

Date 7 March 2016 Clerk to the Corporation

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Present Gil Vasey - Chair
Ian Brown
Paul Corcoran (from 8.30 am)
Chris Linacre

In attendance David Battell, Estates Manager, for agenda item 10
Nigel Bisatt, Financial Controller
Heather Smith, College Principal
Jason Pepper, Executive Director, Finance and Resources
Val Struggles, Clerk to the Corporation
Darren Tidmarsh, Executive Director HR&SRIS

Minute **Action**

16/2/1 **Apologies for absence**

Apologies for absence were received from Sally Neocosmos and Richard Wright. The Chair reported that Richard Wright had raised some issues with him which he would refer to under the relevant agenda items.

16/2/2 **Minutes of the meetings held on 18 January 2016**

The minutes were agreed as an accurate record.

16/2/3 **Declaration of interest**

There were no declarations of interest.

16/2/4 **Matters Arising and Action Record**

1 Action Record

The Committee noted the action record which will be updated and reissued with the agenda for the next meeting.

Clerk

2 Matters Arising

Minute 16/1/10: Procurement of Consultancy Services

The Chief Executive informed the Committee that he had considered the comments raised at the last meeting and decided not to commission the initial stage of the consultancy review on the basis that it was unlikely this would proceed to the second stage and the anticipated immediate benefits arising from changes made to the current planning process.

16/2/5 **Monthly Management Accounts - December 2015**

The following key issues were highlighted during the presentation and discussion of the Monthly Management Accounts for December 2015:-

- i) At the end of December the year to date operating outturn was £52k compared with that budgeted (£1,036,000). However the College's financial health rating remained 'satisfactory' based on the SFA's methodology. Current expectations are that a breakeven position will be maintained for the remainder of this financial year. Provision for the cost of closing and disposing of the Norton campus were excluded from the anticipated year end outturn shown in these Accounts.
- ii) Much of the anticipated growth in income assumed in the budget approved by the Governors in July 2015 (and subsequently revised in September) had not materialised and the year to date income was significantly less than budgeted. This adverse variance was mainly attributed to shortfalls in income relating to adult apprenticeships, 24+ ALL and ESF. Although it was anticipated that there will be an opportunity to bid for additional apprenticeship funding, which if successful will reduce the shortfall, closing the gap will become increasingly challenging during the remainder of this financial year.
- iii) Pay costs were generally in line with budget with a slight positive variance and this pattern was expected to continue for the remainder of this financial year. Members requested clarification of the reasons for the significantly higher than budgeted expenditure on academic agency staff and whether the savings from vacant established posts were greater than the expenditure on temporary staff. It was acknowledged that managers need to balance the ability to respond flexibly to changes in demand and control costs.
- iv) The positive year to date variance on non-pay expenditure has partly mitigated the shortfall in income and although this trend is expected to continue for the remainder of the financial year, it is unlikely to bring the year end outturn back in line with budget.
- v) The year to date fixed assets value reflects the completed extension of Hillsborough campus and the refurbishment of Olive

Grove.

It was noted that the January 2016 Monthly Management Accounts will be issued shortly to all Governors with a covering statement.

ED F&R

16/2/6 **Monitoring budget related risks and key assumptions - confidential**

1 Termly report on departmental performance in relation to contribution and value added - confidential

The report provided an indication of curriculum departments' performance compared with their financial contribution target for 2015/16. Each department was RAG rated illustrating its current performance compared with budget (not profitability). In summary, of the 13 departments,

- four (rated amber) have significant issues which HoLs have identified early and put strategies in place to address. Although not expected to achieve their target contribution, the forecast outturn has improved since the report to the Committee in November
- three (rated red) have specific issues and are currently expected to miss their contribution target for the current year, given the deterioration in their forecast out turn since November
- six (rated green) are currently forecast to meet or exceed their contribution target, before growth activities are accounted for.

In response to members' request, clarification was provided regarding the reduction in the volume of learners referred by JobCentre Plus (JCP) and the impact on retention and success rates of 'mandated' learners who do not attend (particularly for English and Maths).

On behalf of the Committee the Chair undertook to write to relevant HoLs to congratulate them on their achievements to date.

