

**CHELMSFORD COLLEGE
PERSONNEL FINANCE & GENERAL PURPOSES COMMITTEE
22 November 2016**

Minutes of a Meeting of the Committee held at Moulsham Street, Chelmsford on Tuesday 22 November 2016 at 3.30 pm.

PRESENT: Elaine Oddie (Chair)
Andy Sparks (Principal)
Stuart Hodges

IN ATTENDANCE: Debs Hurst (Assistant Principal, Finance & Risk)
Caroline Williams (Deputy Principal)
Steve Hope (Head of Health & Safety)(item 9 only)
Mark Emerson (Director of Information Services)
Mike Tadman (Assistant Principal, People & Services)
Rob Millea (Clerk to the Corporation)

Item 9 on the Agenda was taken first (minute 569)

562. APOLOGIES FOR ABSENCE

Apologies for absence were received from Michael Lager, Amanda Montague and Peter Moore (Director of Finance).

In the absence of Michael Lager (Chair), Elaine Oddie (chair of the Corporation) took the Chair.

Stuart Hodges (staff governor) attended the Meeting in order to ensure quoracy of three was met. It is not usual practice for a Member of the Audit Committee to attend meetings of the Finance Committee, but these were exceptional circumstances.

The Board will be asked to ratify this action.

563. DECLARATIONS OF INTERESTS AND CONFIDENTIAL ITEMS

The Assistant Principal, Finance & Risk and the Clerk to the Corporation declared their interests as Director of Finance and Clerk to the Corporation at South Essex College respectively.

There were no confidential items notified.

564. MINUTES OF THE MEETING HELD ON 21 JUNE 2016

The Minutes of the Meeting held on Tuesday 21 June 2016 were **APPROVED** and **SIGNED** by the Chair.

565. MATTERS ARISING

The Clerk tabled a Paper listing the Matters Arising from the previous Minutes and Actions taken.

The Committee **NOTED** that the following items had been approved by the Board at its Meeting on 8 July 2016 on the recommendation of this Committee:

- The revaluation of College Land at Moulsham Street and Princes Road and the Land & Buildings at Beacon House
- The 2016/17 College Budget
- The College Financial Forecast to 2017/18
- The transfer of Chelmsford Training Services Limited to the College
- Fees Policy 2016/17
- Capital Expenditure and Estates Maintenance Programme 2016/17
- Terms of Reference for the Committee

All other items are dealt with elsewhere on this Agenda.

566. HUMAN RESOURCES REPORT

The Assistant Principal, People and Services presented an update Report on current HR issues.

He explained that significant activity continues to be applied in support of post-inspection actions, financial recovery and general operational staffing.

Key issues include:

- Restructuring of middle management completed and having a positive effect on stability of staffing
- Staff turnover has stabilised and reduced to 10.8% annualised comparing favourably with AoC figure for the sector of 20.9%
- Most full time positions filled – only 6.8 FTE agency staff engaged in hard to recruit areas
- Staff absence under control although slightly above target range (3.8 days per person per annum against target of 3.5)
- Restructure seems to have positive effect on morale, especially at Moulsham Street, reflects better communication

- There are some signs that Princes Road morale is perhaps not quite as good as it was so this is being addressed, drawing on experiences at Moulsham Street
- Consultation successfully concluded with all CTS staff in connection with the TUPE transfer of their employment to the College on 1 July 2016
- Expansion of Dovedale Nursery with Moulsham Street Infants' School providing out of school care on the school site began in September 2016
- Revised Performance Management process introduced in September 2016 (see later in this Agenda)
- Arrangements being made to automatically enrol relevant staff into the NEST pension scheme from April 2017

Mike Tadman provided the following information in response to questions from the Committee:

Staff turnover is not reported separately between campuses but this can be worked out and the Committee will be informed at the next Meeting and also whether any curriculum areas are affected more than others. Anecdotally, there is no indication it is different.

The College is now fully staffed in Maths & English.

As noted in the Report, staff turnover has stabilised and all performance targets have been set in each Department.

Trade union representation has now been established in the College with a positive start to discussions with them – two Meetings have been held so far. Staff workload and pay levels are the main concerns, unsurprisingly. The unions appear supportive of changes to classroom observations to the non-graded basis.

He pointed out to the Committee that the KPI for Lesson Observations has been amended to 80% meeting 5 key expectations.

The KPI – Proportion of staff Progress Review targets on course to succeed in 2016/17 - of 80% is challenging. It ignores those staff on long term sick and is required by the revised performance management arrangements.

There is a continuing need to monitor new staff in setting their targets so that 100% is not the figure all the time.

A governor observed that the KPI on the Risk Register relating to staff turnover doesn't match with body of the Report. This is a timing

difference as the Report shows the annualised figure to the end of October whereas the Risk Register is to the end of September.

A governor also asked if the Committee could receive a breakdown of the reasons given by staff for leaving. Exit interviews are undertaken on resignation and this information can be provided, although it needs to be treated with caution as people leaving do not always answer entirely accurately as to their reasons.

The Committee reviewed the entries on the Risk Register in the HR area and agreed the new actions being taken since the previous Report. In particular, it was noted that the appraisal system of staff is going well against target. 67% have been completed so far this year which is consistent with achieving the 100% target.

The Committee **RECEIVED** the Report.

567. FINANCE REPORT

The Assistant Principal, Finance and Risk presented the Finance Report incorporating the Management Accounts of the College for the three months ended 31 October 2016 and other matters.

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567.1 Management Accounts to 31 October 2016

The Assistant Principal, Finance & Risk provided the Committee with Accounts to the end of 31 October 2016 (tabled) – the Committee had previously been sent copies of the September Accounts.

For the three month period, the College is showing a surplus of £143,000 against a budgeted surplus of £52,000, a positive variance of £91,000.

Total income amounted to £3.85 million and total expenditure amounted to £3.7 million.

The Accounts were accompanied by a Detailed Commentary explaining the variances from budget.

Key issues:

- HE income is projected to be £46K short for the year and the accounts to date reflect this shortfall
- EFA income is guaranteed and phased equally by month
- SFA income is phased equally each month based on the budget for the year

- Favourable variance on staff costs of £26K due to unfilled vacancies
- Unfavourable variances totalling £58K on other costs, mainly due to timing and budget phasing
- The Nursery is roughly on budget and continues to perform well

At 31 October 2016, group net assets stood at £32.4 million, including cash of £1.8 million and fixed assets of £32.7million.

The College's Financial Health for 2015/16, as advised by the SFA under their new methodology was deemed Satisfactory and is so deemed as Satisfactory for 2016/17. A Letter from SFA has been received (dated 11 November) confirming this.

It is likely that the Notice of Concern could be removed in the New Year following submission of the Annual Accounts for 2015/16 and the latest Management Accounts.

Recruitment figures for this year down so there is a significant challenge for 2017/18 about Satisfactory Financial Health (see minute **567.6**).

The current ratio stands at 0.63, better than target of 0.53, and in line with expectations. Pay expenditure as a percentage of income is 60% against target of 62%.

The Committee noted that the Refectory appears to be underperforming and this will be investigated for the next Meeting. It is currently showing a deficit. It may relate to free school meals and the funding for that being delayed.

The College bank covenants continue to be met

The Committee were informed that current cash flow projections based on the 2016/17 budget continue to indicate that an overdraft will not be necessary for the early part of 2017.

The Committee **RECEIVED** the Management Accounts and Report.

567.2 SFA intervention

The Principal informed the Committee that he and Debs Hurst met with the new representative from the SFA on 22 July 2016 regarding the College's Financial Health and the Financial Recovery Plan. The College is on track and it is hoped that the Notice of Concern can be removed early in the New Year, following submission of the Annual Accounts for the College Group for the year ended 31 July 2016.

567.3 Review of Financial Regulations

The Financial Regulations will be updated by 31 December 2016. The Assistant Principal, Finance & Risk advised that the only changes are to reflect the adoption by the College of FRS102 as the basis of accounting for the College, in place of 'old' UK GAAP and to amend the depreciation methodology.

567.4 Pay Award 2016/17

The Committee **NOTED** that, following the recent determination by the Living Wage Commission, the hourly rate will rise from £8.25 to £8.45 from 1 November next. This will affect a total of 59 staff.

The Committee **RECOMMENDED** that the College should continue paying the Living Wage to relevant staff and that the increase be paid within six months from 1 November 2016, as is permitted.

So far as all other staff are concerned, the College is not in a position financially to make a Pay Award for 2016/17 and the Committee **RECOMMENDS** to that effect to the Board on 9 December 2016.

In response to a governor question, the Assistant Principal, People & Resources reported that there is no knowledge at this stage of a National Union response to the AoC pay recommendations.

567.5 Sub-contracting provision 2016/17

The budgeted income of £385K to be delivered by others will cost £200K to deliver with Aspire. It is intended to deliver as much as possible in house to reduce the need for sub-contracting.

