
Date: 29 February 2016

Venue: The Board Room, Sheffield City College

Present: Neil Fletcher - Chair
Kathy Atkin
Seb Schmoller
Kim Streets

In attendance: Anik Arya - Grant Thornton
Jason Pepper- Executive Director, Finance & Resources
Clare Partridge - KPMG
Will Simpson - Grant Thornton
Heather Smith - College Principal
Val Struggles - Clerk to the Corporation

Action

- 16/1/1 Apologies for absence**
No apologies for absence were received.
- 16/1/2 Declarations of Interest**
Kathy Atkin declared that she had contributed to the Internal Audit Review on Commercial Costing Model in her capacity as Planning and Performance Officer.
- 16/1/3 Minutes of the joint meeting held on 30 November 2015**
The minutes were approved as an accurate record.
- 16/1/4 Matters Arising**
Minute 16/4/12: Committee's annual assurance report

Following the last meeting the Code of Good Governance was submitted to the December meeting of the Governing Body when the Chair provided Governors with a briefing and the Chief Executive undertook to map the work of the strategic objectives steering groups with the requirements of the Code. (See also minute 16/1/11 - Any other business)

Termly Review of Risk Management Framework 2015/16 - Confidential report

The report was marked confidential due to the commercial sensitivity of its content. Members were informed that since the last meeting the following changes have been made:-

- i) One new risks has been added to the register (R92) relating to 'failure to achieve a grade of 'Good' at Ofsted re-inspection'
- ii) Three risks have been removed, namely
 - 'failure to maintain an Ofsted grading of 'Good' or better' (R88);
 - 'failure to adequately plan and execute the redevelopment of the Applied Engineering campus' (R71) and
 - 'failure to adequately plan and execute the construction of the Hillsborough campus extension' (R72).
- iii) The rating of five risks have been amended, details of which were provided in the report. In the case of two, the rating had been reduced (R73 and R15) and for the other three (R1, R83 and R36) the ratings have been increased.

During discussion the following points were raised:

- i) Following changes to the strategic planning framework, individual risk will be re-reference accordingly.
- ii) In relation to R20 ("Failure to maintain an adequate level of working capital"), clarification was requested regarding how much lower the current year end forecast outturn was compared to budget and the impact this could have on the bank loan covenants. Members were provided with details which will be included in a report to be presented to the FEGP Committee meeting on 7 March, which will outline the current forecast and anticipated year-end position based on the worst case scenario. The risk of AIB withdrawing the revolving credit facility was low given that the bank would have first call on the proceeds from the sale of Norton campus to cover this.
- iii) Clarification was sought also on the extent of the impact of the recent Ofsted inspection outcome and the accuracy of the ratings and mitigating action applied to the previous related risk (i.e. R88). Members expressed the view that the likelihood and impact ratings allocated to the new risk (R92) need to reflect Governors' confidence that the post inspection action plan and associated strategies will achieve a grade of 'Good' at re-inspection.

It was acknowledged that currently the College is facing a number of finance and quality related risks, which will be discussed and monitored by the Governing Body and / or relevant Committee. Prior to the next meeting the Executive Director, Finance and Resources will consolidate associated risks, thus minimising any overlap and facilitating Governors' monitoring process.

ED F&R

Chair

Arising from discussion of this item, the Chair undertook to convey to the Chair of the Governing Body, the potential risks associated with the recruitment of the Clerk's successor.

16/1/6 Annual Report on the college's compliance with legislation / regulatory requirements 2014/15

The Committee considered the report which summarised the current position regarding the ongoing review of College policies and procedures to ensure that these are fully compliant with legislation / regularity requirements. In addition to providing Governors with assurance, details of policies and procedures were often required to support bids for funding. The Committee was reminded that the Code of Good Governance (referred to in minute 16/1/4 above) is a mechanism for assuring Governors on the level of compliance and consequently members were asked to consider whether in addition to the Code they wished to retain the annual compliance review also.

It was agreed that the Code of Good Governance provides a vehicle for the Governing Body to self-assess and improve operational governance whilst the annual review is a summary of policies and procedures required and the monitoring process. Consequently the latter should be retained in addition to the Code and extended to include reference to the various audit arrangements (i.e. funding; sub-contracting; internal; financial statements and regularity). The Code and annual compliance report will be updated before the end of July 2016.

Clerk

16/1/7 Internal Audit Review (IAR) Reports - second tranche

1 Review of Subcontractor (Provident Training)

The scope of the review focused on information provided by the SFA concerning potential irregularities in relation to the delivery by a subcontractor and the legitimacy of evidence it provided to support SFA payments. The review covered subcontracting delivered during the period 2011 and 2015. From the sample selection of 30 files (in accordance with SFA's requirements), no evidence was found of exceptions other than in relation to awarding body registrations, in respect of which the Auditors had been unable to obtain any evidence. Overall the review confirmed that controls and processes were in place

in respect of enrolments; transfers/withdrawals; completion; monitoring and eligibility.

2 Commercial Costing Model

The scope of the review focused on the revised commercial costing model to be used to evaluate the financial viability of individual products prior to approving the activity. Arising from the review there were 2 medium and 2 low priority recommendations, all of which had been accepted by management. The overall assessment of the findings had been rated 'green' ("We have identified matters which, if resolved, will help management fulfil their responsibility to maintain a robust system of internal control.")

