

**CORPORATION BOARD
FINANCE & GENERAL PURPOSES COMMITTEE**



Minutes of a meeting held on Monday 11 March 2019 at 6pm at Abingdon Campus

Present	In attendance
Di Batchelor	Mark Lay, Finance Director
Howard Dodd	Jenny Craig, Vice Principal
Roger File	Darren Bailey, Head of Finance
Nick Handy	Michael Chiyasa, Head of Estates and Capital Development
John Revis	Kelly Haddrell (to item 5)
	Ruth Reavley, Clerk

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

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

Members elected Nick Handy for a second two-year term as Chair of the Committee. Jenny Craig was welcomed to her first meeting. No apologies had been received. No new declarations of interest were made.

2. Minutes of the meeting held on 27 November 2018

A number of minor amendments to the public minutes were proposed and approved. The Chair would sign a revised copy. The confidential minutes were approved for signature.

Action	By Whom	Deadline
Amend public minutes	Clerk	As soon as possible, for inclusion in Board pack
Sign amended public and approved confidential minutes	Chair	At Board meeting, 25 March 2019

3. Matters arising from the Minutes not covered elsewhere on the agenda

The report was noted.

- What developments had there been on KPIs? *Following the Away Day, a Working Group of Governors and senior managers had met that morning to consider how these would be progressed.*
- Had agreement been reached on dilapidations with respect to leases being wound up? *It had; the agreement is as indicated in the minutes.*
- That some governors would prefer that the sequence of Financial Statement approval meetings was reversed, in order for F&GP to complete its review before the Audit Committee met, was noted.

Action	By Whom	Deadline
Reverse sequence of Audit and F&GP meetings considering draft Financial Statements in future	Clerk	For 2019-20

4. Capital Projects and Estates update

The report was discussed.

- Was there potential to generate income from the Agritech Skills and Innovation Centre? *The riding school had been covered as part of the Agritech project, and rental income had increased as a result.*
- What explanation was there for the gas consumption trend? *The current proposition is that it's related to the age of the boilers.*

- Could meters be installed at the point of use to provide better data?
- Could year on year data be presented next time? *Yes, that would be done.*
- Is data available on water usage? *It will be reported when it is available. There is a single incoming main at each campus.*

Governors agreed that data on all utilities would be helpful. The report was noted.

Action	By Whom	Deadline
Add gas consumption year on year data to next report	Head of Estates and Capital Development	June 2019

Governors considered a confidential report.

5. Management Accounts to 31 January 2019

The Head of Finance drew governors' attention to headlines. In discussion:

- Is it possible to net off the merger costs and grant, to show net cost? At present both income and costs show inflated figures. Would this be possible without appearing to hide figures? *In the Statutory Accounts they need to be shown as given in the paper.*
- What is the payback on apprenticeship expenditure on sub-contractors? *It varies by sub-contractor and individual apprenticeship type. 20% is achieved on some, and 15-20% on others. The data will show on the forecasts.*
- Generally speaking, would a 20% margin be expected on subcontracting? *No. With some of the larger sub-contractors providing Adult Education Budget work for instance, 15% margin is typical, however with, for instance, off-site equine, 50% is made. This is shown in the Faculty data.*
- With HE income down, is there anything that could have been foreseen? *There are several reasons. The HE sector is experiencing more competition, partly because of the national demographic downturn, which has only just hit Universities this year. There is locally more competition around STEM subjects with provision at Culham. The Oxfordshire Local Enterprise Partnership had supported the College STEM provision enhancement, and had not supported developments at Culham. The College has also increased HE Apprenticeship provision, which has impact on HE numbers. Last year Universities offered Life Sciences students unconditional places without the necessity to complete "Year Zero", just one week before courses began. This had an adverse effect on College numbers at a late stage, when no mitigating action was possible.*
- Is competition with Universities going to get worse? *The Regulator is concerned about anti-competitive behaviour and is taking action.*
- How do HE apprenticeships differ from an HE degree? *Most HE degree students are awarded an Oxford Brookes University degree. OBU is paid the fee, and reimburses the College. For Degree Apprenticeships, Abingdon & Witney is the main delivery partner, paying OBU a fee. The College makes a larger margin on Degree Apprenticeships. However, the HE Apprenticeship funding stream is unpredictable. There was an overnight reduction from £27,000 to £22,000 per student over 3 years on the most popular HE apprenticeship; other funding bands have been unilaterally changed. Information is provided to governors in the termly Principal's Update in Board papers. Levy-paying employers have used the levy to train managers, and there is sector-wide concern for the long-term viability of conventional (non-management) HE Apprenticeships. There is little prospect of the Government attaining its target of 3 million apprentices.*
- Is the £100,000 grant paid to the college in relation to Moulton repayable as the merger was halted? *The College has email correspondence from the ESFA's CEO acknowledging the efforts made to achieve the merger, and supporting the Board's*

decision not to proceed. The Principal doubts that the money will be recalled. If the ESFA seeks to claw back, the College will offer a robust response.