Chair /
ED F&R

2 Current and year-end forecast position - confidential

The Committee received an updated analysis of the forecast outturn for the current financial year set in the context of the budget approved by Governors. Issues highlighted during the presentation and discussion are recorded in a separate confidential minute.

3 Outcome of discussions with the banks / review of the bank loan facilities

The Committee received a verbal report from the Executive Director, Finance and Resources details of which are recorded in a separate confidential minute:

4 Fees Policy 2016/17

The Committee was informed that work was continuing on the policy pending confirmation of the SFA's allocation for 2016/17, (expected shortly). In particular clarification of the new apprenticeship funding

model, to be implemented in April 2017, was awaited.

5 Working capital update and financing proposals

The report provided an update on the anticipated working capital position to the end of the current financial year together with the level of financing required to maintain adequate liquidity. Issues raised during discussion are recorded in a separate confidential minute.

In future the monthly management accounts will include more detail showing cash generation on activities reconciled with cash reserves.

ED F&R

16/2/7 VAT Update - Confidential report

The report updated the Committee on the VAT claim being pursued on the College's behalf (and 14 other colleges) by VATAngles (on a 'no win, no fee' basis). As previously reported, the College suspended payment to HMRC in relation to the Lennartz scheme (relating to the Hillsborough and City capital projects) in January 2015. Since December 2014 there has been regular and robust exchange of correspondence between the College's consultant and the HMRC case officer. Recently HMRC has requested information to enable a VAT notice of assessment of tax to be issued to the College. The assessment is expected to be equivalent to the withheld sum. Members noted the timeline for this assessment and subsequent review. Currently a date has yet to be confirmed for a pre-tribunal preliminary hearing for the FE sector test case and VATAngles remain confident of a favourable outcome.

16/2/8 Settlement Agreements - Confidential

The report provided the Committee with details of the use of settlement agreements during the period 1 April 2014 to 1 February 2016. Details are recorded in a separate confidential minute.

**ED HR &
SRIS**

16/2/9 Subsidiary companies update

Following discussion at the Governing Body meeting on 25 January, a task group comprising the Chief Executive, Executive Director Finance and Resources, Executive Director HR and SRIS and Clerk met to consider Governors comments. A further meeting is scheduled for 18 March. Simultaneously the Internal Auditors have commenced their fieldwork on the internal audit review (IAR) which will involve individual discussions with a number of Governors and College staff. The recommendations arising from the IAR will be co-ordinated with the outcome of the task group prior to reporting back to the Governing Body in the summer term.

ED F&R

It was reported that Board meetings have been scheduled for each of the three subsidiary companies to discuss preparations for

- the implementation in 2017 of (pensions) auto-enrolment and, in relation to Sparks Managed Services Ltd, the application of the living wage,
- a revised service level agreement between the College and each

subsidiary based on legal advice obtained from Hill Dickinson.

Specific issues for consideration in relation to Sparks Teaching Service Ltd will be the resourcing requirement for 2016/17 based on the College's curriculum plan and reviewing the terms and conditions.

The Committee was informed of the recent dismissal of a member of Sparks Managed Services staff due to gross misconduct. At the present time no appeal had been lodged.

16/2/10 Disposal of Norton campus

The Committee was informed that the planning application has been registered, details of which are in the public domain and a press release has been agreed with the developer. There will now be a 10 week statutory consultation period, ending in mid May. Issues relating to the continued use of the swimming pool have been agreed and the demolition process will be managed to enable it to continue operating until the end of August 2016. The College and the developer are still aiming to complete the sale by Friday 27 July 2016. If this is achieved, there will be a surplus on the income and expenditure equivalent to the provision for site disposal.

16/2/11 Any Other Business

1 Internal Audit Review - Cash flow forecasting

The Committee was informed that at its meeting on 29 February 2016, the Audit and Risk Assurance Committee agreed to extend the scope of this IAR to include income and expenditure forecasting (i.e. budget modelling).

2 Additional posts

In response to a request for clarification, it was reported that no decision would be taken to fill the vacant Executive Director post or replace with alternative posts until the preparation of the 2016/17 draft budget was sufficiently advanced to determine the affordability of any proposal.

16/1/12 Schedule of meetings for 2015/16

Monday 25 April 2016 at 8.00 am in the Boardroom

Monday 6 June 2016 at 8.00 am in the Boardroom

Monday 4 July 2016 at 8.00 am in the Boardroom