

REASEHEATH COLLEGE BOARD
FINANCE AND GENERAL PURPOSES COMMITTEE

Minutes of the meeting held on Thursday 29 November 2018 at 9.30am
Committee Room, Reaseheath Hall

Present: Malcolm Burns (independent) MB
 Marcus Clinton (principal) MC
 Elizabeth Harrison (independent, chair) EH
 Vicky Murfin (external co-opted) VM
 David Pearson (independent) DP
 Angela Potter (independent) AP (*items 1 – 15 incl*)
 Louise Young (independent, associate) LY

In attendance: David Hoose, Mazars LLP (*items 13 and 14*) DH
 Louise Tweedie, RSM (*item 13 onwards*) LT
 Alex Hire, RSM (*item 13 onwards*) AH
 Graeme Lavery, CFO and director of resources GL
 Nigel Sobotta, health and safety manager (*item 8*) NS
 Louise Woodman, director of HR (*items 1-16 incl*) LW
 Shane Wild, higher education student data and records officer (*item 9*) SW
 Charlotte Clifford-Taylor, head of finance (*items 13 – 15 incl*)
 Karol Bailey, audit committee (*item 13 onwards*) KB
 Colin Baxter, audit committee (*item 13 onwards*) CB
 Evelyn Davies-Jones, audit committee (*item 13 onwards*) EDJ
 Mike Gorton, audit committee (*item 13 onwards*) MG
 Fran Johnson, audit committee (*item 13 onwards*) FJ
 Jackie Schillinger, Clerk JS

PART A

Item	Content
1.	APPOINTMENT OF CHAIR
1.1	RESOLVED: Elizabeth Harrison is appointed chair of the committee for the 2018-19 academic year.
2.	WELCOME AND APOLOGIES FOR ABSENCE The Chair welcomed all to the meeting. Apologies were received and accepted from Andrew Fletcher, Jon Furber and Richard Ratcliffe, and from Vice Principal Dave Kynaston, usually in attendance. The meeting noted that Andrew, Richard and Dave were on college business on a farming related event. The meeting was declared quorate.
3.	APPOINTMENT OF MEMBERS
3.1	RESOLVED: David Pearson, Andrew Fletcher, Louise Young are appointed as members of the

	committee and Vicky Murfin is appointed as a co-opted member of the committee for a period of three academic years.
4.	APPOINTMENT OF VICE CHAIR
4.1	RESOLVED: Angela Potter is appointed as vice chair of the committee for the 2018-19 academic year.
5.	DECLARATIONS OF INTEREST
5.1	The declaration of interests form was circulated. There were no interests declared as giving rise to a conflict of interest in relation to the agenda items for the meeting.
6.	MINUTES AND MATTERS ARISING
6.1	Part A minutes of the meeting held on 21 June 2018 were approved as a correct record.
6.2	<u>Confidential Part B item</u>
7.	HUMAN RESOURCES
7.1	<p>The Director of HR, LW presented her human resources update report and staff survey report. A number of areas of work were highlighted and governors questioned, as follows:</p> <ul style="list-style-type: none"> • DP asked about the contractual arrangements to protect the college in relation to the proposed work on the iTrent system. GL explained the options in terms of contract set up. LW explained that the college is working with Plumpton, who are also developing this system and with Gateshead, who have used it well. DP and EH welcomed this assurance and emphasised the importance of having a clear and specific service level agreement; • LW confirmed that the college Staff Individual Record process has been completed and so this can now be used in the Association of Colleges' (AoC) data record sent to trade unions and should reduce the number of individual freedom of information requests to the college; • The committee asked about the work to secure engineering staffing. LW explained the action plan to improve retention of staff in this area and recruitment actions, including the funding received for the 'taking teaching further' project and the STEM recruitment event in the New Year. AP asked if these staff join the Teachers' Pension Scheme (TPS) and LW confirmed that they do. MC explained that he had met with the team and their focus is on retaining the good quality staff that are recruited and he assured the committee that this risk area is a priority focus for more tangible steps to alleviate the pressure, such as looking at how the college uses its specialist staffing more effectively. EH highlighted the potential impact on others in the department when considering retention measures. LW assured her that this is an issue that is being considered within the planning so as not to disturb established staff salary scales. EH noted that any impact would need to be factored into the budget. MC clarified that retention is not solely a salary issue but also about the status of the department as a leading facility nationally. He added that the facilities are very good at Reaseheath and staff do recognise this, and so this is key to develop further. DP agreed that it will be important for the college through its strategic planning to build a workforce plan and model to deliver the strategy for the future needs of the industry; • LW provided an update on HR priorities and progress, including the planned update to the sickness policy, which was currently being consulted on with the staff partnership forum, and aimed at tackling the situation where a disciplinary investigation is

7.2	<p>commenced and the staff member then goes off sick. DP asked about the quality of the college’s occupational health service and commented that it is very important to have a strong service level agreement with performance penalties. LW agreed and confirmed that the college is looking to improve the service that it receives and that she is testing the market at the moment, including looking at freelance options;</p> <ul style="list-style-type: none"> • LW provided a data overview, including leavers, turnover and sickness data. AP asked if the college knows the number of leavers that are ‘regretted loses’ and LW confirmed that this information can be included in the reporting. VM questioned whether exit interviews happened with every member of staff. LW confirmed that it is part of the process and is carried out as a face to face interview, but if a staff member really does not want to have one they do not have to; • LW presented the very good results from the staff survey. All agreed these were very good overall, especially with the pressures on the sector over the previous year and the changes at college. Individual variances were considered and actions and context explained for those areas that showed lower scores. MB queried the actions planned for the farm and MC confirmed that there will be new leadership and a real focus on staff engagement in this area in the forthcoming year. LW explained that this year she would be carrying out some quick temperature checks on key areas and that next year the staff survey will align with the sector benchmark survey process. Members welcomed these developments. <p>EH, on behalf of the committee, thanked LW for her report, which the committee received for information and assurance.</p>
8.1	<p>8. HEALTH AND SAFETY</p> <p>The Health and Safety Manager, NS presented the Annual Health and Safety Report. He highlighted the increased accident statistics due to better reporting in the year. He also highlighted the improvements in closing the loop on incidents and learning from them. Following presentation of the report, the committee raised a number of questions, including:</p> <ul style="list-style-type: none"> • AP queried the reference to the RAG-rating used in the animal management department and NS explained how the different animals are rated to ensure they are managed safely; • AP questioned the large number of incidents logged to student services and NS confirmed that these include incidents that may occur around college generally, rather than in specific departments; • DP queried the reference to the records of asbestos testing. GL explained that there is no gap in the records but that there is a flaw in the wording of the records such that the records should clarify that where it is not known if there is asbestos then an inspection is done and it is treated as asbestos until the inspection confirms it is not. MB confirmed from his experience that this approach is very common and the records just need to indicate assumed asbestos. <i>ACTION: Amend wording of records, as agreed;</i> • LW noted that the SOS (near miss) initiative has been a very good, prominent initiative around college and has improved the near miss reporting; • DP asked about the progress on the Environmental Agency report and NS confirmed this report has driven good improvements, with the vast majority of actions now complete; • DP welcomed the good practice developments that have taken place including the weekly reporting to executive, the inclusion of the college’s subsidiary company, DART, in this reporting and the use of rolling action logs to improve effectiveness of closing down and learning from incidents. <p>8.2 EH, on behalf of the committee, thanked NS for his report, which the committee received for information and assurance.</p>

