The College of West Anglia
Minutes of
The Finance & General Purposes Committee
2 October 2019
8.32 am
Meeting Room, Principal's Suite, King's Lynn Campus

Present	Andrew Cave	Governor (Chair)
	Ray Harding	Governor
	Alan Measures	Governor
	David Pomfret	Governor (Principal)
	Adam Thompsett	Governor
	Gary Webb	Governor
Attending	Paul Harrison	Vice Principal Corporate Services
	Neil Harries	Head of Finance
	Ruth Harrison	Vice Principal Curriculum & Learning
	Rob Petto	Head of Funding & Exams (part)
	Stephen Halls	Clerk to the Corporation

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1 Apologies

There were no apologies for absence.

2 Declaration of Interests

There were no declarations of interest.

Adam Thompsett joined the meeting at 8.34 am

3 Minutes of the previous meeting – 19 June 2019

The minutes of the meeting held on 19 June 2019 were agreed as being an accurate record and signed by the Chair.

4 Matters Arising

Governors queried the breakeven contribution rate of 30% that was discussed at the meeting on 19 June 2019 and considered that this may be too low. The Vice Principal Corporate Services was asked to check if this was indeed the correct target rate to achieve an overall breakeven position. **ACTION-VPCS**

The progress against the outstanding matters from previous meetings was summarised in the report for item 4. The Chair asked for confirmation that the demographics data previously requested had been circulated and the Clerk confirmed that this had been issued on 16 September 2019.

5 Election of Vice Chair

It was proposed by the Chair and seconded by Adam Thompsett that Gary Webb be elected as Vice Chair for the Finance & General Purposes Committee. This was agreed.

Ray Harding joined the meeting at 8.40 am

The Chair welcomed Ray Harding to the meeting, this being his first meeting as a governor and as a member of the Finance & General Purposes Committee.

6 Preliminary Financial Results 2018/19

The Head of Finance advised that there had been some slight amendments to the year-end figures since the report had been circulated to the committee. The Adult Education Budget income earned after the management accounts were closed amounted to £214k of which £166k related to Partnership delivery and was a consequence of activity ramping up towards the year end. Additional accrued expenditure related to Partnership delivery amounted to £157k giving a net adjustment to the bottom line of £48k, this being in line with similar adjustments reported in prior years. The necessary adjustment had now resulted in Partnership delivery exceeding its target for the year.

The Chair asked about the final sign-off for activity and income for the year. The Head of Finance advised that following the final data reconciliation the values would be finalised and then submitted to the ESFA. The Head of Finance added that the external auditors, KPMG would be on-site from next week to carry out their audit work and finance staff would begin preparing the statutory accounts.

The Head of Finance summarised the final out-turn position with a bottom line of £2.2m deficit. The financial health rating achieved was “Requires Improvement.” The Chair noted the 130 points scored and asked if the score was reduced by 10 to 120, and although still remaining within the “Requires Improvement” banding, if it would be a concern to the ESFA or FE Commissioner. The Principal said that the difference in actual points scored to those previously forecast could potentially be noticed by readers of the accounts, causing questions to be asked, even though the actual rating remained unchanged.

The Head of Finance highlighted the large difference in the out-turn of £2.2m deficit to that of the reforecast bottom line position of £742k deficit expected earlier in the year. The reasons for the variance were those previously reported and set out in the High Level Reforecast table at paragraph 3 of the management accounts commentary noting that the deferral of the land disposal at Gaywood to the subsequent financial year accounted for £1m of the difference between the reported figures. The Principal advised that due to the need to reduce the number of deficit years from 3 to 2, it was very difficult to ascertain in advance the likely pension strain that would be experienced due to the numbers of staff likely to leave, their salaries and the associated pension costs and as a result the £300k budget for restructure costs was exceeded.

Governors asked how the current trends being experienced would affect the finances going forward. The Head of Finance advised that he would be assessing the results of the restructure and other items in due course. The Principal reported that already £1.3m had been removed from pay costs as a result of the restructure and that controls on discretionary expenditure were being tightened, especially with regard to agency spend.