567.6 Learner Numbers and Financial Implications 2016/17 and 2017/18

This was deemed to be a Confidential Item under the Instrument & Articles and a separate minute has been prepared in this connection, which is attached to these Minutes.

567.7 Audit Fees Review

In response to a question at a previous meeting, it was confirmed that the audit fees paid by the College are in line with sector rates and in accordance with the budget and tender agreed with KPMG.

568. ANNUAL REPORT & FINANCIAL STATEMENTS 2015/16

The Assistant Principal, Finance & Risk **PRESENTED** the draft Annual Report and Financial Statements for the year ended 31 July 2016 for the College Group, including the College, Chelmsford Training Services Limited and Dovedale Nursery Community Interest Company.

The Committee also received the draft Accounts of Essex Shared Services Limited (the College's joint venture with South Essex College) for information.

The Annual Report and Financial Statements had been reviewed by the Audit Committee on 14 November 2016. The external auditors have indicated that, subject to clearing outstanding issues, they will issue an unqualified audit report and the regularity audit report will also be unqualified. KPMG did not identify any audit adjustments to the Management Accounts.

The Accounts have been prepared in accordance with FRS102 and the 2015 values restated accordingly. The adjustments required related to accrual for holiday pay, revaluation of Land at Princes Road and Moulsham Street, revaluation of Land & Buildings at Beacon House and accounting for the Local Government Pension Scheme (which is different under FRS 102 compared to FRS17, the previous accounting standard).

The Committee noted the changes from the Management Accounts previously reported to the final Accounts. These entirely related to LGPS pension adjustments reducing the £130K management accounts surplus to a deficit of £1.838 million, comprising Pension interest and service costs of £400K and an increase in the actuarial deficit under FRS102 of £1.568 million.

Chelmsford Training Services Limited became dormant on 1 July 2016 and all assets and liabilities of that company transferred to the College on that date. The College, on advice of RSM, need to complete the tax computations and the treatment of the capital contributions made by the College to CTS so that we do not inadvertently create a tax liability on the transfer.

Dovedale Nursery made a surplus of £68K, which will be paid to the College under Gift Aid before 9 December 2016.

The Committee was informed that the College's share of the shared services costs in ESS for the year was £337K. In addition, pension costs in ESS relating to the College's share for the year amounted to £29K and the share of the pension scheme deficit increase was £273K.

The Committee **CONSIDERED** the question of whether the College Group is a Going Concern in order to inform and confirm the draft disclosures relating to Going Concern made in the Annual Report and Financial Statements.

In this connection, the Committee considered the following points:

- The College has a SFA Notice of Financial Concern
- The College deficit of £0.9 million in 2013/14 has improved to a break even in 2014/15 and a management accounts surplus of £130K in the year to 31 July 2016
- Cash generated in 2015/16 was £0.2 million, an improvement over the previous year of £0.7 million.
- Cash flow projection for the next twelve months is positive and an overdraft facility is not expected to be needed in January to April 2017
- A surplus is expected for 2016/17 of £0.2 million

The financial risks to the College are:

- Ability to dispose of Beacon House (on hold due to Area Reviews)
- Under recruitment of students in 2016/17
- LGPS deficits and deficit repair payments
- LGPS requirement for asset security

The Committee requested that the narrative on Reputation on page 12 of the Annual Report be reworded.

The Committee **CONSIDERED** the College was a Going Concern and the Board would be advised to this effect when approving the Accounts on 9 December 2016.

The Committee **RECOMMENDED** the Annual Report and Accounts be approved by the Board on 9 December 2016, noting that outstanding matters, including a final textual check, will be cleared by then.

569. ANNUAL HEALTH & SAFETY REPORT

The Head of Health & Safety **PRESENTED** the Annual Health & Safety Report 2015/16 and the Annual Health & Safety Plan 2016/17 for consideration by the Committee.

The Report covers the shared service arrangements for Health & Safety between the College and South Essex College. It follows the same format as last year and covers the following areas:

- Management systems in place
- Risk Management
- Feedback on routine inspections
- Staff training
- External audit
- Analysis of accident/illness statistics
- Educational visits
- Food safety

The Committee **NOTED** the following key highlights of last year:

- All campuses have had a satisfactory fire safety audit
- All campuses subject to formal Health & Safety audits
- Reported accident rates have fallen
- Zero RIDDORS reported (no major events this year)
- New Educational visits system working well

Steve Hope noted that there is increased reporting of accidents and incidents this year due to improved awareness by students and staff.

The **Improvement Plan for 2016/17** covers the following, inter alia:

- Improvement actions are split across the Annual Plan and the Estates action Plan
- Effective induction of new H&S administrator
- Develop profile of the College for academic teams to manage
- Delivery of suitable and sufficient training
- Develop a strategy to cover safe use of personal food and drink equipment

The Committee was reminded of the Board's legislative duties in relation to the oversight and awareness of Health & Safety in the College and this annual assessment and the Plan help keep the Board informed in this regard and addresses the two risks for Health & Safety on the College Risk Register, both of which are rated AMBER.

In future, the Board will approve the Annual H&S Plan as a regular matter.

Steve Hope reported that he has an ongoing project to draw together all the College H&S policies under an overarching strategic document.

One of the duties of the new administrator is to monitor training of staff to ensure we are compliant.

Steve Hope provided assurance to the Committee that the College is compliant with legislation and the Board can take confidence that the Campuses are safe for the users.

The new EVOLVE has been bedded down covering educational visits logging, recording, approval and risk assessments (both internal and external). There is a remote log on facility which is helpful for overseas visits. This all gives confidence to governors and to parents of students.

The Committee **RECOMMENDED** that the Annual Report and the Annual Plan be approved by the Board at their Meeting on 9 December 2016.

570. AREA REVIEWS

The Principal **PRESENTED** a verbal Update on Area Reviews. The first Meeting took place on 7 November and Meeting 2 is scheduled for 5 December. The first Meeting was a fact finding and introductory session, with no suggestion of what the thinking of the area Review Team might be. A number of governors attended the pre-meeting at 2 pm on that date.

He reported that there is a joint presentation under the auspices of with FEDEC being made to the Area Review Panel regarding skills map and profile of colleges in Essex to show how the priorities of the LEP and Local Authorities are being met.

The Committee **NOTED** that, between Meetings 3 (23 January) and 4 (27 February), the College is required to present its preferred option for the future, fully costed. There is a Governors' Development Day scheduled for 3 February and it was **AGREED** that the Board should formally approve our preferred option on that Day.

It was noted that Meeting 4 is being held at South Essex College in Southend from 3 till 5pm, followed at 6 (till 8) by a Meeting open to all Governors.

The next full Board Meeting is not scheduled until 31 March, which is after the final Area Review Meeting, at which it would be intended for the Board to ratify (or not) any recommendations made by the Area Review Team.

571. COMMITTEE MATTERS

The Clerk **reported** on the results of the Committee own Self-Assessment for last academic year and undertook to work on the issues raised during 2016/17. It was noted that the average of grades awarded by Members of the Committee was 1.6, midway between Good and Outstanding.

The Clerk also **reported** that the Committee had complied with its own Terms of Reference during 2015/16 and presented a document evidencing that compliance. The Committee advised on an amendment required relating to scrutiny of Capital works as at present it was slightly inconsistent.

572. ANY OTHER BUSINESS

There were no items of Any Other Business.

573. PRESENTATION ON APPRAISAL MONITORING SYSTEM

As requested by the Committee at its last Meeting, the Assistant Principal, People & Resources gave a PowerPoint presentation demonstrating to the Committee how the new Appraisal Monitoring System works and took questions.

Jonathan Swan and Sarah Noble were also present for the presentation.

He distributed copies of the (a) College Group Procedure - Progress Review Handbook and (b) College Group Policy - Performance Management.

It was agreed to include something about this in the Members' Report and Accounts.

A 'Deep Dive' was done on two staff (one English and one Maths) plus one in Business area to demonstrate the target setting system and the actions required and completions recorded. The system highlights areas that need to be worked on by the staff member and also links in to the CPD system so that development needs can be addressed for individual staff.

It also records classroom observations.

Governors asked whether this will drive improvement and will it have real impact. It gives a lot of information in one system and should facilitate our ability to address issues raised by Ofsted as to the teaching and learning in the College at the individual staff member level.

It can be used to facilitate probationary period reviews for newer staff.

The system is ongoing as it is not driven by specific dates but there are flags to say, e.g. that an update is required so that there is regular revision. It is easily accessible to senior managers to make sure the system is working properly and in a timely fashion so it can be a real tool in the College's drive for improvement.

It was agreed to share the system with other Governors in due course possibly at the next Governors' Development Day.

Training on target setting is vital to make the system meaningful and it is recognised that further development is necessary for managers. This is planned for 2017 focusing on the management of learning by those managers.

Mike was thanked for his informative presentation.

574. DATE OF NEXT MEETING

Tuesday 14 March 2017 at 3.30pm.

There being no further business, the Meeting terminated at 6.00 pm.

Signed.....Dated.....