

Minutes of the meeting of the Board of Governors held on **26 September 2019**.

Present: Bob Harrison (Chair up to and including B19/101), Clive Macdonald (Chair B19/102 onwards), Yultan Mellor (Principal), Mike Bramhall, Tim Thornton (up to and including B19/115), John Edwards, Colin Forrest, Liz Stanley, Neil James (up to and including B19/120), Catharyn Lawrence (up to and including B19/120), Kate Fleming and Ann Corrigan.

In attendance: The Assistant Principal – Finance and Business Services (Joy Whistlecraft) (up to and including B19/120) and the Clerk to the Governors (Sarah Johnson).

Apologies: Frank Lord and Ken Richardson.

GENERAL BUSINESS

B19/95 DECLARATIONS OF INTEREST

Each governor present declared any potential interests related to items to be considered at the meeting. With respect to his role as Deputy Vice-Chancellor Prof Tim Thornton declared an interest in items relating to HE and the College's relationship with the University of Huddersfield.

B19/96 It was agreed that no decisions to be taken would be affected by these interests and it was not considered necessary for the member to withdraw from the meeting.

B19/97 MINUTES AND MATTERS ARISING

The minutes of the meeting held on 11 July 2019 were approved as an accurate record.

B19/98 CONTEXT/SECTOR UPDATE REPORT (Document 2i)

The Board considered a report which provided governors with an update on sector developments and other information from outside the College that could have an impact on college business and strategic planning. This included:

- details and implications from the 16 - 8 funding announcement – the Board noted its disappointment that there was no reference to adult education;
- data regarding a record low in adult participation in adult education, which was as low as 30% in Yorkshire and the Humber;
- information regarding the Commons Education Select Committee inquiry into adult education;
- details of the pensions support being offered to FE colleges in the Teachers' Pension Scheme and the lobbying being undertaken by the College;
- details of Love our Colleges week activities;
- an update regarding Ofsted and the inspection of outstanding providers and the implications for the College;
- feedback from the official opening of Wentworth Castle Gardens event and an update on the partnership with the National Trust to date;
- an announcement that a student at the College had been shortlisted for the AoC adult student of the year.

B19/99 The Board particularly explored:

- devolution, both generally and specifically in the Sheffield City Region, and the implications for the College and any further actions it needed to be taking in the short and medium term;
- why FE was not being seen as an automatic participant in the Skills Board and what the College and other FE providers in the region could do to influence this;
- opportunities for the College in relation to retraining for adults in low paid work;

- how the College should position itself in relation to employability, agreeing that it needed to ensure that it had a definite role to play in employability, but also including a broader definition which included social justice;
- welcomed the planned sector update from the AoC at the December meeting of the Board, which would include devolution.

Resolved: i That the report be noted.

B19/100 COLLEGE REPORT (Document 3i)

The Board considered a report which provided an update for governors on key items of strategic and operational College business. This included:

- details of year end performance in relation to student achievement, including comparison between accredited and non-accredited provision;
- details of marketing activities being undertaken and an analysis of costs and impact;
- details of outreach activities and a very early impression of the impact on enrolment levels;
- an update on the implementation of the new management structure, appointments to roles and a new meeting and communications framework;
- an update on student recruitment to date for 2019/20 – it was reported that HE had almost achieved target and was still recruiting, GCSE was healthy and achieving planned enrolments at this stage and that the access programmes were on track, with the exception of computing.

B19/101 The Board:

- welcomed the excellent achievement by students and asked that staff be congratulated on the outcomes achieved;
- particularly explored the data broken down by accredited and non-accredited provision, welcomed the small variance achieved and noted that this was an area being closely monitored by the College in order to ensure the rigour of processes;
- noted that English and maths results would be significantly above the national average, as were achievements on the access programme;
- looked forward to the opportunity to explore and challenge the data in more detail as part of the self-assessment process;
- explored with staff members the impact of the new management structure and meetings and communications framework;
- explored the skills and experience of new appointments to roles, noting that this included FE, charity, local authority, market and community development and historic buildings, and welcoming that both internal and external appointments had been made;
- explored the issues regarding recruitment to computing in detail, noting that the College was undertaking a thorough review of curriculum in this area, including its broader digital offer. The Board emphasised the skills needs of adult in this area, the growth in employment opportunities in the digital sector and challenged the College to be persistent in its aim of developing the right curriculum offer, agreeing that this was an area where specific investment could be considered

Resolved: i That the report be noted.

B19/102 MANAGEMENT ACCOUNTS – 2018/19 OUTTURN (Document 3ii)

The Board considered **Draft Final Outturn Management Accounts for 2018/19** and noted that:

- the surplus for the year was currently estimated at between £123 -125k, which was £10k higher than reported to the Board in July 2019;
- the College was awaiting a final reconciliation for the Leeds LA agreement and an estimated accrual of £35k had been included;
- clawback due to the non-delivery of the ITQ L3 under the ALLB funding stream was estimated at £32k;
- the 103% of AEB delivery for the College for 2018/19 notified by the ESFA had not yet been included in the forecast;

- at this stage payroll as a percentage of income was reported at 60.6% and the College had achieved 2.3% against its 2.5% surplus target;
- it was anticipated that the surplus target would be exceeded once the final reconciliation was complete, and this would also bring the payroll as a percentage of income back below its 60% target;
- pay costs were reported as £41k below budget, which was positive during a year of significant structural developments.

B19/103 The Board particularly considered pension costs and valuations for 2018/19 and noted that:

- the balance sheet position had been reported earlier in the year than was usual in order to highlight the position and facilitate early consideration of the potential impact on the College;
- there were risks related to the valuation of the assets and liabilities of the both of the College's pension schemes - USS and LGPS – but the impact of the treatment of USS in the published accounts was of particular concern;
- LGPS
 - it was reported that the College's defined benefit obligations in relation to the local government pension scheme had once again changed substantially, seeing an increase of 20%;
 - however as was usual this would not impact on the ESFA financial health rating of the College as the costs were stripped out by the ESFA in their assessment;
 - it was likely that as previously the triennial valuation due in 2019 would be more consistent with previous valuations and balance out the variations of the annual actuarial valuation.
- USS
 - as previously reported there had been a staged rise in employer costs for USS, however this had already been reflected in the College's three-year financial plan and the actual increase was not as high as originally stated;
 - there had also however been a significant increase in the recovery rate which meant that the College's pension provision for USS was now £800k, an increase of £550k on the previous year;
 - though this not pose any actual cash issue it did raise an issue regarding solvency in the published accounts and a corresponding issue in relation to the calculation of the ESFA financial health rating for the College;
 - this position arose due to the requirement for the figure to be shown in the College's profit and loss statement, which would lead to a significant published deficit;
 - a key concern for the College is that only two institutions in the sector are part of the USS, potentially meaning that the ESFA would not have an understanding of the position or a methodology for appropriately taking the figures into account in their financial health grading, potentially leading to a detrimental impact on the College's financial health grade;
 - the College was seeking advice from its financial statement auditor on how best to treat this position in the accounts and how to approach the ESFA;
 - the College was also seeking support from HOLEX and the AoC in lobbying the ESFA on its behalf;
 - a new valuation and new modeller for USS would be published imminently and was expected to result in a reduction in the valuation figures, however this would not impact on the 2018/19 accounts, it would however be available in December for governors to take into account in their consideration of the published accounts.

B19/104 It was reported that the position had been considered in detail by the Policy and Finance Committee at its meeting on 19 September 2019 where it had:

- agreed that the issues arose as a result of accounting adjustments and did not reflect the College's operating financial position or impact on its ability to trade in relation to going concern;
- however, been concerned about the potential impact on the College's ESFA financial health grading and supported the College's proposed approach to work with its financial statement

auditor in approaching the ESFA and seeking support with lobbying from the AoC and HOLEX;

- overall welcomed the financial position reported for 2018/19 and noted that it was in line with that reported throughout the year;
- agreed that the pensions position did not raise any short term significant threats or issues regarding going concern, but should continue to be carefully monitored in order to manage any medium to long term risks.

B19/105 The Board:

- noted that overall the impact was that the College would report a deficit balance sheet position and it therefore had to understand the position and consider it carefully in relation to going concern;
- explored whether the pensions valuations would have any impact on the actual pension costs the College was exposed to year and year – and were assured that this was not the case, with LGPS costs actually reducing and USS costs not increasing as much as previously expected;
- reviewed the triennial valuations, noting that they were in fact fairly static;
- agreed that the response from the ESFA would be a significant factor in what the risk actually was;
- reviewed whether the College was taking the right actions;
- noted that USS was a troubled pension scheme and continued exposure to it was an on-going risk.

B19/106 The Board therefore:

- noted the deficit balance position;
- agreed that the position was outside of the College's control and there was no opportunity for it to influence the assumptions, therefore the key action should be to maintain a good understanding of the position and anticipate and manage where possible any potential implications;
- agreed that the College's operating position was robust, it was able to meet all its liabilities and there were no issues regarding going concern;
- agreed that the key risk would be to the College's perceived standing externally, and in particular with the ESFA in relation to financial health grading;
- agreed that the College was taking the right steps by reporting early and clearly, approaching the ESFA and taking the advice of the financial statement auditor;
- noted that the risk register would be updated to reflect the position;
- welcomed the overall financial outturn reported for 2018/19.

Resolved: i That the report be noted.

B19/107 **RISK REGISTER** (Document 3iii)

The Board considered the Risk Register – Key Strategic Risks and noted that:

- further actions to mitigate E1 – major blockage in the College drainage system – were planned which were intended to reduce the risk score considerably;
- F1 – failure to draw down Adult Learning Loans Bursary funding stream leading to loss of ESFA funding – this risk had materialised in 2018/19 resulting in a £32K clawback and the College had adjusted its planning for 2019/20 accordingly to minimise the risk in future;
- the new structure would further support the mitigation of F2 – failure to maximise income generation opportunities.

B19/108 The Board agreed that the risk related to the impact of pension valuations should be escalated to become a key strategic risk.

Resolved: i That the risk related to the impact of pension valuations be escalated to become a key strategic risk.

B19/109 **STRATEGIC PLANNING**

The Board noted that the strategic planning session would take place on Thursday 14 November 2019, and that members would be joined by the College's new Executive Leadership Team and Head of Marketing and Partnerships.

B19/110 The Board looked forward to shaping a new strategy and were confident that the College had the appropriate internal structures and frameworks in place to take its implementation forward effectively.

Resolved: i That the report be noted.

B19/111 **FINANCIAL STATEMENTS 2018/19 – DRAFT CORPORATE GOVERNANCE STATEMENT**
(Document 5i)

The Board considered the draft corporate governance statement which would be incorporated into the College's financial statements for 2018/19.

B19/112 It was agreed that the reported membership of the Audit Committee for 2018/19 be checked for accuracy and updated accordingly.

Resolved: i That the reported membership of the Audit Committee for 2018/19 in the corporate governance statement be checked for accuracy and updated accordingly.

B19/113 **GOVERNANCE REPORT** (Document 6i)

The chairs of the Board's committees presented the **priorities for their committee for 2019/20** which included:

- Audit Committee – usual statutory business, plus a review of the College's current approach to risk management, ensuring the College gets the best value from its internal audit service and careful oversight of the implications for the College of variations in pensions costs and valuations;
- Quality Committee – interrogating and challenging performance in all relevant areas including governance level monitoring as part of the College's new performance review framework, ensuring the College is well prepared for inspection (OfSTED and QAA), plus a particular focus on destinations and outcomes data and the development of HE;
- Policy and Finance Committee – usual statutory and performance monitoring activities - ensuring performance is challenged where appropriate, a particular focus on income generation and partnership development and work on understanding and articulating the College's risk appetite;
- Remuneration Committee – considering and making recommendations regarding pay awards, overseeing senior post holder remuneration and performance, oversight of compliance with the senior post holder remuneration code (a separate confidential minute was also recorded).

B19/114 The Board received an update from the **succession planning working group** and noted that:

- the request for expressions of interest had resulted in no indications of interest in the role of chair from amongst current members and therefore the group would move to external recruitment;
- the next key milestone in the process would be the strategic planning session on 14 November where governors would consider the requirements for a new chair in relation to the strategic direction of the College;
- work had commenced on the identification of an appropriate recruitment partner;
- the College remained on track to undertake a thorough process in order to have a new chair in place for Sept 2020.

B19/115 The Board received a report from the **lead governor – safeguarding**. It was noted that:

- the role of Lead Governor Safeguarding was a new one for the College;

- since appointment in March the lead governor had undertaken to gain a robust understanding of:
 - the safeguarding/prevent structure and framework in the College, along with arrangements for training, reporting and monitoring;
 - the College's links to the local and regional safeguarding and prevent infrastructure and its key statutory partners, this included the Designated Safeguarding Lead (DSL) sharing the South Yorkshire Counter Terrorism Profile that highlights local and regional threats;
 - the key risks and controls in place, including the College's detailed safeguarding and prevent action plan and risk assessment that embraces the full range of activity.
- work had also been undertaken to establish how the role of lead governor would function in practice;
- assurance had been sought regarding the College's interim and handover arrangements for safeguarding and prevent, arising as a result of the retirement of the Designated Safeguarding Lead (Vice Principal) in July 2019.

B19/116 The lead governor reported that:

- he was assured that the interim and handover arrangements to a new DSL were good and he would arrange to meet with the new DSL shortly after her commencement at the College in October 2019;
- the Board should maintain an oversight in relation to any cultural issues which could potentially arise as the new College management structure was embedded;
- it would be beneficial to update governor skills and knowledge in relation to safeguarding and prevent and it was agreed that the new DSL would be asked to facilitate this;
- oversight of safeguarding in relation to the Children's Centre would be more explicitly incorporated into reporting and monitoring at governance level in future, and it was to be welcomed that the new DSL was experienced in safeguarding in a child care setting.

B19/117 The Board considered and approved the **Order of business for 2019/20** noting that it had been updated to reflect the revised agenda structure for 2019/20, the new management structure and revised performance management framework. The Board acknowledged that further changes would be likely to be incorporated during the year as the new frameworks were embedded.

B19/118 The Board considered and approved revised **terms of reference** for the Remuneration Committee, welcoming the review and development of the role of the committee and the additional assurances this provided.

B19/119 The Board received the **Remuneration Committee Annual Report for 2018/19** and were satisfied that the committee was made up of members with appropriate experience and expertise, had discharged its responsibilities appropriately and the College was compliant with the colleges' senior post holder remuneration code.

B19/120 The Board approved the publishing of the report as the College's **remuneration annual statement for 2018/19**.

- Resolved:**
- i **That the order of business for 2019/20 be approved.**
 - ii **That revised terms of reference for the Remuneration Committee be approved.**
 - iii **That the Remuneration Annual Statement for 2018/19 be approved for publication.**
 - iv **That a governor skills and knowledge update in relation to safeguarding and prevent be provided.**

B19/121 CONFIDENTIAL STAFFING MATTERS

A separate confidential minute was recorded.

B19/122 DATES OF THE NEXT MEETINGS

12 December 2019 – 11.00am (development session 10.00am to 11.00am)

12 March 2020 – 11.00am (development session 10.00am to 11.00am)

9 July 2020 – 11.00am (development session 10.00am to 11.00am)

Signed		Date	
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