How long is the College at risk in relation to the grant? Claw-back is a possibility, not a probability. The Senior Management Team judged there was no need to make provision.

- *Could the grant be repaid given the Transaction Unit had closed? The ESFA was extant, and the Treasury could also ask.*
- *The total cost of the merger was of £156,000. The grant was £100,000. How is the difference being funded? £156,000 was borne by Abingdon & Witney College. The Board had approved up to £50,000 further spend. Moulton College spent £24,000 directly, in addition to the £156,000 borne by AW. Technically AW has spent £16,000 more than a 50/50 split, but it was it was doubtful it could be recouped.*
- *On page 5, outstanding Moulton College due diligence invoices are mentioned. Is there any progress? There are ongoing disputes between JLL and Moulton College over the estates valuation.*

Were the College to be involved in another merger, should we have an agreement with the College that if invoices are not covered by a grant, there is an agreed split? That would be prudent.
- *Are Managers able to spend on the capital list until the year end? The budget has been reforecast, and the Finance Director is talking with managers about the implications.*
- *In terms of KPIs, the Chair noted that the trigger lower threshold for a “Good” Financial Health Grade was 170, and reiterated the importance of not falling below that at the end of the year. The independent assessment was made annually. The College uses the formula to present its assessment monthly. Cash holdings will be below the threshold necessary for “Good” in March as a timing issue, but will back to acceptable levels by the year end, when independent assessment is made.*
- *How does the payroll percentage compare with other colleges? The College has in-house cleaners and caterers, runs a 24/7 farm, and has significantly less sub-contracting than many other colleges, all of which contribute to higher payroll costs than those of a College which do not do these things. The funding rate for land-based is higher. An outstanding audit action is to undertake financial record benchmarking. The Finance Director plans to bring reports to Audit and to F&GP next term.*
- *What activity has achieved “other grant income” being ahead of budget? Moulton College asked the College to help with quality improvement work, funded by the Strategic College Improvement Fund (SCIF). Since the paper was written, the College has been approached to take a further SCIF contract supporting Kensington & Chelsea College, which will end in April 2020. The “Taking Teaching Further” income relates to an Education & Training Foundation-funded Action Research project on the effectiveness of different recruitment models in encouraging people from industry into FE teaching. This work sits alongside other funded work on in-service training of teachers recruited from industry.*
- *What is WisePay (page 6)? The college has introduced WisePay as an online payment system. It has had a positive and significant impact in real time on, for instance, payment for trips. Parents and students largely accept the option. The scheme may be extended by switching on facilities for payment of course fees, materials, and events. Pre-loaded cards benefit the College cash flow, and reconciliations are accurate and easy. The costs incurred on cash handling have reduced. The product was developed for use in Multi-Academy Trusts, and has been adapted to the more complex user profile of the FE College environment.*
- *Is there data available on usage of the café at Witney? Revenue at Witney reflects the availability of many other food and drink outlets in the vicinity of the College. Abingdon has approximately £200,000 turnover a year, and is well used. Numbers of*

users are difficult to judge at Abingdon and at Witney. Common Leys Campus has a captive market, as the farm is fairly isolated.

- What is the average purchase worth? *Approximately £3.00*

The report was noted.

Action	By Whom	Deadline
Add financial record benchmarking to forthcoming Audit and F&GP agenda	Clerk	April 2019
Prepare financial record benchmarking report	Finance Director	For June meetings as scheduled

6. Mid-year Budget Review

The Head of Finance outlined significant points. A 0.6% surplus (a £326,000 reduction on budget) is now projected. Capital expenditure had been reduced. The College-assessed Financial Health Grade remained “Good”, and bank covenants would be met. Causes for the reduction in surplus were outlined.

Governors recognised that achieving the revised budget would be challenging and would involve some very significant savings being achieved. *Cost Centres have been tasked with making the savings. Proposals have been thoroughly discussed at College Leadership Team meetings, and with main budget holders.*

- Could the forecast and the Year to date data be presented on the same page? One appears in the Budget paper, and the other in the Management Accounts. *That would be done.*
- The profile of costs varies – some are fully payable in the first half of the year, with others spread termly or monthly. It is clear that there is an extensive exercise to make savings. *Detail is captured at Cost Centre level. The message is generally to spend nothing in the second half of the year. There are some seasonal savings on utilities, and fewer students are in College from May onward owing to exams and courses being completed.*
- If much of the annual projected expenditure is in the first half of the year, it must be more challenging to achieve the necessary savings on the residual profile of spend.
- Is there a breakdown of £276,000 forecast higher than budget non-pay expenditure? *It is given in Appendix 2. The Finance Director would provide a more detailed analysis of non-pay expenditure in months 1-6 and months 7-12.*

The paper was recommended to the Board for approval.

Action	By Whom	Deadline
Include single page giving both forecast variances and year to date figures in future	Head of Finance	Next forecast
Prepare more detailed report on non-pay expenditure in months 1-6 and 7-12	Finance Director	March Board
Add Committee paper and additional report to Board agenda	Clerk	For March Board

7. High-Level Budget 2019-20

The paper was introduced as one for discussion with its intention to reflect the conclusions reached at the Governor’s Away Day. The resulting key assumptions were that the I&E was break-even and that the cash position was overall positive to maintain quality. The ESFA 16-18 allocation had been confirmed after the paper was written, and was £8 million, not the £8.1million modelled. The Adult Education Budget allocation was due imminently.

The detailed budget build-up would take place between March and May at departmental level.

- Would College income be hit by a shrinking car industry? *Larger local car manufacturers were notoriously difficult to pin down, and had greatest impact in the Technology, rather than the Motor Vehicle areas.*

Governors recognised that the high level budget was very tight, and that they took note of the risk profile. They appreciated the College would need to impose strong cost control throughout the year. The cash position was healthier. Contribution analysis would underpin expenditure controls.

The Finance Director invited governors to discuss how costs could be further controlled. Was there appetite to reduce quality?

- What were the major risks? *HE income, though the College has been prudent in this document. 16-18 income and the carry-in on Apprenticeships is fairly secure. There was potential to do more with non-levy payers if the government were not so restrictive.*
- What about pensions? *It's difficult to predict. In 2017/2018 there was a £4.4 million actuarial gain reported in the accounts but that might be different in 2018/2019*

Governors observed that the same pattern had occurred for three years, of the budget not being achieved reflecting the difficulties affecting the sector as a whole.

The Principal reiterated what was said at the Away Day about sector finance. She did not want the College to return a deficit but the priority determined at the Away Day was about the cash position. Since the paper was circulated, the 16-18 allocation has been released, which already changed these figures.

Governors discussed the risks and “levers” available to them.

- Pay could be controlled through redundancy
- Zero surplus with a cash positive position is an acceptable end position
- Problems should be anticipated and mitigations written into the budget. *The College does this by releasing only 70% of budget at the start of the year. The challenge with non-pay is that so little is discretionary.*
- At the Away Day, there had been no movement away from the aspiration to deliver the highest quality. *The College sought to remove cost without damaging the business*
- Has the revision to the Strategy on cash position yet been agreed by the Board? *Following on from the Away Day, where agreement was reached that the structure of the strategy would remain unchanged, but that the finance “pillar” would be re-expressed, the Board would receive a paper at its March meeting. The Budget proposition aligned to the Away Day position.*
- How would the College achieve the savings presented in the High Level Budget? *The Senior Management Team deals with the risks daily. There were customs and practices to mitigate which were well understood by staff. Governors had differing levels of knowledge and understanding of these, and of the detail of sector funding. The paper is a very early sketch, and as such is a recent innovation, only produced at this point in the year for a couple of years.*

The Principal suggested that one governor might wish to gain a deeper understanding by arranging to meet with the Finance Director. In addition, arising from the Working Group earlier in the day, the Board may approve a “deep dive” approach to matters of concern or of

elucidation, arranging one-off sessions to address governors' needs. As a Governor, the Principal noted the additional contextual framework of the new Insolvency regime.

Reflecting on the Balanced Score Card, the Principal suggested governors were asking for clearer reporting for Governors of what it is that matters in-year, stronger narrative, early warnings, and accounts of high-level actions. This would strengthen Committee and Board confidence. This was agreed.

Action	By Whom	Deadline
Develop Balanced Score Card for 2019/20.	SMT	For approval July 2019

8. HR termly staff report August – December 2018

The Principal responded to governors' questions.

- The numbers of new support staff starts in the period appeared high. Was the number exceptional? *The period reported was the start of the new academic year and reflected normal turnover. Every vacancy is scrutinised prior to appointment.*
- Is the high number of Foundation Department new starts normal? *It was.*
- In Disciplinary matters, was the informal handling of a safeguarding policy appropriate? *An informal approach for what was a very minor breach was appropriate.*
- What factors were considered in breaches of the Dignity at Work policy? *Bullying and harassment.*
- Was the level of disciplinary activity low given the size of the staff body? *The College performance manages staff. Is low good, or bad, in the governor's view? Low was good.*
- The improvement in numbers of Bradford Factor breaches is pleasing. *The College continues to be concerned about short-term sickness absence.*

9. Policies

- In the Family Friendly Policy, para 2.5, what happens if there is no suitable alternative job for someone returning from Additional Maternity Leave? *The Policy sets out the legal requirements.*

Governors recommended the revised Family Friendly Policy to the Board for approval.

Governors approved the revised Relationships at Work policy.

Action	By Whom	Deadline
Add Family Friendly Policy to Board agenda	Clerk	immediate
Make approved Relationships at Work Policy available to staff	Clerk	Immediate

10. Freedom of Information request update

The report was noted.

11. Future Business

The Clerk gave a verbal update: in the ESFA Accounts Direction 2018-19, advance warning was given that, for financial reporting periods on or after 1 January 2019, an updated financial accounting framework takes effect, referring to FRS 102 (March 2018) and the FE and HE SORP (2019). These are both updates from 2015 versions. Corporations may continue with the 2015 framework, but early adoption of the updated framework in 2018-19 is also permitted, provided all amendments are applied at the same time. The Finance Director proposed that MacIntyre Hudson prepare a briefing note for the next Finance & General Purposes meeting.

The paper was noted.

Action	By Whom	Deadline
Request new financial accounting framework briefing paper from MacIntyre	Finance Director	Next F&GP agenda
Add new financial accounting framework to F&GP agenda	Clerk	Next F&GP agenda

12. Any Other Business

- i) The Principal updated governors on proposed national strike action by the University and College Union (UCU). The previous two days of strikes had had little impact in the college. Union Officials had requested meetings with the Principal prior to the next three-day strike. There was recognition that the Board has made pay awards to staff which are atypically good in the sector.
- ii) The Principal reported that nationally, Unison was balloting for a strike after Easter. It was not clear what the impact would be; an unknown number of members potentially have roles in, for instance, opening and closing campuses, operating lifts, and maintaining clean facilities. Plans will be put in place, and risk assessments of the potentially more difficult areas would be examined.
- iii) The Principal reported that there was much momentum developing behind the *#LoveOurColleges* campaign.
- iv) The Finance Director briefed governors on developments related to a farm previously owned by the College. A request had been received from the current owners related to an overage clause on the land. The owner wished to remove a 5 x 45m strip from the overage clause, in order to extend the garden of an adjacent house, which the owner of the farm also owned.
 - What price was being discussed? Such an area might be valued at an agricultural price of around £200, but had the potential, when added to the garden, to significantly change the development potential of the house. Were that so, the value of the land in question should reflect this. *The owners of the farm have indicated they do not expect to pay.* Without knowing the detail of the house, but given the development potential argument, a valuation of £50,000 might be a benchmark. *The College Solicitor has advised that the land can only be used for agricultural purposes.* A governor with Property & Estates experience noted that whilst the strip might only be used for agricultural purposes it would still enhance the value of the property being disposed of.
 - Was the land in question sold at agricultural, rather than market, prices? Yes, *with an overage clause in place in case it was developed in the future.*

Governors agreed a paper should be presented to the Board noting a recommendation from the Finance & General Purposes Committee that the land should not be given for nothing.

Governors and College staff reflected on the meeting. The Principal reminded governors that College staff were always prepared to respond to governors' questions of interpretation and understanding arising from papers, and that they could have done so to assist the newest governor prior to the meeting, had contact been made. The Governor concerned welcomed the invitation. His concern had been with gaining an understanding of large variances.

SignatureDate