9.	STUDENT NUMBERS AND FUNDING REPORTS
9.1	The Principal, MC presented the FE and apprenticeships student data report, providing strong assurance on a good overall picture, with good funding outcomes for 16-18 and apprenticeship provision for next year. On the adult education budget (AEB), he highlighted the shift away from AEB to adult learner loans (ALL), with a focus on filling the AEB budget allocation as far as possible this year, with plans for January marketing and intakes. The committee welcomed the strong overall picture on FE and apprenticeship funding.
9.2	<p>The HE Student Data and Records Officer, SW presented the HE student data report. He highlighted the improved trends on student retention and the withdrawals analysis, pointing to more work needed on supporting first year students on preparing for end of year assessments. The committee welcomed the informative report, showing that HE income is meeting the budgeted targets for this year and bucking the trend seen across the HE sector. Members asked a number of questions and discussion followed:</p> <ul style="list-style-type: none"> • In relation to the 8% increase in applications for 2018-19, EH asked for the figure without the veterinary nursing programme that had been planned for 2018, but has had to be postponed until 2019. SW confirmed that this was likely to be about 1-1.5%; • SW emphasised caution on numbers and income into next year, as the national picture does indicate a continuing fall in student numbers for 2019-20 enrolment and the college will need to work very hard to hold numbers at around current level next year and build growth going forwards. AP confirmed her impression that a number of FE colleges are low on HE this year; • MC commented that the work on internal progression, as well as streamlining and improving the offer, that the HE team is doing should support income as internal progression has historically been low and if this can be improved it will have a positive impact next year; • In response to a question on enrolments and withdrawals, SW confirmed that this is about in line with last year; • EH and AP queried the withdrawal numbers in Animal Science and the reasons for withdrawals. SW and MC explained that there are a range of reasons, but that an area that has been identified is the impact of the end of year exams and academic regulations, which have been reviewed by Chester and the college in terms of balance and support for students to continue, which should reduce the number of withdrawals; • MC noted that the appointment of an excellent Dean of HE in the summer of 2018 has impacted positively already and bodes very well for the future growth of the provision.
9.3	EH, on behalf of the committee, thanked MC and SW for their reporting, and the committee welcomed the strong overall picture and received the reporting for information and assurance.
10.	<u>Confidential Part B item</u>
11.	ANY OTHER BUSINESS
11.1	There was no other business reported.
12.	DATE OF NEXT MEETING
12.1	The date of the next meeting was confirmed as Thursday 14 February 2019 at 9.30am.
<i>Members of the Audit Committee joined the meeting for the end of year financial reporting joint meeting. It was agreed that the joint meeting be chaired by EH.</i>	

<p>13.</p> <p>13.1</p> <p>13.2</p>	<p>GROUP AUDIT COMPLETION REPORT (EXTERNAL AUDIT)</p> <p>External auditor, DH of Mazars LLP took the meeting through the audit completion process and headlines in the report. He confirmed strong assurance on a clean bill of health on the year-end financial reporting, with nothing to concern him as the external auditor. He went through the changes that had been made as a result of the audit, including explaining the context to the adjustment to the cattle stock valuation, agreed and updated in the financial statements. He added that the findings provide assurance that the ongoing management accounts reporting to governors is sound and reliable. A number of questions were put forward on the audit report and discussion followed. These included:</p> <ul style="list-style-type: none"> • DP queried the wording in the report that referred to issues in the process with communication and provision of information between management and the audit team and information left outstanding. DH and GL clarified that this referred to some teething problems in that a new audit team was in place this year. DH emphasised that these teething problems were not down to anything that the college had done incorrectly or differently and that the wording in the report should be changed to avoid this interpretation. DP and the committee welcomed this assurance and that the report wording be amended. EH, CB and FJ asked if there was any increased cost as a result of the process this year. DH and GL assured the committee that there was not. They also confirmed that a meeting for January 2019 is planned to work through the process and plan for next time; • EH requested clarity on outstanding matters set out in the audit report. GL and DH provided assurance that the only outstanding matters in the audit completion report were the finalisation of the financial statements and post balance sheet review, which remain outstanding until signature of the accounts and the evidence of the VAT position in DART, which is awaiting HMRC confirmation. GL confirmed the wording of the report as submitted will be amended to reflect this; • GL and DH highlighted the reason for the prior year adjustment made to the 2016-17 financial year. They explained that the prior year adjustment had come about in relation to the Kingsley Fields sale where an error had been recognised by the college team in January 2018, in relation to the treatment of professional costs, and brought to the attention of auditors, who had also missed the issue in the prior year audit and it was agreed to restate the prior year figures. GL assured committee members that the impact of this error was minimal and has a minor impact on the current ratio and no impact on cash flow. <p>The committee received the Audit Completion Report for assurance. Members noted in particular in relation to the discussion on report wording, the assurance from the auditor that no items remained outstanding that ought not to be at this stage and that he had no concerns over the college's engagement and involvement in the audit process this year. The committee welcomed this clarification and trusted that the wording of the report be amended accordingly. <i>ACTION: Amend audit completion report regarding process/outstanding items.</i></p>
<p>14.</p> <p>14.1</p>	<p>FINANCIAL MONITORING</p> <p>The CFO and Director of Resources presented the year-end group financial reporting. Within this reporting, the committee considered the year-end financial statements, the finance record, bridge report and the review of the college financial objectives. The financial statements had been updated to include the updated cattle stock valuation. They showed the adjusted operating surplus at £815k, compared to budget of £650k. GL explained that this was due to some late income, an issue that had been resolved and addressed going forwards so that it will not reoccur.</p>

	<p>The prior year adjustment was noted, as explained in the discussion on the audit completion report. Following scrutiny in the meeting, the committee recommended that the financial statements be presented to the full board for approval. The detailed questions and discussion following the presentation of the financial reporting included:</p> <ul style="list-style-type: none"> • DP questioned the potential impact of the local government pension scheme liability (LGPS). GL explained that the college has 101% coverage (as at last valuation) and so the college is covered appropriately in terms of current requirements. He explained that the cash impact on the college is coming from the teachers' pension scheme (TPS) as the employer contributions for the scheme are increasing significantly, which will hit the college for a part year in 2018-19 and a full year from then onwards. DH commented that the LGPS is a public sector issue as it is not affordable in the long term and will need to be remodelled at some point; • AP welcomed the summary box setting out the real underlying financial position of the college as very helpful. AP and DH commented that more colleges are using this presentation to provide clarity; • GL informed the meeting that committee member Jon Furber will meet with himself and the Principal MC outside of the meeting to discuss the financial reporting and provide further independent governor scrutiny, as he was unable to make the current meeting; • GL noted that the college will need to follow the HE Audit Code of Practice next year as a result of its Office for Students Registration (OfS), which has a four month not five month accounts filing deadline. This would require the audit and approval of accounts to be brought forwards in the cycle of business. However, he noted that there is work ongoing to confirm that the Education and Skills Funding Agency (ESFA) current timelines for colleges will suffice for OfS purposes; • FJ questioned the financial health score of the college, if it was not for the limiting factor of the gearing. GL confirmed that it would qualify as good even on the current point score, but for the limiting factor that means the college is satisfactory for this year. This is against the college target objective of 'good.' GL reminded members of the historical context and reasons for this high gearing as part of the financial strategy for the £31m capital investment and the staged Kingsley Fields sale payments. EDJ requested an idea of the cost of this facility and GL explained the structure and cost of the bank facility with Santander. GL confirmed that all the other bank covenants had been met, with discussion on the usefulness of including a specific objective on EBITDA going forwards; • EH questioned the difference between the surplus figures in the statutory accounts and 10 year plan and CCT explained that this was in relation to the late income that had been recognised in the accounts. <p>14.2 RESOLVED:</p> <ol style="list-style-type: none"> i. To recommend to the college board approval of the Reaseheath Group Financial Statements for year ending 31 July 2018 ii. Approval of the college financial objectives <p>14.3 <u>Confidential Part B item</u></p>
15.	<u>Confidential Part B item</u>
16.	<p>COLLEGE STRATEGIC RISK REGISTER AND KPIs</p> <p>16.1 MC presented the college strategic risk register, presented in the 8 November board meeting. He highlighted the income risk and the challenging staff recruitment and retention in STEM subjects, as discussed earlier in the meeting. He also highlighted the pressure on college resources to meet</p>

	<p>the increasing mental health and wellbeing needs of students and the leadership change on the farm with more work to do to move the farm forwards. He flagged some resignations in the projects team over the summer that had put extra pressure on the executive team but confirmed that this is now easing with temporary resource and recruitment plans in place. EH and DP welcomed the development of the risk register and key performance indicator tracking, as providing a good way of triangulating evidence and clearly flagging up emerging risk areas.</p>
<p>17.</p>	<p>RSM UPDATE ON EMERGING SECTOR ISSUES</p> <p>LT provided a presentation on RSM's update on emerging sector issues, followed by discussion in the meeting. The issues covered included lessons from FE Commissioner recent reports as they impact on risk management practice; the audit committee's overview of solvency and the usefulness of the joint meeting with the finance committee; the new insolvency regime; training for audit committee members; and the need to consider the cumulative risk as well as individual risks to the college. The meeting received the update with thanks.</p>

The meeting closed at 12.50pm

Signed:

Dated: