

CORPORATION BOARD FINANCE & GENERAL PURPOSES COMMITTEE



Minutes of a meeting held on Tuesday 26 November 2019 at Abingdon Campus at 6pm

Present

Di Batchelor (Principal)
Howard Dodd
Roger File
Nick Handy (Chair)
John Revis
Sean Wellington

In attendance

Jacqui Canton, Deputy Principal
Mark Lay, Finance Director
Darren Bailey, Head of Finance
Michael Chiyasa, Head of Estates and
Capital Development
Ros Caffyn, Head of Finance elect

Governor questions are represented with bullet points, and management responses are italicized.

1. Opening comments, apologies for absence and new declarations of interest

Apologies had been accepted from Tony Petruso, who was unwell. Ros Caffyn was welcomed, and Darren Bailey thanked for his work on behalf of the Committee. There were no new declarations of interest.

2. Minutes of the meeting held on 1 October 2019

The Public and Confidential minutes were approved for signature.

3. Matters arising from the Minutes not covered elsewhere on the agenda, and Action tracker

The paper was noted.

4. Capital Projects and Estates update

4.1 Public Report

The Head of Estates and Capital Developments highlighted the main points. Members discussed the Early building structural cracks and insurance cover. The building remained safe to use, on the advice of Structural Engineers.

In 2011 the College followed all the advice from the then insurers, UMAL. That had not included a requirement or suggestion that the College talk to neighbours about adjacent hedges/trees. The new insurers are willing to support the College in pursuing the College's claim with UMAL. UMAL had closed the file, indicating their satisfaction with the College's response at the time. Governors noted that whilst the College had no authority to require neighbours to remove their hedging/trees, neighbours do have a duty in law not to damage adjacent estates/property.

Governors considered the exceptionally dry conditions pertaining in summer 2019, and the theoretical impact of roots extracting scarce moisture from under the Early building.

There was some resistance from Governors to the proposal to underpin some of the building. If the whole building is prone to movement, the College should consider "stitching", rather than underpinning. Estimates on the cost of underpinning were expected in January 2020.

Members discussed the Common Leys open fronted cattle barn. The Strip-out cost (estimated £23,000) had been included in the budget.

Members discussed the Avenue One disposal. The net proceeds of sale had been included in the Construction Skills project budget.

Monthly variations in utility consumption could be accounted for, it was thought, by the timing of half term, and the shortness of February as a month. Interpretation of year-on-year comparisons could be more revealing.

Members considered two confidential reports.

5. Financial Statements 2018-19

The Chair reminded members of their focus: the content, key accounting judgements, and items over which they have concerns. The Finance Director introduced the accounts. The Chair had provided helpful feedback out of the meeting on matters of pagination, formatting, and internal inconsistencies, which would be actioned. There had been no material unadjusted errors raised by the auditors.

Governors discussed the appropriateness of the KPIs presented on page 7. The expectation is that the KPIs stated are ones in use by the College. The Statements present fewer than are presented in the Balanced Score Card. Governors approved the KPIs as presented as an adequate sample of the range that were in use through the financial year. The matter would be re-visited prior to preparation of the 2019/20 accounts.

Following discussion, it was agreed that the final sentence in the Agency arrangements paragraph on page 38 would be removed.

- With respect to the Board's statement on the College's regularity, propriety and compliance, what was the definition of "reasonable expectation"?
Other governors responded: *The phrase indicates that the External Auditors, having thoroughly investigated the processes underpinning the accounts and the numbers, are satisfied, and will sign off the accounts. It is not an easily defined term. It can be understood in a similar way to an Internal Audit opinion of "reasonable assurance". It is standard wording, and it not a promise for the future.*
- Were staff costs as a percentage of income correctly stated in the graph on page 5?
No. the final data point should be 63%, and that would be corrected.

The Financial Statements, amended as noted, were recommended to the Board for approval. The Committee Chair would attend the Audit Committee to provide the committee's perspective on the content, key accounting judgements, and items of concern.

Action	By Whom	Deadline
Review KPIs in Financial Statements Strategic Report in advance of 2019/20 Financial Statements Preparation	Chair of Board, Chair of F&GP, Principal	Spring term 2020
Amend Staff costs graph before the Board approves the Financial Statements	Finance Director	immediate
Incorporate corrections to pagination, formatting, and internal inconsistencies before the Board approves the Financial Statements	Finance Director	immediate
Add Financial Statements 2018-19 to Board Agenda	Clerk	immediate

6. Management Accounts to 30 September 2019

The Head of Finance introduced the paper. Work was ongoing to transfer the College financial management system to Sage software.

- Was the September 2019 KPI for Financial Health (ESFA formula, self-assessed) of Requires Improvement a concern? *No, the temporary reduction in cash holdings has resulted in the adjusted current ratio falling below the threshold of 1.0. This will be recovered during the year.*
The Principal advised that this situation was not unusual during the year.
- What was the withdrawal factor in relation to apprentices? *It accommodated the financial impact of students who stop their apprenticeship part-way through the year.*

The Management Accounts were noted

7. 2019/20 Budget update

The Finance Director presented the paper. It was the latest estimate of indicative trends, and not a re-forecast. Risks and mitigation actions were presented. A typographical error on page 3 (expects to expects) was noted.

- In the past there had been discussion of the MacIntyre subcontract. What was the current thinking? *Bringing the contract in-house was not a viable option. Sub-contracting gave the College flexibility. Year on year, student numbers were unpredictable. A sub-contract had positive effect on the College staff pay figures.*
- What was the position with the OXLEP grant of £534k in relation to leases on the office Construction Skills Centre in Bicester? *The College had received Heads of Terms, which were being examined by the lawyers.*
- What is the impact of having already exceeded the College allocation for 19+ non-levy apprentices? *The number is small at £170,000. We have had to stop recruiting 19+ apprentices from non-levy paying employers. The allocation is relatively small in comparison to the overall apprenticeship budget, but highly unsatisfactory for the apprentices and employers concerned.*

How can the allocation be grown? *It is a short-term matter. The College has secured levy transfer to fund some apprentices that would not otherwise be funded, but it is not possible to do that for all apprentices. It is a national issue. From April 2020, a new system will be in place.*

The Principal reported that the College had engaged with the three MPs covering the College catchment, regarding apprenticeship funding and that they had separately engaged with the Secretary of State. The Secretary of State's response to them had been disappointing.

Governors agreed that the situation was unsatisfactory.

The paper was noted.

8. ESFA Financial Health letter

The Finance Director introduced the paper. The ESFA's assessment supported the College's self-assessment of financial health for 2018/19 and 2019/20. Governors considered the sector benchmarking dashboard.

- The top-line sector adjusted operating surplus appeared at odds with the narrative in the sector. *The top line figure is skewed by Landex Colleges which typically own significant acreages of valuable land.*
- With respect to Financial Health Grade in 2020/21, the College has assumed it will not receive Teachers Pension Scheme funding. If received. The College would be in "good" financial health.

- The Principal noted that the ESFA did not issue instruction on how budget lines were to be treated.
For information, the Principal reported that the College had hosted a visit from Department for Education civil servants, including one from the ESFA intervention team, who was very complimentary about the College.
- How useful is the College Income forecast bar chart? *Funding is given one year at a time, and the college is required to forecast for three years. The College expects income to flatline.*
The Committee chair observed that there was no consistency between the National Further Education College Median and this college.

The paper was noted.

9. Annual Report on Subcontracts

The Finance Director introduced the paper and directed governors' attention to two ESFA requirements. Governors noted a recent case of misappropriation and that a College had been required to repay £20 million to the ESFA.

- In future could the table of contractors be presented in descending order of value of contract, with a Red/Amber/Green rating on quality based on the most recent College monitoring visit. *This would be done.*
- In future, could distance of Contractor from the College be included. This could be seen as a proxy for oversight. *This would be done.*
- What do the top two suppliers on the list do? *Better Training provides GCSE English and maths for the Armed Forces; EMBS provides English and maths functional skills and ESOL in Oxfordshire*
- What is the background to the statement "Income is not always recorded in a way which enables the table to be completed for all subcontractors"? *For some contractors the College deducts 15%, for others (e.g. Unipart) the figure is subject to negotiation as the contract is on a different basis. It matters because there is sector concern about abuse of Management Fees. The sector norm is 15% except where specific pieces of work are commissioned.*
The Committee Chair reminded governors that the current price list is compiled with percental Management Fees, not absolute prices. ESFA guidance on future expectations in this matter is expected.

They were satisfied that 18/19 subcontracting met with strategic aims and enhanced the quality of the College offer to learner. They noted the quality assurance and management processes in place and accepted, and the "substantial assurance" rating given to the provision through Internal Audit. The Supply Chain fees and charges policy had last been reviewed and approved by the Board in October 2019.

Governors requested an agenda standing item on subcontracting. The report was noted.

Action	By Whom	Deadline
Present list of contractors in descending order of value of contract	Finance Director	November 2020 meeting
Red/Amber/Green rating from most recent College monitoring visit	Finance Director	November 2020 meeting
Add distance from College (Abingdon Campus) for each contractor	Finance Director	November 2020 meeting
Standing item on subcontracting	Finance Director/Clerk	For Spring Term and thereafter

10. New ESFA Financial Planning Model

The Finance Director introduced the paper. Governors noted the merging of two current reporting requirements on College financial performance, and a new timing for submission. Subsequent to the papers for this meeting being issued, the ESFA had released the new model. There was an expectation that the Board would approve the new financial plan. The ESFA require submission by 28 February 2020. Usually the Committee would oversee the detail and recommend to the Board for approval.

Governors noted that a Special Board was planned for early February in relation to the appointment of a new Principal, and suggested that Board approval of the submission be added to that Agenda. An alternative approach would be to approve by written resolution or to delegate oversight to the Chair of this Committee. In future years, the Financial Planning model would be on the Autumn Term F&GP agenda with December Board approval.

Committee members noted that the ESFA model required net cash flow month-end forecast figures over a number of years.

Action	By Whom	Deadline
Add additional business item to Board Agenda on ESFA new Financial Planning Model	Clerk	immediate
Seek approval for an additional business item on the February Special Board agenda, to approve the submission. Alternatively arrange for approval by written resolution or provide delegated authority to the Chair of F&GP.	Finance Director/Clerk	In discussion with the Board Chair, by end January 2020
Amend master F&G business cycle to accommodate new reporting requirements and timeline	Clerk	immediate

11. Freedom of Information request update

The report was noted.

12. Future Business items and reflection

The planned business for March was approved. Governors were satisfied that the papers were appropriate to their requirements, and that they had been given opportunity to raise issues and concerns about their content during the meeting.

The meeting closed at 7.10pm

Signature

Date