenda Item 6 – [redacted]

The Executive Director, Finance spoke to her previously circulated report advising that a key headline report [redacted] would be presented to the Merger Implementation Group (MIG) and a summary report would then be presented to the FE Corporation. [redacted]

Members received and noted the report.

F18/49 Agenda Item 7 – Future Financial Performance Reporting (Verbal)

The Executive Director, Finance spoke to the committee on the process for reporting future final performance, highlighting that due to the merger [redacted] the finances were more complex. Reporting would continue to be monitored against Governors' Budget and KPIs.

[redacted]

Another governor asked if there would be one report instead of a separate report for SRC and RCC. The Executive Director, Finance confirmed that it would be one report for the college group.

Members noted the update.

F18/50 Agenda Item 8 – College Finances

The Executive Director, Planning and Infrastructure spoke to his previously circulated report on English College Finances for 2016/17 from the Association of Colleges (AoC). It was reported that datasets were completely different for colleges due to their processes but that it gave a general picture of the sector. The main highlights of the report were; there has been a reduction in post 16 spending over fifteen years; AEB funding had been halved since 2010-11; and the number of Colleges had reduced by 20% in the last three years.

A governor expressed surprise at the headline statements made and the increasing burden of training and development costs on employers was discussed.

It was also reported that staff cost to income ratios were significantly higher in Sixth Form colleges. SRC was above the FE College average at [redacted] for 2016-17 but the 17-18 comparative figure was [redacted]. The Executive Director, Planning and Infrastructure suggested that this was a natural decline and that it meant Business Planning and Performance Review activities were being managed more efficiently. He agreed to share data with governors relating to debt levels for SRC and neighbouring colleges, noting that SRC debt levels had significantly reduced.

A governor asked what the potential impact of increased Teachers' Pension contributions would be. The HR Director advised that was about 2-3% or [redacted]. A governor noted the government were introducing an insolvency regime for colleges. It was advised that the FE Commissioner expected it to be needed in the North East.

Members received and noted the report.

F18/51 Agenda Item 9 – Group Employment Monitoring Reports

Reports had been circulated prior to the meeting. The HR Director spoke to his report and indicated that a more detailed report would be presented at the next meeting.

The reports was received and noted.

F18/52 Agenda Item 10 – ETO (Staffing Structures)

The HR Director reported that staffing reviews had gone as well as planned, as had the transfers of staff from RCC. There had been a small number of voluntary redundancies. A governor asked if staff who had taken redundancies were those who were expected and if there had been any that were not. It was confirmed that those who took redundancies were as expected. The Executive Director, Planning and Infrastructure advised that phase one was almost completed at RCC with a small number of ETOs to finish. Phase two would look at the need for severance payments but it was currently felt that this would not be needed. The Chief Executive added that the deadline for ETOs to be completed was 23rd November 2018. IT Services review was ongoing and HR review would be the last due to the new HR Director starting on 1st November. It was noted that Kimberley Collins, HR Manager would be leaving the College to pursue other opportunities.

Members received and noted the report.

F18/53 **Agenda Item 11 – HR and Payroll System Development**

The Executive Director, Finance spoke to her report. The new payroll system was up and running. There had been a few issues with the self-service element of the system but it was expected that these would be resolved by the end of October 2018. A lot of time had been spent on the payroll system resulting in the HR self-service element being behind the initial timescale.

The update was received and noted.

Fiona Sharp left the meeting

F18/54 **Agenda Item 12 – Trade Union Activity**

The HR Director advised members that the ballot on industrial action closed in the previous week. UCU advised that of the 212 eligible employees at SRC only 17 voted and this was not a sufficient turnout, therefore industrial action would not take place. The HR Director advised that a meeting was due to take place on 14th November with unions to discuss pay. A governor asked if the turnout and results had been similar across the sector. It was advised that the turn out had been less than 50% in the majority of colleges.

The update was received and noted.

F18/55 **Agenda Item 13 – Review of Travel and Subsistence rates**

A report had been submitted prior to the meeting and members were asked to **approve** the current Travel and Subsistence rates

Members **noted** and **approved** the Travel and Subsistence rates.

F18/56 **Agenda Item 14 – Infrastructure Update**

The Executive Director, Planning and Infrastructure spoke to his report noting that, with the exception of the firewall at RCC, the rest of the IT Infrastructure needed replacing. [redacted] All of the LRC had been updated and the majority of the curriculum areas has also been completed. This has been received positively by staff at RCC and seen as much needed. All curriculum areas were targeted to be completed in the next couple of weeks with all key data systems merged by 19th November 18.

[redacted]

Members received and noted the report.

F18/57 **Agenda Item 15 – Estates Strategy**

The Executive Director, Planning and Infrastructure spoke to his report on the Estates Strategy noting that it had already been presented to MIG. The main highlights of the strategy were to maintain the current estate, find alternative provision for the Prince's Trust at Bishop Auckland and look at investing in a 3G Astro pitch at Redcar. A governor asked who might provide capital funding for the 3G Astro pitch. [redacted]

The Chief Executive advised that a list of projects would be considered to MIG.

[redacted]

Another governor asked what the current state of the estate was? The Executive Director, Planning and Infrastructure advised that fundamentally the estate was in a good condition. RCC was in a good condition with a few areas that required improvement. NETA 1&2 required investment due to the age of the buildings, however, Cleveland Cable was the landlord of the NETA site and discussions were taking place with this company. Another governor asked who owned the land at Bede. It was confirmed that the Bede and Teesdale sites were freehold, while the Skills Academy building was leased from the council. A question was asked around the use of the land at Bede and its potential. The Executive Director, Planning and Infrastructure advised that the majority of the land at Bede was playing fields but there was potential to build a building similar to SRC Two, however, SRC was currently leasing the land to a nursery.

Governors **agreed** and **approved** the Estates Strategy.

F18/58 **Agenda Item 16 – Insurances**

The previously circulated report was taken as read and noted.

F18/59 **Agenda Item 17 – Review of Committee Performance**

A report had been circulated outlining the committee's performance against its terms of reference during 2017-18. Information on committee members' attendance was also provided and members noted that it had been 92% for 2017-18. Members noted that minor amendments to the terms of reference had also been proposed.

The Clerk added that there was still a vacancy on the committee that needed filling, an application had been received from a potential governor and the Chief Executive was due to meet with the applicant. A governor added that it was important to strengthen the committee. The Chief Executive informed the committee that through the Search and Governance committee it had been agreed to explore the use of recruitment

agencies to head hunt a governor with a strategic finance background. The Governance Support Officer advised that he had received two quotes so far from AoC Create and Peridot Partners and was waiting confirmation on a third quote. A governor asked if we could go back to Peridot and negotiate on the price.

Another question was asked about the number of governors who claimed for mileage. It was confirmed that currently three governors claim. The committee discussed that the majority of external governors sit on MIG and that it was a possibility that one could move over to Finance and Employment Committee.

Members **agreed**:

- i. that the committee had fulfilled its terms of reference during 2017-18;
- ii. to recommend the amended terms of reference to the FE Corporation for approval.

F18/60 Agenda Item 18 – Any other Business

The Executive Director Finance had one item of AOB which was presented by the Executive Director, Planning and Infrastructure. Cleveland College Ltd was a wholly owned subsidiary of Redcar & Cleveland College which transferred to SRC on 1st August 2018. The company was not used anymore and so the Executive Director, Finance would wish to apply to Companies House to have it struck off the register. Approval would be sought at the next meeting of F&E for recommendation to the FE Corporation.

Governors also thanked the HR Director for all his hard work at the College at this, his last meeting of the Committee.

F18/61 Agenda Item 19 – Date and Time of Next Meeting

Thursday 29th November at 5:45pm for a joint meeting with Audit Committee followed by F&E Committee at 6:45pm.

F18/62 Agenda Item 20 – Key Themes

The Chair agreed the following key themes in liaison with the Clerk and Governance Support Officer:

- Considered the Group Monthly Management Accounts and Budget Reports
- Received an update on College Finances
- Noted updates on ETO (Staff Structure)
- Discussed the current group estate and the estates strategy
- Simplification of financial reporting