Governors were concerned to note that only 3 of the 9 financial strategic targets had been achieved in the year. Governors asked if the targets were too optimistic, unrealistic or not forcefully managed in their delivery. The Vice Principal Corporate Services responded that in the case of income targets, managers have had to look again at expected targets and were now very realistic when setting the final budgeted amounts.

The Chair asked if there had been any indications of any necessary pension cost changes from the respective fund actuaries. The Head of Finance advised that it was too early in the current cycle to receive this information, noting that this was a non-cash item and that any adjustments, if necessary, would be to the balance sheet rather than to the profit & loss accounts.

The Principal reported that both he and the Vice Principal Corporate Services had met with the ESFA in July 2019 for an update meeting. A concern was raised by the ESFA over the delay of the sale of Gaywood Field. The next update meeting with the ESFA would be taking place the following day (3 October 2019). The Chair asked if there had been any communications with the FE Commissioner as to when the next visit would take place. The Principal replied that nothing as yet had been received, although minimal notice would be expected.

Governors queried the -9% contribution rate achieved by Employer Engagement as listed in the summary table at paragraph 17 of the report. The Head of Finance explained that this was due to the incorrect allocation of some income receipts into the college, especially where there had been joint working with both the Employer Engagement department and a teaching faculty, often causing all of that income to be incorrectly credited to the teaching faculty. The Principal added that the Senior Management Team had asked for this issue to be looked at in due course so that the analysis presented a more accurate indication of the financial performance of the various income generating areas.

The Chair asked for further information regarding the £380k adverse non-pay variances of less than £50k each as listed in the table at paragraph 14. The Head of Finance reported that this represented a number of individual variances. Overall, the control of non-pay expenditure was considered to be good. The Principal added that the listing of favourable variances of less than £50k totaling £466k more than outweighed the adverse variances.

It was noted that the incorrect year had been included in the title in the table at paragraph 3 and should be amended before being presented to the Board. It should read "Revised 2018-19 High Level Forecast at June." **ACTION HoF**

The Vice Principal Corporate Services said that a revised medium-term financial plan was currently being prepared. The Principal added that the revision would take into account the latest student numbers, the recently announced funding grants from the government and the TPS grant. Additional modelling would also be prepared to take into account the possibility that the recently announced grant awards would not be received. This would be presented at the next meeting. **ACTION-VPCS**

Governors asked if it would be incorrect to rely too much on the increased funding grant to resolve the college's financial concerns. The Principal advised that the college would be taking a prudent approach and would be pushing on cost containment where appropriate. The Chair said that the financial plan would only include the TPS grant for one year as at present, there was no confirmation that this particular grant would continue into future years. The Principal added that there was no certainty for future years and that the sector was awaiting the outcome of the government's next comprehensive spending review.

The Chair asked if the out-turn position was in line with what the FE Commissioner would be expecting to see. The Principal said that there would be some concern with income targets not being achieved, however, going forward, the targets for 2019/20 were realistic and action was being taken by both Vice Principals to review expenditure budgets within departments in light of the new student numbers. The Commissioner would be pleased to see that the number of deficit years had been reduced from three years to two years in the financial plan. The Head of Finance noted that cash balances had also been a concern of the Commissioner and it was very positive that the college had £4.9m at the year-end, in line with the forecast.

Governors asked if the information from the detailed contribution analysis was proving to be useful. The Head of Finance reported that a number of questions were being asked as a result of the detail, especially with regard to Employer Engagement activities and how its income and expenditure was allocated. Governors asked if, in time, all overheads would be re-allocated across the cost centres. It was considered that there would be no benefit to trying to fully allocate all overheads. Governors asked about comparators on which to compare the college against others. The Principal reminded Governors that the college had engaged an external consultant this term to conduct a benchmarking exercise with colleges similar to CWA. This report was anticipated to be completed by December 2019. The Head of Finance noted that at the East of England Finance Managers' forum held the previous day, a number of colleges reported that they did not use contribution analysis but used other methods to monitor financial performance. The Chair noted that the Technology Faculty Overhead had received £15k income. The Head of Finance advised that this small amount was related to income which could not be allocated directly to a particular teaching department within the faculty. The Clerk reminded Governors that there would be a short briefing on Contribution Analysis at the start of the Corporation meeting on 16 October 2019.

Governors queried the usefulness of the summary graphs at Annex A. The Head of Finance advised that it provided an indication of the financial pattern throughout the year, especially with regard to the month-on-month deficit which tended to show an increased deficit position at month 8, before recovering towards the year end.

The report was noted.

Rob Petto joined the meeting at 9.23 am.

7 Funding Position and Data Control

The Head of Funding & Exams advised that the report focused on the 2018/19 year which included provisional figures. Further checking was still taking place on the data with the final confirmed position expected during the next week. At this point in time there were no significant changes expected to the data.

The Head of Funding & Exams reported that the expected 3% in-year growth target had not been achieved due to the target being missed at R04. The in-year growth figure would likely now be 1.23%. This would not affect income in 2019/20 due to the lagged funding model but it would become an issue in 2020/21. However, income next year could be assisted with increased retention rates and increased programme base rates, anticipated to be around £574k more than was currently being allowed for in the financial plan. It was noted that programme base rates were anticipated to increase from £4,000 per learner to £4,188 in 2020/21, a figure which had not changed since 2013. The Principal added that additional funding had been announced for high cost study programmes (science, technology, engineering, maths) but this was currently awaiting clarification and confirmation and therefore had not been included as yet in the financial plan.

The Head of Funding & Exams said that enrolments were currently ahead of last year for 16-18 students. With measures in place to support students and improve retention rates this should hopefully be maintained. The Principal noted that 2019/20 had so far shown an improved picture for enrolments, the first time in 5 years, and not as a result in changing demographics but for taking an increase in market share. HE enrolments, however, had declined. The Chair particularly noted the additional £170k income for 2020/21 due to the improved retention rate. The Principal said that this was something the FE Commissioner would view as being positive and which had continued from the very positive OfSTED inspection in January 2019. Quality improvements were having a good effect and this was being directed further by the Performance Review & Quality Committee.

With regard to the Adult Education Budget, the Head of Funding & Exams explained that the college would not gain from the 3% tolerance level expected by reducing its allocation target, as the out-turn actually exceeded the revised target. However, the ESFA had committed to fund over performance within 3% and so the college would be paid for its increased activity. For 2019/20 funding will come from 3 sources: the ESFA, the Cambridgeshire & Peterborough Combined Authority (CPCA) and the Greater London Authority. There was an overall reduction in the allocation of £84k. The Principal noted a concern that the funding received was now based on the postcode of the learner, rather than the location of the provider, emphasising the need for the college to recruit local adult learners to its programmes. The Chair asked if the CPCA would be required to support its local colleges. The Principal explained that this was not a requirement, and indeed, the CPCA had allocated funds to private providers within the region to carry out particular activities. The Head of Funding & Exams noted that the Combined Authority had identified Fenland as a priority area and with the Wisbech Campus being within that area the college would anticipate being involved in any increased education provision. The Principal added that previously funding had tended to be spent within Cambridge and its immediate surrounding area, however, since devolvement to the Combined Authority, funding was being spread more widely, ie, into Fenland, and therefore possibly benefitting the college, although there was the risk that this funding could be allocated to providers in the private sector.

Governors asked about the funding and activity with Greater London Authority. The Head of Funding & Exams explained that this originated from an historic arrangement with a partner in the London area. This was considered not to be a major contract nor long term.

Governors were pleased to note the improved learner numbers at the start of the year and enquired if there were any statistics to indicate what had caused this, such as the positive OfSTED result or the recently introduced Fenland Transport Subsidy. The Principal advised that a survey at the Freshers' Fair had been undertaken with the results still to be analysed, and a review of the transport subsidy had been requested by the senior management team. For the Wisbech Campus in particular, the Principal reported a 12% increase on student numbers this year.

The Head of Funding & Exams highlighted the income from Apprenticeships on Appendix 1, with £3.526m achieved, slightly ahead of target. The Chair asked for an explanation of the levy sharing opportunities possibly available to the college. The Principal explained that a number of companies had been unable to fully spend their levy funds within the required timescales and so were considering offering their funds to other companies to utilise, possibly with conditions, or possibly direct to specific companies (eg. those in that company's supply chain). The mechanics for this to happen were very complicated. The Local Enterprise Partnership, the Combined

Authority and other principals were currently looking at this matter. The New Anglia Local Enterprise Partnership (NALEP) had recently appointed an individual to lead on this and co-ordinate with providers and companies. The Principal added that a number of local companies had shown an interest in this opportunity.

The report was noted.

Rob Petto left the meeting at 10.00 am

8 Contracts Between £100k & £500k and Single Payments Exceeding £1m

This item was deemed "confidential."

9 Internal Audit Reports

The Clerk explained that the Audit Committee had reviewed the Apprenticeship Income report at its meeting on 14 June 2019 and had asked for it to be referred to the Finance & General Purposes Committee for information. The Clerk continued that the Subcontracting Controls report had also been included, which, although not yet reviewed by the Audit Committee, had been attached for the Finance & General Purposes Committee, again for information, due to the previous experiences suffered by the college in respect of its subcontracting activities. The Vice Principal Corporate Services advised that subcontracting remained on the college's risk register and that this particular audit report, mandated by the ESFA for all colleges, indicated that there were no concerns at this college. Governors asked who at the college was responsible for the due diligence checks undertaken on partners. The Principal advised that Paul Smith, Head of Employer Liaison, Partnerships & Commercial Training had this responsibility and that this was reviewed and approved by the committee during the summer term for the year ahead. The Principal noted that although there were no issues with regard to sub-contracting, he would be keen to see this particular item remain on the college risk register.

The audit reports were noted.

10 Supply Chain Fees & Charges Policy 2019/20 (Revised)

The Vice Principal Curriculum & Learning advised the meeting that this was an updated policy to the one approved by the committee at its meeting on 19 June 2019. The update had been caused by the publication of revised rules and requirements by the ESFA in July 2019. The new requirements had been incorporated into the revised policy.

It was proposed by Gary Webb and seconded by Adam Thompsett to approve the revised policy for 2019/20. This was agreed.

11 Any Other Business

i. *This item was deemed "confidential."*

ii. Restructuring – Governors asked for an update on the staffing restructure that took place over the summer period. The Principal advised that following the two additional consultations approved by the Board, (Equine and Technology), and delegated to the Senior Management Team no actions were taken based on the feedback received during the respective consultation processes. This resulted in the anticipated level of cost reductions not being achieved. The restructuring of the Arts provision at Wisbech had gone well and took into account the requests received for staff redundancies and the ability to rationalise the overall course offering. There may be a few late changes still to be made in other teaching areas following the review of course enrolments this terms.

iii. Sub-Contracting Audit Report – further to item 9, Governors noted on page 12 of the report the college had not been provided with the retained funding template by the ESFA for 2017/18 or 2018/19, despite chasing the ESFA for this and not receiving any response. Governors asked if this could be an issue. The Vice Principal Corporate Services will follow up this matter and advise in due course. **ACTION-VPCS**

iv. Downham Market Offices – Governors asked for an update on the leasing of offices at Downham Market. The Vice Principal Corporate Services advised that the free-rent agreement with the occupiers was due to end in 3 weeks' time. Current negotiations were taking place to convert this into a full rent-paying lease, however, indications at this time were that this would not be possible due to funding issues for the current occupier. The covenanted restricted use of the facilities for educational purposes was discussed, noting that at times these could sometimes be waivered.

v. Alan Measures noted that he had responded to the consultation process for Easton & Otley college merger, in his capacity as a private interested party, rather than as a governor at this college. Mr. Measures said that he would circulate any responses received for governors' information.

Ray Harding left the meeting at 10.23 am – declared interest in the next item

vi. This item was deemed "confidential - restricted."

12 Chair's items for briefing to Corporation

There were no items to be raised separately for the Board to note as the two main items, preliminary financial results 2018/19 and the funding report would be on the agenda for the next Corporation meeting.

13 Date and time of next meeting

Wednesday, 20 November 2019, 8.30 am, King's Lynn Campus.

The meeting closed at 10.41 am