

## FINANCE AND HUMAN RESOURCES COMMITTEE MEETING

Draft minutes

<b>Date</b>	<b>1 March 2017</b>	<b>Time</b>	<b>14.00</b>
<b>Venue</b>	Station Plaza Boardroom		
<b>Chair</b>	Pat Farmer		

### Membership:

Pat Farmer (Chair); Sue Walton (Vice Chair); Tony Campbell OBE KSG FRSA; Principal (Clive Cooke); Paul Evans (co-opted); Ken Melsom MBE JP

### Apologies:

**Lead officers:** VP Corporate Services (Biram Desai);

**In attendance:** Head of HR (Melanie Price); VP Enterprise, Employment and Skills (Dan Shelley);

At 13.15 the Chair and Vice Chair met with the Student Services Manager (Hannah King) and to hear about the work going on in their area (see appendix for headlines).

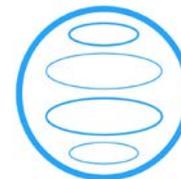
	Item	Action
1.	<b>Apologies</b> Apologies were received from Ken Melsom and Paul Evans.	
2.	<b>Declarations of interest</b> The Chair declared an interest as a member of the Hastings and Rother Task Force.	
3.	<b>Minutes of the last meeting held on 23 November 2016</b> <b>RESOLVED: The minutes of the last meeting were agreed as a true and accurate record. Proposed: PF Seconded: TC. CARRIED</b>	
4.	<p><b>Matters arising on the minutes</b></p> <p>The VP CS reported that the Plaza Trading board had considered the request for an additional board member and agreed that it would be appropriate to open up to the full board for expressions of interest. The VP CS to check governance arrangements of the Plaza Trading Company around board members sitting on the board.</p> <p>The VP CS noted that the KPI dashboard revisions are a priority for 2017-18.</p> <p>The Vice Chair noted that access to ProMonitor is on-going and he hopes to resolve with the MIS manager today.</p> <p>The Chair of Corporation noted that he would be speaking with the Principal about how College and TU funds are being utilised and would report back to the Corporation as appropriate.</p>	<p>VP CS</p> <p>Chair of Corp.</p>



5.	<p><b>University Centre business case</b> <b>The latest Heads of Terms</b></p> <p>The Principal clarified that a small group (PF, DG, SH and the VP EES) have been working on the Heads of Terms. The VP EES reported:</p> <ul style="list-style-type: none"><li>• The bid to the catalyst fund to HEFCE for £100k has been submitted. The VP CS and VP EES have been in discussion with the College lawyers and a final version is being sent through today. The key focus of the lawyers work is around the termination clause. The College is going to suggest that there is a 4 rolling year contract with 24 month break clause. The final version will go out to the small group via email alongside the loan agreement up to £180k, the Havelock loan agreement with the 3 year rent free option and the validation agreement</li><li>• The Committee questioned the timescale for the works on the 5<sup>th</sup> floor and the VP CS confirmed that the College would like to put the tenders out by the end of March</li><li>• The Chair noted that the request for capital expenditure for the University Centre, up to the total investment of £500k was dependent on the success of the HEFCE bid and the revised Heads of Terms.</li></ul> <p><b>RESOLVED: The Committee recommended to approve capital expenditure of up to £500k for the creation of the University Centre on the 5<sup>th</sup> floor at Station Plaza, subject to a successful catalyst fund application and receipt of the Heads of Terms. Proposed: PF; Seconded: TC; CARRIED</b></p> <p>The proposal and Heads of Terms will be presented to the Corporation on the 10 March 2017. A detailed project plan and a tour of the 5<sup>th</sup> floor will come to the May F&amp;HR meeting.</p>	
6.	<p><b>E Learning update</b></p> <p>The VP EES reported that the College is still working on securing a new contract with a supplier for e learning. Drafts Head of Terms will be with the College on Tuesday. The College is working with a search engine optimisation company and subject to contract and agreement will start piloting on a small number of learners towards the end of March. The company will feed the College with the leads and College staff will manage sales. The change of process will ensure that the College has complete control of the learner journey.</p> <p>The Committee questioned whether the new route will get the College back on track with e learning. The VP CS reported that he felt positive but prudent about the new venture. The College needs to be mindful that it's focus is success rates and quality rather than exclusively high numbers of learners and it needs to make sure it works in a limited way before it is expanded.</p> <p>The Committee asked if there is a plan b if it is not a success. The VP EES noted that there is. He is in discussions with a colleague from Monster who is setting up his own venture and has the leverage to access a national audience.</p> <p>The Committee asked about the monies owed from Acquire. The VP CS reported that the insolvency process is completed showing a significant excess of liabilities over assets. The College stopped paying commissions to Acquire that were due and is still continuing to earn funding from the active students. The Committee questioned whether the commissions owed are in excess of the debt provided at year end and the VP CS confirmed that they are. The College has been in contact with the parent company in Australia and a response is pending.</p>	



	<p>The Committee noted that the Audit Committee has requested a final statement on the finances from Acquire at its next meeting.</p>	
7.	<p><b>Performance Update</b>  <b>Key Performance Indicators relating to Finance</b>  The VP CS reported that the College is slightly behind year to date income partly due to the e learning shortfall. There has been a surplus hit as a result of an EFA funded contract delivered through partners where the College may not get the funding in year. The College is currently chasing for the funds. Staff costs remain at 64% of income. All the main funding streams are on target and the VP CS, VP EES, Head of Finance and Head of MIS are reviewing finances on a monthly basis. The bank balance is positive but does have a dip in the April period.</p> <p><b>Key Performance Indicators relating to HR</b>  The average number of sick days per person is 5.9 which remain below the sector average of 8. The figure is slightly up on last month. HR has been carrying out far more work with departments to ensure accurate reporting. There were some staff on long term absences that have now left the organisation.  Staff turnover stands at 6.4%. There have been a few voluntary leavers. The College is working hard to retain staff.  The Committee noted the report and suggested that the last page of the KPI document should have a green rating for staff absence.</p>	Head of HR
8.	<p><b>HR update</b>  <b>Performance management reviews</b> There has been a 98% completion from last year. Moderation shows that reviews seem fairly consistent. There is a far more robust midyear review process taking place in March/April to check consistency. The whole process has been strengthened from last year and there are more interventions taking place to ensure staff are meeting the required standards. The Committee questioned why the figures are so positive in relation to the recent Mocksted outcomes and the Head of HR noted that the reviews are based on last year's objectives; this year far more robust targets have been set. Teachers have specific targets and the same set of metrics which are a lot more robust and easily measurable.  To date 96% of individuals have got objectives set for them for the year ahead. Areas not yet set are Estates, where there is a restructure in progress and some cleaning posts. All have been moderated and have SMART targets in place and the College will start reviewing how people are progressing against those targets.</p> <p>The Committee asked about recruitment in skills shortage areas. The Head of HR reported that for Chemistry interviews are taking place tomorrow and national campaigns are underway in Construction and Engineering. Emergency cover is taking place in all shortage areas and there is a real struggle to find the staff to deliver A levels. The Principal reported that all parents will be told this week that there will be an Easter chemistry course to rerun the last 6 weeks of the curriculum.  The Committee asked if there were any schools to help with the supply of teachers in the short term. The Head of HR reported that the College has tried hard to work with the local schools but due to the different timetabling and their own struggles with capacity there had been no success to date.</p>	
9.	<p><b>Financial Planning</b></p>	



### **a) January 2017 Management Accounts**

The VP CS reported that there is no change to the overall revised operating surplus forecast from December 2016 management accounts (£11k). The original budget for the full year operating surplus was £520k.

There are 3 main areas for the reduction:

- The College has allocated specific subcontracting activity higher than originally anticipated in the budget. The college took on a contract at the request of EFA where the original contractor could not deliver. An EFA letter has been received to say that the College doesn't trigger the funds. The VP CS noted that this is disappointing and the EFA is being challenged on the decision. The Committee asked if there is an appeal process as the College was helping out an organisation that was struggling to deliver. The VP CS noted that there is an appeal process but the likelihood of getting any further is limited.
- Income assumptions on e learning activity has been revised downwards
- Some extra spending has been identified in year to support learning, assessment, teaching and quality
- With the revised forecast the College remains on target to meet Satisfactory Financial Health. It is forecast that the College's current performance will achieve the minimum points (120 of a score between 120-170). The VP CS confirmed that the College will pass its banking covenants

### **b) Budget 2017/18 – initial assumptions** (see emerging financial themes for budget 2017-18 paper)

The VP CS reported as follows:

- There are some material uncertainties in the sector meaning the budgeting has entered a new period of challenge
- There is a level of uncertainty while the College waits for the apprenticeship levy allocations. The College is applying for 1% of the pot which is oversubscribed by four times. The SFA haven't published their method for allocation
- By the 8 March the College needs to submit 4 years of financial forecasts for the business case to KPMG and the Principal reported that the best case scenarios for all income streams will be submitted

[confidential item]

### **c) Banking covenants**

The VP CS updated the Committee as follows:

The College currently holds three loans on commercial terms with Barclays. The bank sets two covenants which the College must fulfil as a condition of the loans. The changes resulting from FRS102 means that the current bank covenant tests need revision in order to maintain a risk neutral profile. The VP CS explained that Barclays have a range of covenants for different colleges and want to move to a consistent set that takes into account FRS102. The VP CS has proposed a risk neutral set of banking covenants that have been agreed by the Barclays Relationship Manager and have gone forward to the Barclay's Credit Committee subject to approval by the Audit and F&HR Committee. The Audit Committee reviewed this morning and noted that they were broadly in agreement with the proposals from the VP SC subject to rounding the operational gearing figure to 1000% and maintaining the debt service cover at 100%.

The Committee noted that they were in agreement with the Audit Committee.



	<p>The Committee questioned how the bank is feeling about the sector and it was noted that they are treating the sector in a different way, are looking to reduce exposure, are not lending any new money and are looking at unsecured lending. The Committee questioned how much of the sector Barclays work with and the VP CS confirmed that Barclays work with 40%, Lloyds 40% and 20% is from other banks. The Vice-Chair noted that as part of the TU bid Barclays will need to disclose their terms for a loan to allow the TU to see if they can better the terms.</p> <p><b>RESOLVED: The F&amp;HR Committee agreed with the Audit Committee's recommendations for the banking covenants subject to rounding the operational gearing figure to 1000% and maintaining the debt service cover at 100%</b></p>	
<p>10.</p>	<p><b>Sussex Skills Solutions update</b></p> <p>The Chair reported that the last JWG meeting had agreed the business plan for SSS after additional input had been put into the plan from PF and Tom Wilson (SDC governor). The essence of SSS is that both colleges working together are greater than the sum of the parts. SSS is currently forming an Employer Board with a first meeting date planned after Easter. The board is aiming for 10 employers covering all sectors, relevant SLT and one Corporation member from each college. The aim of the board is to be advisory, contribute to the vision and ideas of SSS and input business expertise.</p> <p>The VP EES reported that the Colleges have aligned the two sales teams and have just gained agreement from SDC to take forward the Work Based Learning delivery which will be fully operational from 1 August.</p> <p>The monitoring of the KPIs for SSS will come to F&amp;HR in June.</p> <p>SSS is currently working with around 25 levy employers and has already got a number of in principle agreements to work with private and public sector organisations.</p>	<p>VP EES</p>
<p>11.</p>	<p><b>Subcontracting</b></p> <p>a) <b>Update on overall subcontractor landscape 2016/17</b></p> <p>The VP EES reported that the paper provides an overview of the subcontractor landscape. The majority of funding streams are on track with 16-18 delivery slightly over target and adult delivery slightly under meaning the College will achieve the amount of delivery but not in the agreed age ranges. In the Adult Skills Budget there is a risk of under delivery so the College has gone out to a small number of partners; there is no impact on the bottom line. 19+ loans have started working well and there may be a way of adapting to continue the delivery of loans.</p> <p>b) <b>Approval of proposed changes to some contracts</b></p> <p>The College is allowing slight growth in some areas.</p> <p>For Internal apprenticeships the College is on target to hit 16-18 delivery and is under for 19+. It is making up ground at the moment with a surge in business prior to the levy starting.</p> <p>c) <b>Overview of proposed process for allocating 2017/18 volumes</b></p> <p>The VP EES noted that the paper provides an overview of the process which includes slight additions to the process for 2017-18.</p> <p>As part of the levy work the College is working on a revised version of 19+ loans. The College is not allowed to subcontract contracts anymore that finish after 31 July. A proposal to pay Learning Curve a finder's fee and pay assessors to deliver the courses is being worked on.</p>	



	<p>On Monday the College submitted a 1% speculative bid of an additional £1m. The VP EES noted that it is a hugely competitive tender. Further information will be available in May.</p> <p><b>RESOLVED: The Committee recommended to approve the proposed changes to some contracts and the proposed process for allocating 2017-18 volumes. Proposed: PF; Seconded: TC. CARRIED</b></p>	
12.	<p><b>Risk Management Update – Risks allocated to F&amp;HR Committee</b> The VP EES reported that there are 12 risks reported to F&amp;HR. It was agreed that they had mostly been discussed as part of the agenda. The VP EES noted that the majority are being managed effectively.</p> <p>The Committee asked for further detail on international income. The VP EES reported that it is reported separately as £189k revenue to end of January. Good initiatives are taking place and the Head of International is confident of meeting the target. There has been a significant upturn in summer groups. The third year of Thai students will visit the College this month.</p>	
13.	<p><b>Action plan for Financial Regulations</b> The VP CS reported that the SLT are committed to updating the Financial Regulations. To date 7 other college’s financial regulations have been considered alongside the KPMG model financial regulations. These will be analysed to find a best practice set to come as a draft to the next Audit and F&amp;HR committees. The aim is to allow flexibility in the regulations to encompass new innovative areas of business to be taken up whilst maintaining controls. The Chair asked that the revised version is tracked to show the changes easily.</p>	
14.	<p><b>Policy for Tuition and Other Fees</b> The VP CS reported that fees are remaining unchanged and the College sees no benefit in raising fee levels at this time. The policy clarifies the apprenticeship levy model and the fees for degrees and top up courses through the University Centre.</p> <p>The Committee considered the £7500 fee for degrees at the UC compared to £9000 at the UoB and it was agreed that monitoring recruitment success was important to see if a further drop in fees might increase numbers. <b>RESOLVED: The Committee recommended to approve the Policy for Tuition and Other Fees. Proposed: PF; Seconded: SW; CARRIED</b></p>	
15.	<p><b>Accommodation and Estates Report and Planned Maintenance Progress Report</b> The VP CS noted:</p> <ul style="list-style-type: none"> <li>• the key piece of work is planning and fitting out the 5<sup>th</sup> floor.</li> <li>• Glazing has improved the student experience at the realistic working environment at Ore.</li> <li>• There has been some relocation of areas at Station Plaza – the art shop, commercial and student engagement have all moved</li> </ul> <p><b>Planned maintenance</b> – the VP CS reported that the Audit Committee has asked that as part of the re allocation of internal audit days 3 days are used to look at planned maintenance. The VP CS noted that planned maintenance is being managed and is on track. The Chair welcomed the internal audit days and asked for a copy of the report to come to the Committee when available. He questioned the usefulness and thoroughness of the planned maintenance report included in the papers.</p>	Dir of Gov

16.	<p><b>Health &amp; Safety Report</b> The VP CS reported that a good H&amp;S committee meeting had taken place and thanked the Chair of Corporation for deputising for the Vice Chair. There have been no reportable RIDDOR incidents. An increase of accidents can be seen due to more effective reporting processes. The H&amp;S report is going to be reviewed for improvements and completeness of the data. It was agreed that more detail on the thoroughness of the H&amp;S audits should be shown in the report. The Chair asked that the report comes to the Committee again this academic year. Fire drills have been carried out and a proposal for an external body to monitor the timing of the evacuation to give an expert view was agreed as a good idea. SW to provide details to the VP CS of suggested firms to use. The Chair of Corporation asked about the monitoring of work experience students and the VP EES noted that new processes are being rolled out using the existing H&amp;S system which follows FE sector rules on what constitutes a work placement and the requirements.</p>	VP CS  VP CS/SW
17.	<p><b>Update on auditors</b> BDO have indicated they will be resigning as external auditors due to resourcing issues, and the internal auditors RSM three year term finishes at 31st July 2017. A tender process is underway.</p>	
18.	<p><b>AOB</b> The VP EES reported that the Brighton Film School wants to move from using Chichester College as its prime contractor for HNC and HND delivery to the College. The contract is £750k and the College will take a management fee of 10% to bring them over. This will fund quality staffing for the Colleges HE students.</p>	
	<p><b>Meeting dates:</b> Wednesday 3 May 2017; Wednesday 7 June 2017</p>	
	<p><b>MEETING CLOSED at: 16:05</b></p>	

8.	<p><b>Confidential HR update [confidential item]</b></p>	
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Attendance: 2016-17: 73%  
Length of meeting: 2hrs 5 mins

Impact of governance:

KPI dashboard – an updated dashboard for effective monitoring is a priority for the SLT

Monitoring on planned maintenance through internal audit was welcomed and will come back to the Committee for review