The Sheffield College

Finance Employment and General Purposes Committee

Date 9 May 2017

Clerk to the Corporation

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Venue Board Room, City Campus

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

In attendance
Rav Garcha, Financial Consultant
Iain McKinney Vice Principal, for agenda part 3
Jason Pepper, Executive Director Finance and Resources
Alison Shillito, Clerk to the Corporation
Heather Smith, Executive Director and College Principal

Minute		Action
17/3/1	**Apologies for absence** Apologies for absence were received from Ian Brown, Darren Tidmarsh and Andrew Hartley. The Chair welcomed, Rav Garcha, the newly appointed Financial Consultant. The meeting was confirmed as quorate.	
17/3/2	**Minutes of the meeting held on 27 March 2017** The minutes of the meeting were agreed as an accurate record.	
17/3/3	**Declarations of interest** There were no declarations made.	
17/3/4	**Matters arising and action record**	
4.1	Confidential Minute 17/2/5.4 refers: Monthly Management Accounts The Director of Finance confirmed that the College is challenging an assessment of rates due for the Norton site. It was also confirmed that the College is awaiting communication from Sheffield City Council about the cost of works to provide a car park.	**EDF&R**

Iain McKinney attended the Committee to present the following item 3

17/3/5 Proposed development with SWFC Community Programme confidential

5.1 The Vice Principal presented a detailed business case setting out the costs, benefits and opportunities of working with Sheffield Wednesday Football Club Community Programme (SWFCCP) to provide Levels 2 and 3 Sports education programmes. The Committee considered the proposal as follows.

5.2 The College works with SWFCCP on other activities but the charity's current education provision is provided under a sub-contract arrangement with RNN Group. SWFCCP are looking for an alternative partner. The benefits of the College becoming that partner are

- The opportunity to increase numbers of 16 – 18 year old learners (albeit at a smaller margin) at a time when the demographic curve in the numbers of 16-18s in the City of is still declining. The programme has around 200 learners, many of whom come from the College's catchment areas.

- The College has a proven track record of working successfully on similar programmes with other providers. The SWFCCP programme will complement existing provision and generate growth in a curriculum area that has capacity and expertise to support it.
- The College will directly provide Functional Skills to SWFCCP which will generate income for the College and there may be other opportunities to work with SWFCCP and the benefits of affiliation.
- Concluding an agreement, will mean that the programmes are wholly supported by providers based in Sheffield and students, who will have access to the College's Learning Resource Centres, may be attracted to progressing to HE or other courses at the College.

5.3 The costs and risks of the proposal discussed included

- The impact of the proposal on the College's cash flow in 2017/18 as the ESFA lagged funding model would mean that the additional numbers would not be counted into the College's funding grant until 2018/19. It was noted that this is a challenge for any increase in the numbers of ESFA learners.
- The College needs growth to ensure sustainability. The financial contribution of this provision would be at a lower margin than some types of provision, but higher than others.
- The College would need to ensure that quality is maintained. The size of the SWFCCP provision would be around 3-4% of the College's total 16-18 provision and any significant deterioration in learner experience or achievement would have an impact on overall performance. It was noted that the curriculum team are located near to the SWFCCP and have demonstrated (with SUFC) that they can work with partners to ensure high quality provision. Given the size of the programme, a dedicated member of staff will also be timetabled to provide on-site support at SWFCCP each week.
- Equality and diversity – it was noted that a high proportion of the learners are male, albeit from disadvantaged backgrounds. Governors wanted to know how the College could influence the provider to address the gender balance. The Vice Principal responded that this is an area that the club is keen to address. SWFC has a women's team and SWFCCP is interested in diversifying its programmes to be more attractive to young women. A mutual commitment to have due regard to equality considerations and make progress to overcome disadvantage would be included in the contract.

5.4 The Committee decided that the arguments for growth, strategic fit and affiliation are persuasive and approved the proposal subject to final contract terms being agreed and signed by the Chair of Governing Body. The Committee thanked Iain McKinney and colleagues for bringing negotiations on a significant new partnership to a satisfactory conclusion. **Vice Principal**

17/3/6 Revised Financial Outturn 2016/17 confidential

6.1 The Executive Director of Finance and Resources (EDFR) presented the report, which reported a significantly improved outturn as compared to the November 2016 forecast. The Committee considered the report as follows.

6.2 It was noted that the improved forecast indicated that the College would end the year with a surplus, meet its debt servicing bank loan covenants and maintain or improve its 'satisfactory' financial health rating. Governors wanted to understand the reasons for the substantial differences between the negative November forecast and the revised positive outturn. The EDFR responded that there had been a marginal improvement in income due to SFA changes; tight control of staff expenditure and the timing of the Norton disposal, which had been uncertain in November so was not included in the forecast.

6.3 Overall the percentage of turnover attributable to staffing costs is forecast to rise to around 70% compared to a regional sector average of around 62%. This is partly a result of the reduced turnover and it reflects the growth in staff costs at a time when the College's income is reducing. There will be further increases in employment costs in 2017/18 and governors emphasized that this must be addressed.

6.4 It was noted that the growth in staff costs appeared more marked in managerial and support staff categories. This seemed to be a growth in the cost of the College's overhead which would reduce competitiveness with other providers. Governors wanted to understand the reason for these changes. The Committee accepted that the profile of the College's workforce would need to change as its portfolio changes, e.g. to support apprenticeships, but its costs could not continue to outstrip income. The Committee strongly recommended that further consideration be given to re-balancing the workforce profile as part of completing the sustainable resourcing proposals.

6.5 Academic agency costs had not reduced in line with student numbers. The Principal commented that there had been changes to make the College's portfolio more efficient but it had not been possible, in-year, to shrink the footprint to match the drop in numbers. Some lower recruiting provision, now closed to new recruitment, continues to run-out with small class sizes. The Committee recommended that Planning and Performance Committee review the impact of run-out provision as part of its brief.

6.6 The Committee noted the report and commented that achieving a surplus outturn is a significant achievement for the College. Governors acknowledged the hard work of staff to achieve this but noted the apparent conflict between this forecast and previous messages communicated to staff. It was commented that the new position would need to be fully and effectively communicated to staff so that it did not undermine staff trust in future messages about the continuing financial challenges. It was also noted that the College's underlying cash position for the year would be negative – a net cash outflow for the year. This is a complex message to convey to staff and the CEO agreed to reflect this in reporting via his cascade brief. **CEO**

17/3/7 Monthly Management Accounts March 2017

7.1 The Committee received the Monthly Management Accounts for March 2017, which confirmed the improvement in the outturn forecast discussed earlier in the meeting. It was noted that the College would trade for the remaining months of the year in deficit. The EDFR explained that this was because of timing of some non-pay expenditure that had still to be paid over.

7.2 The Committee noted the Monthly Management Accounts and that the Financial Consultant is developing proposals for changes to the MMA report format to give more insight to governors and be more efficient to produce. **FC**

17/3/8 First Draft Budget 2017/18

8.1 The Committee considered the draft budget for 2017/18. The report aimed to present and analyse the information already available about 2017/18 income, costs and the results of the curriculum planning change initiative in order to establish the basis for developing a sustainable budget.

The Committee discussed the report as follows.

8.2 The reduction in ESFA income in 2017/18 will be a significant challenge. Income from other grants and subcontracts from other providers are also likely to decline as the sector changes. This should be offset somewhat by Apprentice Levy income and the College's investment in business development is generating new apprenticeship leads. Uncertainty and risks remain in predicting apprenticeship income and as discussed earlier in the meeting, the growth in the new mix of provision will need to be resourced while the College is continuing to see out other provision that is declining.

8.3 The costs of employing staff are increasing as the College feels the full effect of paying the apprenticeship levy (which should be recoverable), higher employer pension contributions, salary progression increments, and a cost of living pay award. The draft budget assumes some vacancy saving. Governors suggested fixing this as a set percentage of the pay budget which would be a target.

8.4 The College's reliance on agency staff is relatively high. To support growth, and quality improvement. The College wants to invest in established teaching posts and to do this it needs to achieve efficiencies elsewhere. With the steer from the Committee and Governing Body on the budget targets, then the Executive Board will proceed to refine and prioritize options for sustainable resourcing to achieve those targets. The proposals would be presented initially to the Committee on 5 June and then for wider discussion at the Strategy Event on 12 June. **CEO**

8.5 The Committee <u>noted</u> the report and commended it for consideration by Governing Body with the recommendation that the most important criteria for the 2017/18 budget should be that the College would:

- achieve an ESFA financial health calculation of satisfactory or better;
- meet its debt servicing covenants; and
- maintain cash reserves at same level as at 2016/17 outturn.

17/3/9 Human Resources Management update confidential

The Committee recommended that this report be considered by Governing Body as it included useful information about developments and the initial results of the 2017 Employee Engagement Survey. **Clerk**

17/3/10 Business Development update confidential

The Committee deferred the report for consideration at its next meeting on 5 June.

17/3/11 Tuition Fee Policies

The Committee <u>approved</u> the policies for FE Fees, Apprenticeship Fees and HE Fees for 2017/18. The College would re-consider HE fee policies for 2018/19 in line with reviewing its Access Agreement submission. **EDHR and EDFR**

17/3/12 Amendment of the bank mandate

The Committee <u>approved</u> the addition of Rav Garcha, Financial Consultant, as an authorised signatory to the bank mandate of the College and its subsidiary companies and the removal of Jason Pepper from the mandate with effect from 9 June 2017. **Clerk**

17/3/13 Any other business: EU Court ruling on Brockenhurst College VAT case

The Committee noted an update on the recent outcome of a tax case which confirmed that VAT is not due on the income generated from college training enterprises such as the training restaurants or hair and beauty salons, where services are supplied by students as part of their course, primarily for education purposes. The College operates similar facilities and has been pursuing a claim with HRMC. This decision should result in a tax refund for the College and future savings, since we are making payments to HMRC on the above at the current time.

17/3/14 Review of meeting

It was noted that the draft schedule of meetings for 2017/18 proposed to replace May and June FEGP meetings with a single meeting in mid-May. Members commented that an early meeting to look at budget parameters had been most helpful and would want to ensure that the pattern of meetings includes an opportunity to have this discussion next year. **Clerk**

17/3/15 Date of next meeting

Monday 5 June 2017 at 8.00 am in the Boardroom, City Campus