3 Finance Team Operations

The scope of the review considered the wider operations of the Finance Team including its structure, capacity and individual skills to provide appropriate oversight and segregation as well as supporting the production of management information reports. Arising from the review the overall assessment was rated 'green', with 2 medium and 1 low priority recommendations and an area for improvement all of which had been accepted by management. The Committee was informed that at the time of the review a restructure was planned in order to create discrete teams focusing on particular functions and to facilitate skills sharing. The report provided a comparison with other colleges (based on levels of income). The Committee was assured that the College's staffing levels are appropriate and allow for the work undertaken for the College subsidiary companies and the UTCs.

4 Progress Report

The Committee received the report and noted that fieldwork in relation to the Additional Learner Support IAR was complete with the report issued for management comments. Fieldwork has commenced for the UTC Academy Sponsorship and Governance of subsidiary companies whilst the IAR for cash flow forecast and budget modelling is due to commence on 7 March. Due to the subcontractor review (minute 16/1/7.1 refers), commissioned to meet the SFA's requirements, the total number of audit days was expected to increase by 7.25 (i.e. to 114.75 in total).

The scheduling of fieldwork within the Plan previously agreed by the Committee was noted, including some changes to the timing of fieldwork. At the request of the Chief Executive, the cash flow IAR had been extended to include budget modelling / financial forecasting. Members acknowledged that the Plan is intended to be flexible to enable priority risks to be rescheduled or incorporated if necessary and authorised the Executive Director Finance and Resources to liaise with the Internal Auditors accordingly.

ED F&R /
GT

Members requested that the Chair of the Planning and Performance Committee is consulted at the time when the scope of IARs for Curriculum Quality and Delivery of On-line provision are being drafted, (both scheduled for May) to ensure that these are undertaken in the context of the outcome of the Ofsted inspection. As a general rule the Committee would expect appropriate Chairs/ Governors to be consulted when the scope of IARs is being drafted and for final IAR reports (including management comments) to be circulated to relevant Committee(s). The Chair agreed to raise at the next Chairs' meeting the suggestion that relevant internal steering groups are also involved in scoping the remit of IARs.

ED F&R /
GT

Chair

16/1/8 Review of subcontracting arrangements - Confidential

The Committee noted that the review had been undertaken by KPMG (as Financial Statements Auditors) to comply with a new requirement implemented this year by the SFA. The review was designed to evaluate the design and operational effectiveness of the College's policies and procedures to achieve compliance with subcontracting arrangements as set out in the funding agreements. The review covered 5 SFA funded subcontractors from which 2 medium and 6 low priority recommendations had been made all of which were agreed by the College. KPMG confirmed that the findings from the College audit compared well with other organisations and the areas of non-compliance identified were relatively minor.

The Committee was informed that the College has recently gained Merlin accreditation for subcontracting as a consequence of which it is one of a small number of Colleges able to bid for external funding.

16/1/9 Management Review of Implementation of Audit Recommendations

A report was tabled summarizing progress towards the implementation of internal and external audit recommendations since March 2015. Although the recommendations relating to the audit of the 2014/15 Financial Statements had not yet been added to the register, members were assured that these are being implemented. The Committee noted that of the 18 recommendations, 72% (13) have been implemented. Of the remaining 5, 4 are overdue and 1 is ongoing.

Two of the outstanding recommendations related to the IAR on staff performance management and members were informed that the medium recommendation (the collation of PDRs onto a data base) is expected to be fully implemented by the next meeting whilst the low recommendation (the move to a 4 point rating) will be implemented in the next PDR cycle (i.e.

September 2016).

The other 2 outstanding recommendations related to the IAR on the growth strategy. The high priority recommendation involved the creation of a new costing model, which is in the process of being finalised for consultation and staff training. The Committee agreed the proposal to remove the medium priority recommendation, in recognition of the adoption of a more focused approach to the strategy through the value chain and product development steering group.

16/1/10 Review of Meeting

Members commented positively on the meeting.

16/1/11 Any Other Business

Code of Good Governance

As mentioned earlier in the meeting (minute 16/1/4 refers), subsequent to the last meeting the Code was circulated to all Governors inviting them to comment on the compliance statements following which it was considered at the Governing Body meeting in December 2015.

The Chair reminded members that the Code included a section on “the management and quality assurance of data provision” (section 6.11). He and a Sheffield Hallam University colleague had met with the Executive Directors, Finance & Resources and HR&SRIS to clarify how Governors could be given the necessary assurance whilst not making additional demands on managers which have no perceived benefit. The Executive Directors agreed to report back.

**ED F&R and
HR & SRIS**

The Executive Director Finance and Resources informed members that this was still work in progress and that a status report will be provided at the Committee’s next meeting. The College’s Management Information Steering Group (chaired by the Executive Director, HR&SRIS) is responsible for overseeing management information data across all College functions and will discuss the matter at its forthcoming meeting.

16/1/12 Date of Next meeting

Monday 27 June 2016, 8.00 am.