THE FURTHER EDUCATION CORPORATION OF MIDDLESBROUGH COLLEGE

CORPORATE SERVICES

Minutes of the Corporate Services Committee meeting held on Friday 9 March 2018 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) (agenda item 4.2 onwards),
Mrs Zoe Lewis (Principal / Chief Executive),
Mr Tony Parkinson (CG) (agenda item 4.2 onwards),
Mr Sandy Wilson (EM)

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

In attendance for his item only
Mr Peter Wilson (MD)

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

The Chair of Corporate Service Committee welcomed Mr Tony Parkinson (College Governor) to his first meeting following his appointment on the 1 January 2018.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/001</td>
<td>ITEM 1 - APOLOGIES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mr Peter Studd (CG)</td>
<td></td>
</tr>
<tr>
<td>18/002</td>
<td>ITEM 2 - MINUTES 11 DECEMBER 2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The minutes of the 11 December 2017 were approved.</td>
<td></td>
</tr>
<tr>
<td>18/003</td>
<td>ITEM 3 - MATTERS ARISING</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Clerk to the Corporation informed the Corporate Services Committee there was one outstanding action, and that was in relation to the Ford Contract, which would be discussed under the Northern Skills Group Up-date agenda item.</td>
<td></td>
</tr>
<tr>
<td>18/004</td>
<td><strong>ITEM 4 - STRATEGIC OVERVIEW</strong></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>4.1 Principal / Chief Executive’s Up-Date</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Principal / Chief Executive gave an overview of the key themes affecting the College at this present time, including but not limited to, Financial Health, competition from Sixth Form Colleges, 2016 / 2017 outcomes and progress to date in 2017 / 2018, along with an up-date on the draft savings plan.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4.2 Management Accounts (January 2018)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr Andrew Dyne <em>(College Governor)</em> joined the meeting. Mr Tony Parkinson <em>(College Governor)</em> joined the meeting.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Vice Principal - Finance &amp; Registry presented the January 2018 management accounts, which highlighted that the forecast position continues to be an operating surplus budget, but there were risks remaining in the budget, which were being closely monitored. Governors were then provided with an overview of the real operating position had the College received the right level of funding based on 2017 / 2018 recruitment, with the financial impact being felt in 2018 / 2019 due to lagged funding methodology.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governors questioned why recruitment was lower than expected? In response, the Vice Principal - Finance &amp; Registry stated that this was mainly due to the demographic decline, increasing competition from Sixth Form Colleges were entering the vocational market, along with new entrants such as the new Catering Academy. It was hoped that the changing government policy on Information, Advice &amp; Guidance may have a positive impact on recruitment in the short and medium term.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Further discussion would take under agenda item 4.3.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4.3 Financial Health Improvement Plan Up-date</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Vice Principal - Finance &amp; Registry presented an up-date on the College’s current Financial Health, and how the three factors notably current ratio, borrowings as a percentage of income and EBITDA <em>(Earnings before Interest, Taxation, Depreciation and Amortisation)</em> are being managed to ensure the College strengthens its current position.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governors questioned what overtime was being paid? In response, the Vice Principal - Finance &amp; Registry stated that there was little overtime, but was concentrated in FM &amp; IT.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Governors then **questioned** whether the College was confident of delivering the required savings, as identified in the draft Savings Plan? In response, the Vice Principal - Finance & Registry stated that planning was robust, with detailed curriculum planning being finalised by the end of March 2018. Further discussions would take place over the coming weeks with budget holders to confirm that the original savings plans would delivered, as agreed.

Governors then **questioned** the current pay costs to income ratio? In response, the Vice Principal - Finance & Registry stated this was around 61% to 62% of income at the present time, which was below the benchmark set by the FE Commissioner of 65%. The other major costs were largely associated with building and premises running costs, central support services, interest, depreciation, marketing and IT.

As part of the discussion, the Director of Human Resources then shared with the Corporate Services Committee a number of Cross College Savings that have been identified in discussion with the Senior Leadership Team, and would be shared with the Trade Unions in due course. It was noted that the Trade Unions had been informed of the need to instigate a substantial Savings Plan at the JCNC meeting earlier today, and as part of the discussion, they have been asked again for their ideas to make efficiency savings.

The Corporate Services Committee welcomed the overview of the areas to be discussed with the Trade Unions, noting that some proposals carried higher risks than others. However, in light of the financial pressures, and the need to future proof the finances especially over the short term when funding will be lower due to the demographic decline and increasing competition, the proposals were **endorsed**.

Finally, Governors questioned how widely is the financial position known by staff? In response, the Principal / Chief Executive stated that there has been regular communication through team meetings, staff conferences and other forums to highlight the position, with staff being asked for savings ideas at the Staff Conference in December 2017.

The Staff Governor (*Business Support*) confirmed that staff are aware of the College’s decline in enrolment, and the need to make savings.
4.4 Bank Loan Up-date

The Vice Principal - Finance & Registry gave an overview of the progress being made with regards to renewing the Revolving Credit Facility, which expires in 2019. Some advice has already been sought, and an up-date on the positive meeting held with Santander in January 2018 was also shared, with the Chairman of Governors in attendance, as the Nominated Governor.

After some discussion on the bank loan options, and also an up-date on the day to day banking services tender that has recently been carried out by the College’s Procurement Specialists (Tenet), it was agreed to recommend that:

- The existing Revolving Credit Facility (RCF) be renewed on the same terms that are currently in place, as detailed in Appendix 1 of the Corporate Services Committee’s Bank Loan Report.

- The request for an additional £1m overdraft facility be approved, with the terms set out in Appendix 1 of the Bank Loan report.

- A three-year contract award to Santander for the provision of day to day banking services be approved, as detailed in Appendix 2 of the Bank Loan report, with a commencement date to be determined by the Vice Principal - Finance & Registry.

Post Meeting Note

The commercial terms contained in the Confidential Report would not be included with the recommendations, due to commercial sensitivities. However, they would be shared with the Governing Body on the 26 March 2018, when the recommendations would be discussed and approved.

4.5 Higher Education Five Year Financial Plan

The Vice Principal - Finance & Registry gave an overview of the draft Higher Education Five Year Financial Plan that had been prepared following the decision by the College in September 2017 to contract with the Open University and Pearson Education from September 2018. Due to the sensitivities of the document, the Corporate Services Committee agreed that:

- The Higher Education Five Year Financial Plan is deemed confidential.
The Corporate Services Committee **endorsed** the Five Year Financial Plan, and during discussion, it received an up-date on the on-going relationship with Teesside University following recent meetings with key staff.

### 4.6 Site Disposals Up-date

*Mr Tony Parkinson declared an interest, but it was agreed that he could remain in the meeting whilst discussions took place, but would not be able to vote on any decisions to be made.*

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 (*Prissick Base*), with some progress having been made recently.

After detailed discussion on the meeting held earlier that day with Middlesbrough Council officials, when a range of issues were discussed, including possible valuation receipts, S106 deductions, timescales for the sale, and how the sale receipts would be phased in terms of payment, it was **agreed to recommend** that:

- The College enters into a Memorandum of Understanding with Middlesbrough Council regarding the sale of land at the Prissick Site, and in doing so, also gives authority to the Principal / Chief Executive to engage advisers as necessary, with a view to selling the land in 2018 / 2019.

- The Corporation Seal be used on any documentation relating to the sale of land at the Prissick Site.

The Corporate Services Committee **requested** that they receive a further up-date on the 22 June 2018, as this sale could have a positive impact on the College’s borrowing levels and Financial Health.

### 4.7 VAT Up-date

The Vice Principal - Finance & Registry provided an up-date on the VAT discussions that are still progressing, noting that nothing much has changed since the last up-date, with the lead college (*Colchester College*) still yet to secure a date for a possible hearing, and it may be some time before that occurs.

Some discussion then centred on a recent announcement that HMRC is looking at VAT on subcontracting, and Governors **questioned** whether this would have an impact on the College and also training providers.

---

**Zoe Lewis**
<table>
<thead>
<tr>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>In response, the Vice Principal - Finance &amp; Registry stated that it could have an impact, and the College is discussing the situation with its own VAT specialist, with the AoC also making representations, as it is causing some anxieties in the Further Education Sector.</td>
</tr>
<tr>
<td>The Corporate Services Committee requested that this item remains an annual standing item, for the Spring Term, unless significant progress is made, which was worthy of discussion, and possible agreement.</td>
</tr>
</tbody>
</table>

| 18/005 | ITEM 5 - HUMAN RESOURCES REPORT 2017 / 2018 TERM 1 |
|---------------------------------|
| The Director of Human Resources presented the 2017 / 2018 Term 1 Human Resources Report, which was considered and received for information, with the report focusing on staffing profile, labour turnover, sickness, equality and diversity, well-being and casework. |
| Governors questioned the ethnicity profile, as it seemed a little low compared to the local demographics? In response, the Director of Human Resources stated attracting diverse staff is a challenge at times, but the College continues to work with bodies such as Equality North East to raise its profile, and other initiatives are being looked at to improve recruitment. |
| The Corporate Services Committee noted that sickness remained in line with 2016 / 2017, with the main concerns relating to long terms sick, some of which was unavoidable, but there were some indications that a number of staff were returning to work. |
| In terms of sickness monitoring, it was noted that the Senior Leadership Team is currently receiving weekly and monthly sickness up-dates, especially in relation to long term sick, so that proactive measures can be put in place to support staff back to work. |

| 18/006 | ITEM 6 - NORTHERN SKILLS GROUP UP-DATE |
|---------------------------------|
| The Managing Director - Northern Skills Group attended for this item, and provided a comprehensive up-date on the continued progress being made to grow the business, as well as up-dates on the integration of the business, trading conditions, tenders, distance learning, quality, ESIF Programmes, compliance, commercial training, new courses, targets, and minimising risks. |
A comprehensive overview on Outward Collaborative Provision (OCP) was then provided, and following some discussion on the number of new contracts that the College is entering into, it was agreed to recommend that:

- The additional list of OCP Providers for 2017 / 2018, as detailed in the Northern Skills Group report, be approved, subject to Due Diligence being carried out.

### 18/007 ITEM 7 - IT UP-DATE

The Executive Director - Information Services presented an update on a number of themes, including progress being made with the Capital Replacement Programme, GDPR Readiness, IT Security Policy and the launch of the new College Website. An overview on the Department Key Performance Measures was also provided, which were showing continued progress, especially in terms of student satisfaction.

Finally, the Corporate Services Committee was briefed on a recent Internal Audit that had been carried out on GDPR, which was undertaken to assess whether the College was ready for the new regulations that come into force on the 25 May 2018. It was noted that the draft report would be shared with the Audit & Risk Committee on the 13 March 2018, but the outcome was positive, with some more work to undertake to ensure the College complies fully. However, a great deal of mapping work has been undertaken, along with extensive communications with the College’s suppliers to ensure that they would also be ready.

### 18/008 ITEM 8 - FACILITIES MANAGEMENT UP-DATE

The Assistant Principal - Estates gave an overview of the progress being made to improve the efficiency of the Facilities Management Department, including progress with energy efficiency, reducing waste, reducing water consumption as well as ensuring that other aspects such as green travel, premises running costs, compliance, health & safety, security & access, service desk continue to improve.

An up-date was then shared on the Snow Dome development, and the proposed Heads of Terms that are being proposed. There was some input from Governors who have been involved in the development discussions, and a number of questions were raised in terms of car park maintenance, and the length of the agreement being proposed.
After further discussion, it was agreed to recommend that:

- Heads of Terms be developed with the Snow Dome developers on the basis of an annual fee and fixed term of up to forty years, subject to appropriate break clauses, and agreement being reached regarding maintenance of the car park, and discussion over alternative parking arrangements.

The Corporate Services requested a further up-date on the Snow Dome development at its meeting on the 22 June 2018.

Some discussion then took place on the recent Internal Audit that had been carried out on Non-IT Incident Management, which was very positive. Substantial Assurance had been awarded, with three recommendations, all of which were in the process of being implemented.

The progress being made to address the objectives identified within the Facilities Management Performance Dashboard were also noted, along with an up-date on cladding and the pipe corrosion project, the latter of which was subject to detailed discussion at the last meeting.

ITEM 9 - FINANCE MATTERS 2017 / 2018

9.1 Recruitment & Progress Against Target 2017 / 2018

The Vice Principal - Finance & Registry presented the report, which provided a comprehensive up-date on the current progress in 2017 / 2018, with Governors noting the progress made against the various income streams.

9.2 Bad Debts Up-date

The Vice Principal - Finance & Registry tabled the report, and apologised for the delay. It was noted that the report had been prepared following discussion on the 11 December 2017, when more information had been requested.

Attached to the report was the Tuition Fees & Debt Management Internal Audit, which had been carried out recently, and had been awarded Substantial Assurance, with one recommendation. The Audit & Risk Committee is due to discuss the outcome at its meeting on the 13 March 2018.

Governors questioned whether the College would differentiate between cancelled and bad debt? In response, the Vice Principal - Finance & Registry confirmed this would be the case.
Governors then **questioned** whether the systems and process were going to be strengthened further? In response, the Vice Principal - Finance & Registry stated that further changes are being made to improve collecting and monitoring of bad debts, and this would be reflected in the 2018 / 2019 Fees Policy, which would be approved at the next meeting.

The Corporate Services Committee welcomed the up-date and the progress being made with managing bad debts, especially in light of future risks associated with Higher Education.

The Corporate Services Committee **requested** that the Bad Debts Up-date Report be uploaded onto the BoardIQ Governance Portal after the meeting.

### 18/010 **ITEM 10 - CAPITAL BUDGET 2018 / 2019**

The Vice Principal - Finance & Registry presented the 2018 / 2019 Capital Budget, following initial discussion with the Governing Body, when it was agreed to set a lower Capital Budget and also be set against some key business areas, including IT, Health & Safety, and Facilities Management.

Governors **questioned** how much of the 2018 / 2019 Capital Budget would be leased? In response, the Vice Principal - Finance & Registry stated that it was envisaged that it would be in the region of £1 million, but this depended on a range of factors, with Governing Body approval being sought before any lease arrangements were confirmed.

Following discussion on the process, the risks of not investing in other areas of the business, the capital requirements to service the Ford Contract, the potential leasing arrangements to be looked at, and the rationale for the amounts proposed by the Senior Leadership Team, it was **agreed to recommend** that:

- The 2018 / 2019 Capital Budget of between £1.2 million and £1.4 million be approved - with procurement starting as necessary prior to the start of 2018 / 2019 academic year.

### 18/011 **ITEM 11 - DATE OF NEXT MEETING 2017 / 2018**

- Friday 22 June 2018 at 2.00 pm.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/012</td>
<td><strong>ITEM 12 - ANY OTHER URGENT BUSINESS</strong></td>
<td>None.</td>
</tr>
</tbody>
</table>

The meeting closed at 4.05 pm