

**REASEHEATH COLLEGE BOARD**  
**FINANCE AND GENERAL PURPOSES COMMITTEE**

**Minutes of the meeting held on Wednesday 4 December 2019 at 9.30am**  
**Committee Room, Reaseheath Hall**  
**AGENDA**

Present: Malcolm Burns (independent) MB *(items 1-11 inclusive)*  
 Marcus Clinton (principal) MC  
 Prof Gary Crowe (independent) GC  
 Elizabeth Harrison (independent, chair) EH  
 Andrew Fletcher (independent) AF  
 Angela Potter (independent) AP  
 Richard Ratcliffe (independent) RR  
 Liz Watts (Staff) LW

In attendance: Graeme Lavery, CFO and director of resources GL  
 Karol Bailey (independent) KB *(for joint meeting items 10-16 inclusive)*  
 Colin Baxter (independent) CB *(for joint meeting items 10-16 inclusive)*  
 Evelyn Davies-Jones (external co-opted) EDJ *(for joint meeting items 10-16 inclusive)*  
 Mike Gorton (independent) MG *(for joint meeting items 10-16 inclusive)*  
 Fran Johnson (external co-opted) FJ *(for joint meeting items 10-16 inclusive)*  
 Peter Green (independent) PG *(for joint meeting items 10-16 inclusive)*  
 Francesca Francis (independent) FF *(for joint meeting items 10-16 inclusive)*  
 David Hoose, Mazars LLP, DH *(items 10-12 inclusive)*  
 Louise Tweedie, RSM, LT *(items 10-16 inclusive)*  
 Alex Hire, RSM, AH *(items 10-16 inclusive)*  
 Jackie Schillinger, clerk JS

PART A (unless stated)

Item	Content
<b>1.</b>	<b>APPOINTMENT OF CHAIR</b>
<b>1.1</b>	<b>RESOLVED: Elizabeth Harrison is appointed as chair of the committee for the 2019-20 academic year.</b>
<b>2.</b>	<b>WELCOME AND APOLOGIES FOR ABSENCE</b>
2.1	The Chair welcomed all to the meeting. Apologies were received and accepted from Jon Furber and David Pearson. The meeting noted that David and a number of other governors were meeting with the Ofsted lead inspector, as part of the college's short inspection currently taking place. Jon Furber had provided feedback on the papers to the chair in advance of the meeting and she confirmed that she would incorporate this into her feedback during the meeting. A

	number of senior staff usually in attendance were also involved in the Ofsted inspection and gave their apologies. The meeting was declared quorate.
<b>3.</b>	<b>APPOINTMENT OF VICE CHAIR</b>
<b>3.1</b>	<b>RESOLVED: Angela Potter is appointed as vice chair of the committee for the 2019-20 academic year.</b>
<b>4.</b>	<b>APPOINTMENT OF MEMBER</b>
<b>4.1</b>	<b>RESOLVED: Staff member Liz Watts is appointed a member of the committee.</b>
<b>5.</b>	<b>DECLARATIONS OF INTEREST</b>
5.1	The declaration of interest 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.
<b>6.</b>	<b>MINUTES AND MATTERS ARISING</b>
6.1	Part A of the minutes of the meeting held on 20 June 2019 were confirmed as a correct record, subject to the correction of some typographical errors, such corrected copy to be signed by the chair. Under matters arising, RR requested and received confirmation that the governor Estates and Property Development working group would be convened to consider the development of the college environment strategy. The rolling action log was noted as items completed or on the current agenda.
6.2	Confidential Part B minutes.
<b>7.</b>	<b>HUMAN RESOURCES</b>
7.1	<p>HR Update Report: GL presented the Human Resources Report, produced by the Director of Human Resources. The executive summary provided the following information:</p> <p>-Human Resources Update: Receipt of two Employment Tribunal cases. DART staffing situation is improving, and a new PDR process has been launched. Work is continuing with ensuring DART policies and procedures are current and compliant. October sickness has risen dramatically, and this is impacting on the overall sickness picture. Increasing long term sickness due to operations and personal stress/anxiety. PDRs are completed for 2018/19 with a 99% completion rate.</p> <p>-Key statistical data: Headcount has increased this period due to a business decision to directly employ more Inclusive Learning Practitioners rather than rely on zero hours contracts. Turnover remains stable at 9.7% for the period and 19% rolling year. A lot of work has been done on unregretted losses and moving staff on when necessary. Exit interview themes are around promotion, improved career prospects and more money. Work has been done to analyse why exit interviews were not conducted with all leavers. The HR Team have also reviewed the questionnaire, shortened it and made a commitment to send out to all leavers with an encouragement to complete the questionnaire and return, even if they do not want to follow up with an exit interview. Sickness absence is still above benchmark and has unfortunately been impacted by October sickness. Personal stress and work-related stress are still the highest sickness absence types in both the period and over the rolling year for long term absence.</p>

<p>7.2</p>	<p>-Mini Staff Survey – Leadership: The mini temperature survey on leadership was run over two months and generated a good response rate. High scores were received for job satisfaction, optimistic about the future and recommend the College as a good place to work. Compared with previous year’s staff surveys responses were in line. Areas to work on were ensuring staff views and opinions are heard, internal communications are open and honest, and opportunities to discuss changes. Although, in comparison to previous years these were also aligned. New ones added for this survey were information from CMT is given in good time to enable action and involvement in the business planning process, which also need to be driven further.</p> <p>Questions and discussion followed, with the key points made set out below:</p> <ul style="list-style-type: none"> <li>-GC, RR and AF requested that a further update on the employment tribunal matters is reported to the next meeting.</li> <li>-GL confirmed that the payroll process will remain at DART for the shorter term and that the service is up for tender and will be completed by June/July 2020.</li> <li>-GC welcomed the audit carried out on the DART single central record, and the work with the subcontractors, including training on safer recruitment. He requested that an update for assurance that all has been completed and actioned be provided in the next meeting.</li> <li>-GC asked how the consultation into the removal of the performance related bonus aspect of the PDR process was progressing. GL confirmed that this is being progressed via the staff partnership forum and the outcome built into the people strategy.</li> <li>-AF asked about the recent sickness data and GL confirmed that the executive team consider this to be an unusual blip in short term sickness.</li> <li>-GC asked if the college had considered offering a flu jab to staff and GL confirmed this had been raised and would be considered.</li> <li>-On the progress against the people plan for 2019-20, a question was asked on whether the red RAG rating was appropriate for the action on sector specific CPD, as progress has been made. MC confirmed that progress has been made but that it remains a critical area of skill need and so is probably appropriate to remain a red risk area. AF noted that this level of risk reflects the sector wise issue of specialist skills shortages and is not just a college issue.</li> <li>-On the staff survey response ‘I have been involved in the business planning process (59%)’ EH asked how the college was going to address this feedback. MC gave assurance that this gap has been identified and engagement in the process this year is a key focus and that the college management team training coupled with the termly in year performance reviews should provide the opportunity to drive improved staff involvement this year.</li> </ul>
<p>7.3</p>	<p>Members received the Human Resources Report for information and assurance, with thanks.</p>
<p>7.4</p>	<p>Update on implementation of the specialist staffing action plan: MC presented the update report, produced by the Director of Human Resources. The executive summary provided the following information:</p> <ul style="list-style-type: none"> <li>-Progress has been made against the specialist staffing action plan, with the main focus being on recruitment and salaries.</li> <li>-Construction have received growth positions and recruited well. The salary scales for Assessor positions have been reviewed and increased with the opportunity for specialist skills to attract further progression. This has been implemented from November aligned to incremental progression for all staff.</li> <li>-A permanent advert is being run on the AOC website and specialist websites for Engineers and Construction specialists to assist with current vacancies and future pipeline. Further Forces also provide regular updates and CVs.</li> </ul>

<p>7.5</p> <p>7.6</p>	<p>-A transition panel has been held within Engineering for staff who believe that they are contributing significantly in terms of specialist skills and want to request a realignment of their existing salary.</p> <p>-The STEP panel process has been launched across Engineering and Construction and workshops will be delivered in December to support those interested in submitting evidence against the criteria. The panel will then be held in January and any successful applications will be paid the payment in a lump sum for this year. From next year the process will be an annual one with the payment paid monthly and reviewed through the PDR process.</p> <p>-Contact was made with Further Forces with the hope they would run a recruitment event with us, but this had to be postponed as Further Forces did not have sufficient interest for it to be a viable event.</p> <p>- In Engineering the management positions within the department are currently depleted but new adverts are out for non-technical specialists.</p> <p>-The next areas of focus are on specialist staffing CPD and developing a pipeline, but these can only be facilitated once staffing has stabilised within Engineering.</p> <p>Questions and discussion followed, with the key points made set out below:</p> <p>-EH queried the timescale for the management and staffing in Engineering to settle down, following the interim period of change and MC noted that there is still work to do on this.</p> <p>-GC asked for more detail on how the transition panel process had worked. MC explained in more detail. Following discussion, it was agreed that the management of this process could be improved, which should make it more effective in achieving positive impact.</p> <p>-LW queried whether there was ongoing work on improving recruitment processes. GL confirmed these processes were being looked at.</p> <p>EH welcomed the update report, with evidence of much work going on but still with evidence needed of which actions are having a real impact. She requested that an update be made to the next meeting, with a considered view on which approaches the college thinks are working well and worth continuing. Members received the update on the specialist staffing action plan, for information and assurance, with thanks.</p>
<p>8.</p> <p>8.1</p> <p>8.2</p>	<p><b>STUDENT NUMBERS AND FUNDING REPORTS</b></p> <p>FE and Apprenticeships student data report: GL presented the student data report, summarising a strong overall position on FE income streams for 2019-20 and a strong outlook on FE applications for 2020-21. In summary, he reported the following headlines:</p> <p>ESFA funded activity (16-19yrs): above target</p> <p>ESFA Funded Activity - Apprenticeships: on target</p> <p>ESFA Funded Activity – Adult Education Budget (AEB) and Devolved Funding: on target</p> <p>Advanced Learner Loans: above target</p> <p>Apprenticeships – Other Provider managed contracts: on target</p> <p>Schools: on target</p> <p>Applications 2020-2021: above target</p> <p>Questions and discussion followed, with the key points made set out below:</p> <p>-GL confirmed that the apprenticeship income is looking on target. EH requested assurance on the level of confidence in this key area of college income. GL provided assurance, based on the executive review of income streams recently carried out, which had confirmed confidence levels on the projected numbers.</p> <p>-AP asked whether the FE growth is in line with demographic changes. MC noted that it is bucking the trend to some extent as the growth this year is significantly ahead of demographic</p>

	<p>growth. He added that greater demographic growth is expected next year, which should consolidate the college position even further.</p> <p>-GL noted the new devolved funding process that the college is now within for some of its students.</p> <p>-GL confirmed that the college has requested an increase in its Advanced Learner Loans allocation.</p> <p>-MC informed members of a potential variance in relation to apprenticeships – other provider managed contracts (CITB income), which he did not expect to be a major variance, as there was still some negotiation involved with CITB at the present time.</p> <p>-MC noted that the political situation could deliver some good news for FE funding.</p>
8.3	Members received the report for information and assurance on a strong overall picture on FE and Apprenticeships student numbers and in year performance data.
8.4	<p>HE student data report: MC and GL presented the report. In summary, they reported the following headlines:</p> <p>-End of year retention for 18/19 was reported as 83.06% - a percentage point down on the end of 17/18, which was disappointing as retention was up all the way through the year.</p> <p>-Equine data showed lower retention, particularly in a couple of courses, with these courses since revalidated this academic year.</p> <p>-Year 1 withdrawals in particular were reported as down on last year.</p> <p>-Applications for 2019/20 were reported as down on 2018/19, and down on the previous year, but the data indicates a better conversion rate than previous years.</p> <p>-Achievement and success data were reported as down on last year. Initial analysis indicates that there were a significant number of students who failed to participate in reassessment activity, which significantly impacted on the final outcome.</p> <p>-A revised approach to course management was launched at the start of this academic year, which aims to more closely monitor student progress and initiate early intervention. To date there have been 10 withdrawals compared to 29 at the same point last year, indicating that the refreshed approach to induction, the revised model and introduction of the Graduate Toolkit have made an immediate impact.</p>
8.5	<p>Questions and discussion followed, with the key points made set out below:</p> <p>GL explained in more depth the budget shortfall in HE income for 2019-20. MC added that the number of new students is not the main issue, it is more about the higher than expected attrition rate and impact on progression.</p> <p>GC responded that it was encouraging to see that the team are dealing with the issues and that the attrition rate has reduced significantly so far this year. He queried whether the support for re-assessments needed to be further reviewed and strengthened as this was where a significant number of students were lost last year. MC provided more context to the issues experienced.</p> <p>GC requested clarity on where the business plan to take HE forward will be monitored. GL confirmed that the HE business plan will come to this committee for scrutiny and monitoring. MC suggested a deep dive at the next committee meeting that was welcomed by members. AP added that the direction of the strategic alliance should be included in this discussion.</p>
8.6	Members received the report with thanks and noted the work to be done on HE recruitment and strategy.
<b>9.</b>	<b>DATE OF NEXT MEETING</b>
9.1	The date of the next meeting was confirmed as Wednesday 4 March 2020 at 9.30am

**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.**

<p><b>10.</b></p> <p>10.1</p> <p>10.2</p> <p>10.3</p>	<p><b>GROUP AUDIT COMPLETION REPORT (EXTERNAL AUDIT)</b></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 smooth audit process and a clean bill of health on the year-end financial reporting, with nothing to concern him as the external auditor. He went through the detail of the local government pension scheme (LGPS) deficit assumptions (and differing actuarial and audit firm opinions on the impact of recent court cases) to explain the adjustment made and why this was not considered material. He also explained the context of the other non-material adjustments, including the adjustment made in the DART accounts. He confirmed that this had been considered and the DART statements approved by the DART Limited Board. He provided assurance on regularity and propriety and that the ongoing management accounts reporting to governors is sound and reliable.</p> <p>Members raised a number of points on the audit report and discussion followed:          -CB highlighted a couple of typographical errors that would need correcting in the final version.          -GC congratulated the team for a smooth audit and a clean audit report, providing assurance to the governors that things are working well.          -AF queried the position on VAT and GL updated the meeting on the latest position, with legal opinion awaited which should resolve the position in relation to the current provision in the accounts, that would then be released in year.          -FF queried the position going forwards in relation to the requirements of the Office for Students (OFS). DH confirmed that there will be a different burden on auditors going forwards, under the “use of funds” opinion required and that he will keep members updated on how this will impact the external audit next year.          -CB requested some detail on the student debt balances treatment. GL confirmed that there has been proactive work on recovering student debt and he could give assurance that good progress has been made.          -EH requested assurance on the evidence obtained to justify the pension deficit assumption. DH confirmed that this point is the same across the sector, with the issue being incredibly complex with different assumptions, all valid. GL confirmed that the LGPS appointed actuaries’ assumptions provide the evidence base. He added that the college has very good coverage (at 99%) and has capped the ill health variance aspect with an insurance policy. DH and GL gave assurance that they did not consider this issue to be a risk to the college.</p> <p>The group audit completion report was received for information and assurance.</p>
<p><b>11.</b></p> <p>11.1</p> <p>11.2</p>	<p><b>FINANCIAL MONITORING</b></p> <p>DH and GL presented the year-end group financial reporting, including the Financial Statements, Finance Record and Bridge Report, for review and discussion. DH provided assurance to governors that the year-end statements are essentially the period 12 management accounts, which evidences good financial governance and management in the college.</p> <p>Members had considered the year end reporting in advance of the meeting and the following key points were made and discussed in the meeting:          -CB requested clarification of the reference to goodwill. GL confirmed that this was the last element of the goodwill relating to the purchase of the subsidiary company.</p>

	<p>-EDJ noted an update needed to the reference to the completion of the student accommodation.</p> <p>-EDJ requested an update on how the college will deal with the five-year review of its borrowing agreement, with the risk of increased borrowing costs in the sector. GL confirmed that he is meeting shortly with the bank to discuss the next five-year rate and he agreed that it is important to clarify and confirm this in the early part of next year. EDJ queried whether an issue such as this could become an audit issue in terms of the going concern opinion. DH gave his view that it could become an issue if it was not resolved, but he was confident that the college will address and resolve it in good time.</p> <p>-AF asked whether there is an option of a longer term rate in the bank agreement, such as twenty years to provide more certainty, but AP replied that this does not really exist in the commercial banking sector. She added that the insolvency regime, with two colleges currently in insolvency, has adversely impacted on the banking sector's appetite for risk. DH noted that the college is with a provider that remains positively engaged and GL confirmed that he is also looking into other options so that the college has a range of options to consider.</p> <p>-PG requested and received confirmation that the ESFA benchmarking data on 18-19 will be available in the spring term.</p> <p>-DH noted that the current ratio indicator may be impacted by the renegotiation of the next five-year borrowing rate, discussed earlier, which emphasises the need to agree this sooner rather than later.</p> <p>-GC queried the downward 100k variance in surplus following the audit process. DH and GL confirmed that the majority of this variance was as a result of the VAT provision issue in DART, as discussed earlier in the meeting.</p> <p>-Following discussion, members were content to recommend the group financial statements to the board for approval.</p>
11.3	<u>Confidential Part B item</u>
11.4	<p><b>RESOLVED:</b></p> <ul style="list-style-type: none"> <li>i. <b>To recommend the group financial statements for the year ending 31 July 2019 to the Board for approval.</b></li> <li>ii. <b>To receive the report for assurance in relation to the financial objectives for the 2018-19 financial year and to confirm the financial objectives for the 2019-20 financial year.</b></li> </ul>
11.5	ESFA Financial Health Letter and reporting: The committee received the ESFA financial report dated October 2019 including the position of the college on the three ratios that the ESFA uses to assess financial health and benchmarking against other colleges.
11.6	<p>Period 3 management accounts: GL presented the period 3 management accounts. Questions and discussion followed:</p> <p>-PG asked for more context on the income variances from budget in relation to HE and Food commercial. GL explained the review that has taken place by the executive team on 8 November and the further detail that would come through in the period 4 accounts.</p> <p>-GC noted that the HE income variance was a concern and he raised the issue of budgeting for pay costs and consideration of a lower vacancy fill rate in terms of ensuring a more accurate budget going forwards. GL acknowledged the need to continue the work already commenced on the establishment and pay costs.</p>
12.	<b><u>Confidential Part B item.</u></b>

<p><b>13.</b></p> <p>13.1</p> <p>13.2</p> <p><b>13.3</b></p> <p>13.4</p>	<p><b>COLLEGE STRATEGIC RISK REGISTER AND KPIS</b></p> <p>Regularity requirements: Financial Regulations Review and Anti-Fraud and Corruption Policy Review: GL referred members to the Post 16 Audit Code of Practice requirement for Corporations to publish a statement of regularity, propriety and compliance within their annual accounts. He added that the ESFA uses a regularity self-assessment questionnaire to provide clarity of the accountability framework, key requirements and the type of evidence that provides assurance and so supports the Corporation in drafting the statement of regularity, propriety and compliance. It is provided to the external auditor and signed by the accounting officer and chair of governors at the July board meeting each year. He noted that the ESFA recommends that this regularity self-assessment questionnaire be used as a live document to regularly test and challenge the evidence of the controls in place. GL explained that the College Financial Regulations and the College Anti-Fraud and Corruption Policy are both central to this regularity evidence within the self-assessment questionnaire and members had been requested to review the controls currently in place, as set out in these documents.</p> <p>Members had reviewed the documents, provided in advance of the meeting. They confirmed that they were content with the level of controls and delegations contained in the documents. They suggested that it would also be helpful to highlight the link to the senior post holder disciplinary policy in the control framework and to consider the impact of the OFS regime on the control framework.</p> <p><b>RESOLVED: The committee has reviewed and approves the current delegations and controls to ensure financial regularity and propriety contained in the College Financial Regulations and the College Anti-Fraud and Corruption Policy and ratifies the College Financial Regulations and the College Anti-Fraud and Corruption Policy.</b></p> <p>Strategic Risk Register and Risk Appetite Review: MC presented the executive summary of the key strategic risks and risk movements following the executive in depth review of the risks in the autumn term. Members received the report for information and assurance and commented as follows:</p> <ul style="list-style-type: none"> <li>-MG queried whether there was an action plan to reduce the subsidiary company’s reliance on sub-contracted income and GL confirmed that this is going to the next subsidiary company board meeting for consideration.</li> <li>-GC thought that the risk reporting could be developed in order to show risks that are staying high over a period of time and looking at what is happening to the risks over a couple of years.</li> <li>-GC commented on the current gaps in the target risk columns whilst acknowledging that the document is a work in progress following the internal audit report recommendations. JS noted that support from the auditors in the early part of next year would be helpful to move this forward.</li> <li>-EH noted that it would be helpful to include the Brexit risk in the external environment strategic risks.</li> <li>-PG queried the KPIs, noting that he found it difficult to understand how they fitted with the risk register. He wondered if an overarching flow chart may be useful and the consideration of a small number of KPIs only.</li> <li>-PG also noted the risks of poor governance and sub-contracting risks (in relation to the subsidiary) that may be useful to include.</li> <li>-MC thanked members for their input and noted that the risk reporting continued to develop, with the support of internal auditors. He noted that the risk appetite and target risk part of the reporting could be considered in more depth in the next meeting.</li> </ul>
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13.5	<p>ESFA Letter and Bournville College Report: Members received the report and recommendations for governing bodies for information, having received it by email at the time of its publication. GL explained that, following the ESFA report and letter, the AOC published a checklist of fifteen areas that the governing body should consider in order to satisfy itself that it is assured in relation to the recommendations in the report. He presented this completed checklist to the meeting for assurance. Members had considered the report and checklist and confirmed that they felt assured that the current governance processes enable the governing body to meet the ESFA recommendations. Discussion followed around board oversight of the Principal and CFO conduct in a college:</p> <ul style="list-style-type: none"> <li>-MC noted that the governance culture at Reaseheath is very healthy with open and honest reporting and supportive challenge by governors and good opportunities for governors to triangulate evidence, with access to other managers and staff outside of meetings, as well as in meetings.</li> <li>-KB added that strong leadership and sufficient challenge from the Chair is important and works well at Reaseheath.</li> <li>-EDJ noted that a qualified and independent clerk with appropriate senior status is important, as is the case at Reaseheath, as this person is on the ground and in college as the eyes and ears of the governors and can take appropriate action if needed.</li> <li>-EDJ also noted that the audit committee directs internal audit and that the chair of audit and herself attended the audit planning meeting with senior managers to ensure that audit planning is robust and appropriate.</li> <li>-PG considered that the governance processes at Reaseheath are working well and the committees and the board see appropriate approval reporting coming through, such as the Financial Regulations at this meeting.</li> <li>-CB noted that retrospective permissions are to be avoided and this is not an issue at Reaseheath.</li> </ul>
14.	<p><b>RSM UPDATE ON EMERGING SECTOR ISSUES</b></p> <p>LT provided a presentation on RSM's update on emerging sector issues, followed by discussion in the meeting. The issues covered included sector benchmarking risk register analysis, new counter fraud requirements in the post 16 audit code of practice and the ESFA's new information security management requirements in its contracts relating to ISO standards. The meeting received the update with thanks.</p>
15.	<p><b>ANY OTHER BUSINESS</b></p> <p>There was no other business reported to the meeting.</p>

The meeting closed at 2.10pm.

Signed:

Dated: