

MINUTES

Finance and Resources Committee No 24

Date: *04/12/2018*
(Tuesday)

Time:

18:00–20:00

Venue: *Rural Business*
Centre

Committee:

Finance and Resources

Notes: *Refreshments will be available from 5.30pm*

Present: *Alison Robinson (Principal), David Hall, Debbie Clayton, Ian Higginbotham (Chairman) and Stuart Heys*

Attending: *John Wherry (Deputy Principal), Richard Morris (Deputy Principal) and Steven Downham-Clarke (Vice Principal)*

Clerks: *Ron Matthews (Clerk) and Susan Robinson (Deputy Clerk)*

Apologies: *John Morphet and Richard Furnival*

Public Minutes

Item description:

81.18 Attendance of College Management Staff and External Auditors

Decision

Section 8.2 of the current Constitution and Terms of Reference for the Finance & Resources Committee states:

College management and / or consultants may attend meetings by invitation in an advisory capacity.

The Chair welcomed the external auditor, Lisa Randal and internal auditor, Anna Spencer-Gray to the meeting.

Resolved:

That College Management Staff and representatives of the External Auditors attend the meeting.

82.18 Apologies for Absence

Record

Apologies for absence had been received from Richard Furnival and John Morphet.

83.18 Public Minutes of Previous Meeting

Decision

The public minutes of the Finance & Resources Committee meetings numbers 23 held on 18 September 2018 (published on the extranet) were signed and agreed as a true and correct representation of the meeting.

84.18 Declarations of Interest

Record

There were no declarations of interest made in respect of items on the public agenda.

85.18 Appointment of Vice Chair

Decision

The Committee gave consideration to the appointment of a Vice Chair for the remainder of the current academic year.

Following due process, it was

Resolved:

That Richard Furnival be appointed Vice Chair of the Finance & Resources Committee for the remainder of the academic year with immediate effect.

86.18 Strategic Plan Progress Report

Decision

The Committee gave consideration to the Strategic Plan Progress Report for the Finance and Resources Committee. Alongside the report they referred to the summary the DP Finance & Corporate Services had prepared to the Financial Statements and Audit findings reports at item 87.18 and data from the Financial Position Statement Report, item 90.18.

The key performance indicators related to recruitment, the Capital Plan, Human Resources Statistics and financial performance.

Recruitment for 16 to 18 year olds was below target at this point but once recruitment was completed for all schemes, it was anticipated that the target would be reached. This would secure income for the next academic year as funding was lagged which in turn meant the income for this academic year would remain unaffected.

Higher Education numbers were below target but the first year intake was up on the previous year. Recruitment to part time courses was on target and with semester 2 recruitment it was hoped the financial targets would be met.

In response to questions about the negative adjustment to the figures since the presentation at the Corporation meeting in October, members and management discussed planned investment in data systems to incorporate different aspects of operational need. The Data Strategy Group was taking actions forward.

Apprenticeships recruited to roll on roll off programmes. Numbers were meeting targets though income had dropped to plan due to the inability to collect some maths and English funding following the audit claw back. Members received assurance that external training and new systems being put in place would rectify this and improve in-year arrangements and payments. This training incorporated claims for learning support funding. Members noted good progress towards challenging targets.

Members were informed that from August to 30 November 2018 there had been 288 (152 in the same period last year) enrolments, 117 to levy paying organisations and 171 were non levy payers. Key performance indicators on delivery of the capital plan and staff sickness were being met.

Financial performance was down on target for the farm and commercial services. The turnover was below target, other financial targets were met.

Members expressed appreciation of the open and transparent and detailed information provided.

Resolved:

That the Strategic Plan Progress Report be received.

87.18 *Financial Statements Auditors Report and Financial Statements for the Year Ended 31 July 2018 and Audit Findings Report*
Decision

This item was taken prior to item 86.18, Strategic Plan Progress Report.

The Audit Findings Report for the year ended 31 July 2018

Anna Spencer-Gray spoke to the report.

The Audit Findings report highlighted key points

- RSM having nothing to report in respect of additional audit, accounting and regularity issues identified during their audit and regularity work (page 7).
- No unadjusted or adjusted misstatements in the financial statements (page 8).

The Auditors Report within the Financial Statements report that the financial statements (pages 24 and 25):

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

The Committee had received the Management Accounts for the year ended 31 July 2018 at their meeting of 18 September that reported an annual surplus, after FRS102 pension adjustments, exceptional restructuring costs and surplus on disposal of assets of £13k. At this time, it was reported that the final position for the year would be impacted by the valuation of farm stocks that was yet to be completed, outcomes of the ESFA Funding Audit that was ongoing, educational achievement for the 17/18 academic year from sub-contractors, that would increase income.

The final position reported within the financial statements is a loss of £39k.

The principal movement had been the outcome of the ESFA audit which had resulted in a claw back of £121k in total.

Cash Flow:

In addition to understanding the reported deficit for the year Governor's attention was drawn to the College's Statement of Cash Flow (page 29 of the Financial Statements), which excludes non-cash expenditure such as depreciation, amortisation of grants and pension adjustments.

At 31 July 2017 the College had cash balances of £4.87m, and by the 31 July 2018 this had risen to £6.18m, recognising that the College activities generated a net cash inflow of £1.31m during the year.

This net cash increase of £1.31m is after repayment of £551k of loan and finance lease instalments and represents a net inflow of £1.81m from operational activities and capital expenditure confirming the day to day operation of the College continues to be cash generating.

Accounting Policies:

The external auditors raised at the Audit & Governance meeting that the College has some Specialist Teaching Equipment, Motor Vehicles, and Computer equipment assets that are fully depreciated though continue to be in use (Page 6 of Audit Findings report). The auditors have not made an audit recommendation or formal query regarding this but commented that this could be an indication that the depreciation lives / forecast economic life of assets are being underestimated, effectively too prudent, and potentially therefore accelerating the depreciation charge to the Statement of Comprehensive Income (Income & Expenditure Account).

The auditors comment is therefore not about the total deprecation charge over an assets life but the speed of which assets are depreciated by the College. The asset lives we adopt are:

Specialist Teaching Equipment – 5 years
Motor Vehicles – 5 years
Computer equipment – 3 or 5 years

The asset lives above are consistent with previous years for Myerscough College, with peer Land Colleges, and consistent with the model Financial Statements produced by the AoC.

It is recognised that Myerscough has assets that are in use and continue to operate that have been fully depreciated e.g. pool cars that are over 10 years old with high mileages that continue to be economic to operate though realistically of negligible value if we were to dispose of them. The Principalship has also discussed with Governors that we have Computer Equipment that is over 5 years old and ideally would be replaced, though due to the economic environment replacements are purchased only as needed. Consequently, we do have c 400 PCs that are over 5 years old, again the fully written down value reflects the potential disposal value of these machines.

In response to questions members were assured of challenge from the auditors and College Management through networks to the actuarial valuation of the pension fund which affected the colleges liability and so annual adjustment to the accounts.

Members commented on Corporation tax liabilities noting an increase in the threshold for non primary purpose income had been announced to £80k so allowing more leeway.

The Auditor commented that the audit had been a smooth process and commended the College's preparations and quality of work with information produced to a high standard and thanked Janet Whiteside and the Finance team for their help and assistance.

Members expressed satisfaction with the discussions and agreed an external audit representative would not be required to be in attendance at the Corporation meeting on 11 December 2018 when the accounts would be presented for final approval by the Chair of Finance & Resources Committee.

Resolved:

1. **That the existing economic lives of assets continues to be applied as the rates fairly represents the depreciation of the assets value to their open market realisable value.**
2. **That the Financial Statements for the year Ended 31 July 2018 are recommended for approval at the Corporation meeting 11 December 2018.**

88.18 ***Myerscough College Financial Plan 2018 - 2019 & Financial Health***
Decision

The Education and Skills Funding Agency had received the College's Financial Plan for 2018 - 2020 and confirmed the Financial Health of the College remained "Good". Members noted the grade was at the high level of "Good", close to "Outstanding".

The financial dashboard incorporated key performance indicators and measured those against target benchmarks and benchmarks achieved in the sector. The only area where College fell below the mean was for total borrowings as a percentage of income.

Members noted a positive report.

Resolved:

That the Financial Plan 2018 - 2019 be received.

89.18 ***College Procurement Practices***
Decision

Members gave consideration to the report of the Internal Auditors, RSM, commissioned by the Committee at its last meeting, to report on the College procurement processes and best practice in the sector.

The auditor, Lisa Randall introduced and spoke to the report. Members discussed it at length bringing management into the conversations too, with the staff perspective reflected through the input of the support staff Governor.

The review resulted in an overall recommendation to maintain an effective devolved structure and accountability framework over Procurement. Short, medium and long term considerations were defined.

The options presented:

- 1 Do nothing retain the current process and structures
2. Investment in a new automated integrated purchase to pay system
3. Investment in a new system and the centralisation of all purchasing
4. Investment in a new system and a hybrid process

The report provided 12 considerations for Management to act on and a road map timeline with actions allocated to Principalship, procurement officer and Finance team.

In their conversations members sought to understand the systems as they ran at present, how to move forward and what best practice was. They looked at matters of culture, positive reinforcement and engagement, system and staff investment, historical behaviour, staff development and training, awareness of responsibilities, communication, legal framework and financial implications.

They noted the overspends were made in the interest of the business need and that previously contingencies had been brought in to make these payments.

Members noted the budget setting process linked to curriculum planning and that a changing culture and approach linked with new working practice in the Finance Team would provide support. There was a discussion on the qualifications in the Finance Team in relation to qualified accountant status and the needs of the College.

Members were informed that it would take time and resources to "fix" the current paper based system which would take staff away from the work required to implement new systems.

They noted that the report was in its 8th version and College had felt the need to return for modifications.

It was agreed the strategic decision for change and investment in Finance systems was being progressed and that the operational matters should be at the discretion of Management with the additional resource of a temporary full time procurement officer.

Resolved:

- 1. That a revised Procurement Report be submitted to Corporation**
- 2. That a temporary full time Procurement Officer be appointed**

90.18 Financial Position Statement for the Period Ended 31 October 2018

Decision

Aspects of the Financial Position Statement which included investment funds and cash flow was discussed at item 86.18, Strategic Plan Report. The results for the period ending 31 October 2018 showed a deficit of £45K against a phased budget deficit of £77k

Overall income to date is lower than budget by £245k. The key income variances are that education including sub contract income is 64k (1.3%) less than budget and apprenticeship & Skills including sub contract income is £171k (23.4%) below budget.

The balance sheet was healthy with cash balances of £7.6 million and cash days of 96.8 Interest rates were marginally higher than the same period last year, reflecting the increase in Bank of England rates by 0.25% on 2 August. Two new accounts with Nationwide Building Society had been opened in November in accordance with the Committees decision at its last meeting. The Principal and Deputy Principal of Finance & Corporate Services have commenced placing funds in the new accounts to ensure we retain a minimum of £3m instant access whilst maximising returns.

As Governors will recognise from the budget approval process the 2018/19 year financial performance will be challenging though performance within budget at this stage is positive in the short term. The key financial challenge is to complete the review of apprenticeship delivery to enable funding to be drawn for English & Maths and learning support.

Members concurred with Management's decision to bring in a consultant to lead on delivery of the Adult Education Budget. The consultant was at extra cost but benefit should out-way the cost and the approach should lead to some subcontracted provision being brought back in-house. There was opportunity within the short courses offer to promoted adult education fundable courses.

Resolved:

That the Financial Position Statement for the period ended 31 October 2018 be received.

91.18 Myerscough Ventures Report for the Period Ended 31 October 2018

Decision

The Committee gave consideration to the Myerscough Ventures report for the period ending 31 October 2018.

At the end of the first three months the income contribution from Myerscough Ventures was bellow profile providing a total contribution of £212,168. With inclusion of the Farm, which was not part of Ventures but was routinely reported at this part of the meeting as a commercial activity, the total was £132,140.

Contributions to overheads was shown after the allocation of the direct costs associated with the activity.

Equine Operations - The livery occupation was lower than anticipated though a high profile sell out event at the international arena had generated excellent social media publicity and increased revenue at the My-tack shop.

Sports and Golf Academy - A good start to the year.

Residential Operations -Occupancy was down on the previous year. Low demand for twin bedded accommodation. A five year strategy will be developed to ensure the offer aligns with demand.

Catering Operations - The area was behind target due to lower numbers of residential students and a timing issue in relation to release of bursary funds.

Horticulture - The area was behind profile. Tours remained popular.

Stumble inn - External bookings are strong.

Events - The area was inline with target. There were high levels of enquiries for summer bookings.

Farm - The Farm had a larger than budgeted negative contribution to budget. The new team was now in place which would reduce reliance on contractors. The main variances from budget was milk income and lamb income. Members received explanations and noted the monitoring report.

The Food, Farming Innovation & Technology Centre (FFIT) Lancashire Growth Deal Claim progress Report was included. Members noted progress to targets, with the key challenge being student recruitment.

The Committee noted the explanations and the focus on primary purpose of the College.

Myerscough Ventures continued to make a positive contribution to the College.

Resolved:

That the financial performance report on Myerscough Ventures for the period ended 31 October 2018 be received.

92.18 Tuition Fees 2019/2020

Decision

Members gave consideration to the proposed Further Education full and part time tuition fees for 2019/20 for Adult Learners, overseas students and students expected by the ESFA to co-fund their course fee.

The proposal was for increases to be in line with inflation where appropriate, with fees not exceeding the Advanced Learner Loan maximum published by the ESFA.

Co-Funded Learners

For any adult on a full time FE course that is subject to co-funding the learner is currently required to pay £1,335.

Students Eligible to apply for an Advanced Learner Loan (ALL):

A maximum amount for an ALL is set by the ESFA. The ESFA did not increase the maximum amounts for 2018/19 and has not to date published notification of an increase in ALL limits for 2019/20. In the event that ALL maximum amounts are increased the College will seek to increase fees, subject to price sensitivity.

Fees and curriculum for part-time courses are kept under review and will be set to maximise income, recognising market price sensitivities, maintaining a 50% contribution to College overheads.

Resolved:

That the FE Tuition Fees be commended to Corporation for approval.

93.18 Capital Expenditure Report as at 31 October 2018

Decision

Finance & Resources Committee gave consideration to the Capital Expenditure Report to 31 October 2018.

Total expenditure against the annual budget of £1,566k for 2017 / 2018 amounted to £244k at 31 October 2018.

The Committee noted the detail and progress made on the capital projects and that the report was in line with expectations and to agreed tolerances.

Resolved:

That the report on Capital Expenditure for the period ended 31 October 2018 be received as submitted.

94.18 Student Union Annual Accounts for the Year Ended 31 July 2018

Decision

Consideration was given to the Student Union annual accounts for the year ended 31 July 2018.

The MSU receives £9,000 from College funds for each academic year.

The MSU accounts showed a small deficit of £628.09.

The reserves showed a healthy balance of £19.916.

The Committee expressed satisfaction with the accounts.

Resolved:

That the Myerscough Student Union Audited Annual Accounts for the year ending 31 July 2018 be approved.

95.18 Statutory Risk Register

Decision

Members gave consideration to those elements of the Risk Register applicable to Finance & Resources Committee.

The DP Finance & Corporate Services had developed the report to provide a summary page which provided updates and trends. A risk appetite statement was included as was the assessment framework that had been developed and was included to ensure consistency of scoring for inherent and residual risk. Members commented on a "very helpful presentation".

In response to questions it was confirmed that a risk on the potential risk of tuition fees had been added and the score recorded accordingly.

There had been increases to some risks and new ones were added.

Risk 3O: Potential financial impact of Agriculture Bill that replaces the EU Common Agriculture Policy post the UK leaving the European Union.

Risk 3P: Financial impact of increases in employers pension contributions to the Colleges pension schemes

Residual risk scores had been increased for 3 risks, concerning apprenticeship funding, possibility of fraudulent activity and failure to achieve ESFA contracted values for classroom based FE funding.

Resolved:

That the Statutory Risk Register for Finance & Resources Committee be received.

96.18 Overseas Visits Policy - Review

Decision

The Committee gave consideration to the review of the Overseas Visits Policy. The only changes made were the addition of a link to the "Organising Off-Campus Activities Procedure" concerning trips and visits and an amendment to include a job title without an individual name.

Members noted the Boards responsibility in approved in advance of overseas travel being booked and paid for and expressed satisfaction in the policy and procedures.

Resolved:

That the Overseas Visits Policy be approved.

97.18 Human Resources Report for the Period Ended 31 October 2018

Decision

The report contained analysis of staff turnover, breakdown and analysis of leavers, staff stability index, staff sickness statistics and the Staff Survey Action Plan.

Overall staff turnover has increased with the figure at 18.99% which is above the AoC benchmark. The Support staff turnover showed the highest increase. Members noted challenges in retention of staff with higher pay options available in schools, sixth forms and universities. Members noted the main reasons for leaving was level of pay. Change of career was the second most common reason cited by support staff.

Sickness continued to be monitored, and had met College targets, the overall sick pay total had reduced.

Resolved:

That the Human Resources Report be received.

98.18 Health and Safety Report for the Period Ended 31 October 2018

Decision

Members gave consideration to the Health and Safety Report for the period ended 31 October 2018 which included a summary of key strengths, areas for improvement, actions taken and the impact, and further actions planned and expected impact.

Accidents were depicted by area as well as cause with Equine reporting more than other departments and slips, trips and falls the most common cause.

There had been 1 RIDDOR reported accident which did not require further investigation.

The increase in accidents was partly due to staff buy in to the new electronic reporting system. It was pleasing that this had also driven up "near miss" reporting.

There was a low level of accident reporting from Apprenticeships & Skills. The team would investigate.

The Health & Safety College area auditing documentation was under review with a new scheme due to be introduced.

Many staff had taken advantage of free flu injections offered at the College.

Members were pleased to note the importance attached to the reporting of "near misses".

It was planned to further test the emergency action plan and deliver staff training and communication of the plan.

Resolved:

That the Health and Safety Report for the period ended 31 October 2018 be received.

99.18 ***Finance and Resources Committee - Terms of Reference***
Decision

In line with the Code of Good Governance Finance & Resources Committee gave consideration to its Terms of Reference and agreed they remained fit for purpose.

Resolved:

That the Finance & Resources Terms of Reference be agreed as submitted.

Signed:

Date: