

THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE
CORPORATE SERVICES

Minutes of the Corporate Services Committee meeting held on
Monday 11 December 2017 at 2.00 pm in the STEM Centre Conference Room

Present Mrs Moira Britton (*CG and Chair*)

Dr Andy Allen (*CG*), Mr Trevor Arnold (*CG*),
Mrs Andrea Waller-Amos (*Staff Governor - Business Support*),
Mr Rob Davies (*CG*), Mr Andrew Dyne (*CG*),
Mrs Zoe Lewis (*Principal / Chief Executive*), Mr Peter Studd (*CG*)
Mr Sandy Wilson (*EM*)

Officers Mr Richard Atkinson (*Clerk*), Mr Peter Bland (*AP*),
Mrs Carolyn Kipling (*VP*), Mr Andy Wond (*Executive Director*)

In attendance for their item only

Mrs Alison Stephenson (*Dir*)
Mr Peter Wilson (*MD*)

Key CG - College Governor EM - External Member
Clerk - Clerk to the Corporation DP - Deputy Principal
MD - Managing Director VP - Vice Principal
AP - Assistant Principal DIR - Director of Human Resources

Prior to the start of the meeting, the Chair of the Corporate Services Committee welcomed Dr Andy Allen (*College Governor*) to his first meeting as a member of the Corporate Services Committee.

		Action
17/017	ITEM 1 - APOLOGIES None.	
17/018	ITEM 2 - MINUTES 3 JULY 2017 The minutes of the 3 July 2017 were approved .	
17/019	ITEM 3 - MATTERS ARISING The Clerk to the Corporation informed the Corporate Services Committee that all but one action from the 3 July 2017 had either been completed, with the one outstanding action relating to the Ford Contract, which would be discussed under the Northern Skills Group Up-date agenda item.	

		Action
	The Corporate Services Committee welcomed the new monitoring spreadsheet, which would help them track outstanding actions from previous meetings more efficiently.	
17/020	<p>ITEM 4 - STRATEGIC OVERVIEW</p> <p>4.1 Principal / Chief Executive's Up-Date</p> <p>The Principal / Chief Executive then gave an overview of the level of investment in the last five years, the increased turnover since 2012, and the current risks affecting the College due to the introduction of the Apprenticeship Levy, increasing competition and declining demographics.</p> <p>An overview of the College's Financial Health, including the progress being made to extend the RCF was also shared, with further discussion to take place under agenda items 4.3 and 4.5 respectively.</p> <p>4.2 Financial Statements Overview</p> <p>The Vice Principal - Finance & Registry presented an overview of the four sets of Financial Statements for the year ending 31 July 2017 contained in agenda items 4.2.1 to 4.2.4, and this followed a thorough review by the Audit & Risk Committee on the 5 December 2017. It was noted that some minor changes had been made to the Financial Statements after the Audit & Risk Committee meeting in relation to taxation and gift aid, but this did not affect the overall position.</p> <p>Governors questioned how much movement had there been between 2016 / 2017 and 2017 / 2018 budgets following the closure of 2QS? In response, the Vice Principal - Finance & Registry confirmed that £300,000 of accelerated depreciation had been accounted for in the 31 July 2017 Financial Statements, which was budgeted for in the following year 2017 / 2018. This had been agreed with KPMG during the year end audit.</p> <p>4.2.1 Financial Statements 2016 / 2017 <i>(Northern Skills Group Limited)</i></p> <p>The Vice Principal - Finance & Registry presented the annual accounts for Northern Skills Group Limited (<i>Company Registration 02088545</i>) and reported that the Board of Directors would sign the accounts following Governing Body approval of the College's 2016 / 2017 Financial Statements on the 14 December 2017.</p> <p>The Corporate Services Committee endorsed the accounts.</p>	

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	<p>4.2.2 Financial Statements 2016 / 2017 <i>(Northern Apprenticeship Company Limited)</i></p> <p>The Vice Principal - Finance & Registry presented the annual accounts for the Northern Apprenticeship Company Limited (<i>Company Registration 06542511</i>) and reported that the Board of Directors would sign the accounts following Governing Body approval of the College's 2016 / 2017 Financial Statements on the 14 December 2017.</p> <p>The Corporate Services Committee endorsed the accounts.</p> <p>4.2.3 Financial Statements 2016 / 2017 <i>(Middlesbrough College Management Services Limited)</i></p> <p>The Vice Principal - Finance & Registry presented the annual accounts for Middlesbrough College Management Services Limited (<i>Company Registration 02801247</i>) and reported that the Board of Directors would sign the accounts following Governing Body approval of the College's 2016 / 2017 Financial Statements on the 14 December 2017.</p> <p>The Corporate Services Committee endorsed the accounts.</p> <p>4.2.4 Financial Statements 2016 / 2017 <i>(Middlesbrough College)</i></p> <p>The Vice Principal - Finance & Registry presented the draft 2016 / 2017 Financial Statements, with an overall clean audit opinion from KPMG being noted on pages 27 & 28.</p> <p>Some discussion then took place on the income, expenditure, cash flow, bank loan borrowing, subsidiary company performance, financial outturn, capital investment and the pension costs and one off costs in 2016 / 2017.</p> <p>Following this overview, it was agreed to recommend that:</p> <ul style="list-style-type: none"> • The 2016 / 2017 Financial Statements (<i>Middlesbrough College</i>) be approved by the Governing Body at its meeting on the 14 December 2017, prior to them being signed and returned to the Skills Funding Agency before the 31 December 2017 deadline. • The Statement of Accounting Policies, as detailed on pages 33 to 37 of the 2016 / 2017 Financial Statements, be approved by the Governing Body at its meeting on the 14 December 2017. 	

		Action
	<p>4.3 Financial Health Up-date</p> <p>The Vice Principal - Finance & Registry presented an overview of the College's current Financial Health, with the Education & Skills Funding Agency having three key areas of focus, being current ratio, borrowings as a percentage of income and level of EBITDA (<i>Earnings before Interest, Taxation, Depreciation and Amortisation</i>).</p> <p>Following the current position being shared, Governors questioned how much was still owed for the Lennartz VAT Claim, and whether any interest was being accrued? In response, the Vice Principal - Finance & Registry stated that, following some advice, one payment still remains, with the interest position to be confirmed in due course. It was also noted that the College continues to pursue its VAT claim on a no win no fee basis, and Vice Principal - Finance & Registry would up-date the Corporate Services Committee as soon as there is further information. The Corporate Services Committee endorsed the actions taken by the College at this stage, but would continue to review its position.</p> <p>Some discussion then took place on the changes made to the Education & Skills Funding Agency's formula on calculating financial health, and the current headroom under the new measure. The Vice Principal - Finance & Registry and Principal / Chief Executive then reported to the Corporate Services Committee that a savings plan has been drawn up to ensure the College maintains the headroom and its current financial health. Further work is needed in the New Year to secure the savings in 2017 / 2018, and 2018 / 2019, with all business support and curriculum areas being asked to identify savings.</p> <p>Governors welcomed the comprehensive up-date and requested a further up-date on the College's Savings Plan at its meeting on the 9 March 2018.</p> <p>4.4 Management Accounts (October2017)</p> <p>The Vice Principal - Finance & Registry presented the October 2017 management accounts, which highlighted that the forecast position continues to be largely in line with the surplus budget agreed in July 2017.</p> <p>Governors questioned whether a new Savings Plan would be instigated and whether it would deliver the required savings in-year, and in what areas?</p>	<p>Carolyn Kipling</p>

		Action
	<p>In response, the Vice Principal - Finance & Registry stated that a new savings exercise has been launched by the Senior Leadership Team to identify savings within both pay and non-pay budgets across College, as well as identifying further opportunities to increase income. It was envisaged that the on-going work would deliver savings both this year, and next year to address the financial pressures, with progress to be shared with the Corporate Services Committee, and any savings would be reflected in the next set of management accounts.</p> <p>Governors questioned whether the College's Procurement Service continues to deliver the appropriate level of support and savings? In response, the Vice Principal - Finance & Registry stated that over the years the College has engaged experts who have helped the College make substantial savings, and they continue to work collaboratively with other FE Plus Colleges to make further savings where possible.</p> <p>Finally, Governors questioned whether future capital investment would also be part of the savings plan, and whether this would be impact assessed against risk? In response, the Vice Principal - Finance & Registry stated all areas of the business would be looked at, and this would include capital investment, with IT and Estates already looking at future capital spend based on risk.</p> <p>The Principal / Chief Executive then briefed the Corporate Services Committee on the work ongoing with the Tees Valley Combined Authority, and the implementation of a Staff Suggestion Scheme to identify further ideas to improve the efficiency and effectiveness of the organisation. An overview of the the Education & Skills Funding Agency presentation at the AoC Conference was also shared, and this highlighted that the sector was becoming financially stronger due to a number of mergers that have taken place as part of the Area Review process, even though the sector had seen a decline in recruitment in 2017 / 2018 and vulnerability to Apprenticeship Reforms.</p> <p>4.5 Bank Loan Up-date</p> <p>The Vice Principal - Finance & Registry gave an overview of the progress being made with regards to reviewing the RCF, which expires in 2019, with some advice having been sought prior to the meeting. It was noted that discussions are planned with Santander for the New Year, and the Corporate Services requested an up-date on the 9 March 2018. The Chairman of Governors would also be attending the meetings with Santander, due to his role as Nominated Governor for Finance.</p>	<p>Carolyn Kipling</p>

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	<p>An explanation of the current borrowing regime was provided to the new members of the Corporate Services Committee, due to the complexities, with some discussion also taking place with regards to the College's day to day banking services that were currently with Barclays, and are due to be tendered.</p> <p>4.6 Site Disposals Up-date</p> <p>The Principal / Chief Executive up-dated the Corporate Services Committee on the continuing negotiations regarding the sale of the land at the old Marton Campus (<i>Prissick Base</i>). The Corporate Services requested that they be kept abreast of any developments, with a further up-date required at the next meeting on the 9 March 2018, as this sale could have a positive impact on the College's cash flow.</p> <p>4.7 Pay Award 2017 / 2018</p> <p>The Principal / Chief Executive and Director of Human Resources presented the 2017 / 2018 Pay Award report, which highlighted the AoC's final pay award recommendation of 1% or £250, whichever is the higher.</p> <p>The Principal / Chief Executive then discussed the College's proposal in the context of discussion that has already taken place under agenda items 4.3, 4.4 & 4.5, the future pension liabilities, the impact the Real Living Wage is having on Business Support grades, its affordability, and the challenges the College is currently experiencing.</p> <p>A lengthy debate then ensued on affordability for this year and 2018 / 2019, the desire to try to reward staff for their hard work, the fact that over 200 plus staff would receive a consolidated pay rise in excess of 2% through the payment of contractual increments, along with the an up-date on the discussion held by the Senior Leadership Team on the 27 November 2017, whereby three options were considered.</p> <p>After consideration of the key issues, the three options proposed, along with the advantages and disadvantages of the proposal made by the Senior Leadership Team, in terms of Option 3, the Corporate Services Committee agreed to recommend that:</p> <ul style="list-style-type: none"> • After detailed consideration of the College's financial position: <ul style="list-style-type: none"> • The College does not award a consolidated pay award in 2017 / 2018. 	<p>Zoe Lewis</p>

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	<ul style="list-style-type: none"> • The College does not honour the Real Living Wage increase for 2017 / 2018. • Subject to a Financial Health Improvement Plan being agreed by the Senior Leadership Team, and shared with the Chairman of Governors / Chair of Corporate Services, the College will consider the affordability of a one-off non-consolidated payment of either £150 (<i>for staff whose fte is less than 0.5fte</i>) or £300 (<i>for staff whose fte is greater than 0.5fte</i>), subject to staff meeting the agreed criteria as set out in the Staff Appraisal Policy, and who are also: <ul style="list-style-type: none"> ○ On the top of their salary scale. ○ On a fixed point salary. ○ New starter from the 1 August 2017. ○ Existing staff who have received an increased salary through a promotion / re-grade after the 1 August 2017. <p>The Corporate Services Committee would be kept informed of the progress with the Financial Health Improvement Plan, and also discussions with the Trade Unions regarding the Pay Award and other savings proposals, which may be discussed with them in 2017 / 2018.</p> <p>Finally, it was noted that any increases in pay would be effective from 1 January 2018.</p> <p>4.8 Staff Survey 2017</p> <p>The Director of Human Resources presented the results of the 2017 Staff Survey, and reported that the information has already been shared with staff, Staff Council and JCNC, and this had resulted in action plans and focus groups to address the issues raised. It was also noted that the Principal / Chief Executive will also be asking staff for ideas on how to improve the organisation further, and this would commence at the Staff Conference on the 21 December 2017.</p> <p>Governors questioned whether there were any major surprises within the Staff Survey? In response, the Director of Human Resources and Principal / Chief Executive stated that the overall satisfaction rate was lower than previous years, but due to the significant changes made in 2016 / 2017 and timing of the Staff Survey, this was not a surprise.</p>	

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	<p>However, for future Staff Surveys, there will be some consideration regarding timing, as well as reminding staff what has been achieved prior to the Staff Survey being completed.</p>	
17/021	<p>ITEM 5 - FINANCE MATTERS 2016 / 2017</p> <p>5.1 Treasury Management Annual Report</p> <p>The Vice Principal - Finance & Registry presented the 2016 / 2017 Treasury Management Annual Report, which highlighted up-dates in relation to cash balances, cash flow, borrowings and investments.</p> <p>After discussion, it was agreed that:</p> <ul style="list-style-type: none"> The 2016 / 2017 Treasury Management Annual Report is approved. <p>5.2 Bad Debts</p> <p>The Vice Principal - Finance & Registry presented the Bad Debts report, which highlighted the bad and doubtful debts to the year ending the 31 July 2017.</p> <p>Governors questioned what actions have been undertaken to reduce the level of bad debt, and what actions were in place to ensure that bad debt does not worsen under the new Higher Education Strategy, whereby more fees will be collected via student loans? In response the Vice Principal stated that significant efforts are made to chase bad debt, and the College does recover a significant amount.</p> <p>It was noted that there is on-going work to look at improving systems in preparing for the roll out of the Higher Education Strategy, which will entail a full review of the processes currently in place</p> <p>Governors requested a further up-date on bad debts and credit notes at the 9 March 2018 meeting.</p> <p>After further discussion, it was agreed to recommend that:</p> <ul style="list-style-type: none"> The individual debts (<i>fourteen</i>) of greater than £1,000, for the period upto 31 July 2017, totalling £40,200, be written off by the Governing Body at its meeting on the 14 December 2017. 	Carolyn Kipling

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	<p>5.3 Student Union Activity</p> <p>The Vice Principal - Finance & Registry reported that the activity of the Student Union continues to be incorporated into Middlesbrough College's Group Financial Statements, with the outturn being a small deficit for 2016 / 2017.</p> <p>After some discussion, and a proposed amendment to the table within the report, it was agreed to recommend that:</p> <ul style="list-style-type: none"> The 2016 / 2017 Student Union Accounts be approved by the Governing Body at its meeting on the 14 December 2017. <p>5.4 Financial Regulations Annual Up-date</p> <p>The Vice Principal - Finance & Registry presented a verbal up-date stating that there were no proposed changes to the current version of the Financial Regulations, and the Scheme of Financial Management and Control.</p> <p>5.5 Overseas Trips</p> <p>The Vice Principal - Finance & Registry reported that no overseas trips were undertaken by Governors or Senior Postholders in 2016 / 2017.</p> <p>5.6 Education & Skills Funding Agency Financial Assessment</p> <p>The Vice Principal - Finance & Registry presented the report highlighting the information received from the Skills Funding Agency regarding the College's Financial Health and Financial Plan submitted in July 2017. The Corporate Services Committee noted that the Education & Skills Funding Agency had issued a formal letter (<i>Appendix 1 of the report</i>), which confirmed that the College's Financial Health grade for 2016 / 2017 as "Satisfactory", which was in line with the Five Year Financial Plan approved by the Governing Body on the 6 July 2017.</p>	
17/022	<p>ITEM 6 - HUMAN RESOURCES</p> <p>6.1 Gender Pay Gap Report</p> <p>The Director of Human Resources presented the revised Gender Pay Gap Report that had been refined over the summer months, following discussion and guidance from Mr Sandy Wilson (<i>External Member</i>).</p>	

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	<p>Governors questioned how many organisations had published the data so far? In response, the Director of Human Resources stated that around eighty-five companies have up-dated the website, but it was envisaged that many more would follow in the New Year, prior to the deadline of the 31 March 2018.</p> <p>Following discussion on the changes made, it was agreed and requested that:</p> <ul style="list-style-type: none"> • The Gender Pay Gap Report is approved and published in the New Year. <p>6.2 Human Resources Report 2016 / 2017 - Term 3</p> <p>Received for information.</p> <p>6.3 Human Resources Annual Report 2016 / 2017</p> <p>The Director of Human Resources presented the Human Resources Annual Report 2016 / 2017, which was considered and received for information, with the report focusing on the following areas: staffing profile, labour turnover, equality and diversity, well-being and casework. The Corporate Services Committee noted that sickness had increased to 4.0% from 2.94% (2015 / 2016), but this was largely due to a number of long term sickness episodes, some of which have now been resolved either via ill health retirement, return to work or staff leaving the College.</p> <p>Finally, it was noted that labour turnover was lower than the AoC's Benchmark, but further strategies are being put in place to ensure staff are retained. However, there are occasions when external market forces for salary have an impact e.g. overseas work, school salaries, higher education salaries as well as staff returning to industry.</p> <p>6.4 Workforce Development Annual Report 2016 / 2017</p> <p>The Principal / Chief Executive presented an overview of activities in 2016 / 2017, and after some discussion on the impact of the training being provided internally and externally, along with the underspend, it was agreed that:</p> <ul style="list-style-type: none"> • The Workforce Development Annual Report 2017 / 2017 is approved. 	<p>Alison Stephenson</p>

		Action
17/023	<p>ITEM 7 - NORTHERN SKILLS GROUP UP-DATE</p> <p>The Managing Director - Northern Skills Group provided a comprehensive up-date on the progress being made with the development of the business since the acquisition on the 1 August 2016.</p> <p>The Corporate Services welcomed the up-date on aspects of the report relating to integration of the business, trading conditions, recruitment and financial performance tenders, distance learning, quality, ESIF Programmes, compliance, targets, and minimising risks. Some discussion also took place with regards to the additional monitoring now in place to ensure that both quality and financial performance improves, and an up-date was also provided on the number of bids being submitted, including but not limited to, T Levels, ECITB as well the Institute of Technology Expression of Interest.</p> <p>Governors questioned what activity was currently being provided within the STEM Centre? In response, the Managing Director- Northern Skills Group stated that commercial business was lower than anticipated, Apprenticeships recruitment was slightly lower, largely due to government policy, and the fact that some companies are not spending the Apprenticeship Levy due to uncertainties in the economy and Brexit. However, the College continues to engage with many businesses, with a number of possible contracts in the pipeline.</p> <p>The Managing Director stated that discussions with Ford are progressing, and should capital investment be needed to manage the project, then a Written Resolution would be shared with the Governing Body seeking approval.</p> <p>Finally, an up-date on the provision taking place in the STEM Centre was provided, with more full-time Engineering courses being provided, along with an additional joinery workshop, to alleviate the pressures in the main building. This, alongside Apprenticeship delivery, means that the STEM Centre is operating largely at capacity.</p>	
17/024	<p>ITEM 8 - FACILITIES MANAGEMENT UP-DATE</p> <p>The Assistant Principal - Estates then gave an overview of the progress being made with the Facilities Management Strategy, with a comprehensive up-date being provided on energy efficiency, waste, water, green travel, premises running costs, compliance, health & safety, security & access, service desk, staff, Student Voice, Performance Dashboard, accommodation and capital.</p>	

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	<p>Some discussion then took place on the impact the access control barriers have had on the security of the building, as well as an up-date on the work carried out with regards to cladding on MC6 and the STEM Centre, along with the pipe corrosion issues, the latter of which have been on-going for a period of time, but are nearing a conclusion.</p> <p>Governors questioned what type of pipework was affected, how long was the warranty, what were the estimated costs to replace, and who designed and installed it? The Assistant Principal - Estates stated that the pipework was related to the water, and was installed by Laing O'Rourke's contractor when the College was built in 2008. It was noted that the indicative costs were in the report, but a detailed explanation was given.</p> <p>The Assistant Principal - Estates then provided an up-date on the discussions that have been held to date with regards to the pipework issues, the proposals made by Laing O'Rourke, the advice of the Project Managers, and the need to progress the work with as little disruption to the College, it was agreed to recommend that:</p> <ul style="list-style-type: none"> • A financial offer made by Laing O'Rourke to compensate the College for a latent defect regarding pipe corrosion, on the basis that the College manages the contract works and releases them of any future warranties, be approved by the Governing Body at its meeting on the 14 December 2017, subject to satisfactory legal contracts being reviewed and exchanged. • The Corporation Seal be used for any documentation relating to the pipe corrosion project. <p>Governors then questioned why the 2017 / 2018 Capital Budget spend had been more than forecast? In response, the Assistant Principal - Estates stated that this had been largely been related to the installation of the security barriers, and the decision to relocate from 2 Queen's Square.</p> <p>After assurances that future spend would be monitored more closely, it was agreed to recommend that:</p> <ul style="list-style-type: none"> • A retrospective overspend of £67,000 on the 2017 / 2018 Capital Programme, due to the late decision to install security barriers and relocate from 2QS, be approved by the Governing Body at its meeting on the 14 December 2017. 	

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	<p>Finally, some discussion took place with regards to future capital spend, and the need to ensure that capital is identified for business critical areas, including Health & Safety, in the short term, with other assets not being replaced where possible. The Chairman of Governors requested a tour of the Estates in the New Year.</p>	Peter Bland
17/025	<p>ITEM 9 - IT UP-DATE</p> <p>The Executive Director - Information Services presented an up-date against each of the Department's Strategic Aims, notably Teaching & Learning, Governance, IT Service Management, resistance and sustainability, financial management and information management. These up-dates also included an overview of the Capital Replacement Programme, IT security and VDI.</p> <p>Governors noted that student satisfaction had improved by 10% from last year, but was still lower than target. Nevertheless, significant progress had been made.</p> <p>However, it was hoped that the deeper engagement with the student body, quicker reaction times to fix problems, some quick wins regarding software and hardware issues, and the continued roll out of the Capital Replacement Programme, would increase student satisfaction with computers further. Governors welcomed the improvements made in the performance of the department, with the other three targets being exceeded at this time of the year.</p> <p>Governors questioned whether there were any FE benchmarks in terms of IT replacement? In response, the Executive Director stated this was in the region of five years.</p> <p>Governors questioned the progress being made to ensure that the College continues to be vigilant with regards to IT Security? In response, the Executive Director stated that the Audit & Risk Committee continue to be briefed on the IT Security Policy, and assured the Corporate Services Committee that security systems were robust, but the College is looking at doing a penetration test to identify any areas of weakness.</p> <p>Some discussion then took place with regards to IT data Services, and whether it would be worthwhile to look at other models, with Middlesbrough Council having just instigated a new service.</p>	

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	<p>Finally, an overview of the savings made through a new mobile contract were shared, along with a general up-date on how the College is preparing for the new GDPR Regulations, which are due to come into force in 2018, with the Corporate Services Committee continuing to be briefed on the latter aspect.</p> <p>Governors welcomed the progress being made and the positive impact on the service to staff and students, but also noted that some cost pressures were being experienced due to Brexit and the value of the pound, which could impact on future investment, along with other cost pressures highlighted earlier.</p>	
17/026	<p>ITEM 10 - DATE OF NEXT MEETINGS 2017 & 2018</p> <ul style="list-style-type: none"> • Friday 9 March 2018 at 2.00 pm. • Friday 22 June 2018 at 2.00 pm. 	
17/027	<p>ITEM 11 - ANY OTHER URGENT BUSINESS</p> <p>None.</p>	

The meeting closed at 5.05 pm

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