NEW CITY COLLEGE | Redbridge Hackney Tower Hamlets

**FINANCE & GENERAL PURPOSES COMMITTEE MEETING MINUTES**

Date: Monday 3rd December 2018
Venue: Tower Hamlets Campus
Group Principal's Office
Time: 5.30p.m.

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| **Chair** | Gunner Burkhart |
| **Corporation Members** | Meena Chavda, Gerry McDonald, Martin Rosner, Marilyn Hawkins |
| **Officers** | Roger Cottam: Deputy CEO<br>Suri Araniyasundaran: Deputy CEO designate<br>Jamie Stroud: Finance Director |
| **Director of Governance** | Fiona Chalk |

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| 1. | **Chair's Welcome & Opening Remarks**<br>The Chair opened and welcomed members to the meeting. |
| 2. | **Apologies For Absence**<br>None recorded. Lutfey Siddiqi absent. |
| 3. | **Declaration of Interests**<br>None recorded. |
| 4. | **Minutes of the Last Meeting Held on 08 October 2018**<br>The minutes were signed as a true and accurate record. |
| 5. | **Matters Arising and Action Points from the Meeting**<br>All matters arising were actioned.<br><br><u>Management Account update</u><br>It was noted that the 3 teams and 3 systems in place before the mergers, have been brought together, although this has been a difficult process. Management confirmed that the balance sheet position as at 31 July 2018 is now fully understood. The Audit of this is substantially complete and nothing has come out of the audit that undermines the credibility of the numbers. The underlying processes within the financial team and systems need to be refined further, and then EFC will be moved onto this system, probably from 1st August 2019. Management are confident that the EFC financial data is reliable, particularly as it has been under close scrutiny by the ESFA. Governors asked how the financial process will proceed in regard to the Havering colleges coming on board in April 2019. If the financial data is robust in each individual campuses, then they will remain separate until the NCC team has capacity to merge the systems. The physical location of the accounting function for the Group, will be at Hackney going forward.<br><br>The Balance sheet review has taken place and the team is happy that the numbers are correct. Underlying staffing capability in accounts payable is being reviewed and managed. The management accounting team will also be reviewed. Two staffing posts in the finance team are being recruited to, one will be filled by Christmas, and the other is going out to advert next week.<br><br><u>Enrolment & Curriculum Planning</u><br>Management will calculate the savings required to be made, based on what the potential reduction in income is. They will look at EFC first as this had the poorest enrolment against plan, then the NCC Group separately. It is anticipated that a £3.8m cost reduction is required and ideally these costs will be taken out this year, so management can budget for 19/20 more ably. Non-pay expenditure is also being looked at in addition to staffing. Some cuts will come from bringing the teams together as systems are being harmonised, so there will be some rationalisation. Voluntary redundancy has been put out across the group.<br><br>**Action: GM to include an explanation of the curriculum planning process in the Principal's report for 13th December.**<br><br><u>UKCBC</u><br>Payments have started, and regular reconciliation is taking place. Governors asked for monthly reconciliation to be forwarded to F&GP members via the Governors Portal.<br>**Action: SA/FC to add monthly UKCBC reconciliation to the Portal.** |

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| | **ITEMS FOR DISCUSSION, DECISION OR ACTION** |
| 6. | **Financial matters:**<br>FINANCIAL YEAR ENDED JULY 2018 EPPING FOREST COLLEGE:<br>**a.** Financial Statements, Year Ended 31 July 2017<br>**b.** Auditor's Management & Regularity Audit Report<br>**c.** Auditor's Letter of Representation<br><br>The Financial Statements were discussed, and Governors noted the following matters:<br><br>• Out-turn for the year - EFC The EFC result is a deficit of £2,591k, compared to the deficit of £2,524k projected towards the end of 2017/18 in meetings with the FEC and ESFA. Income is higher than forecast as the college met its AEB target without clawback and secured more income for High Needs Student. This was offset by higher non-pay costs, partly due to the potential cost of resolving a dispute with the sub-contract partner. The other major variance has been in fixed assets, where the revaluation put through in year ended 31 July 2017 was reviewed and it was identified that some £300k of running costs had been incorrectly capitalised, relating to maintained the two field sites – these have now been written off.<br>• Still waiting for EFC accounts, the list of governors for the year. The figures and results are confirmed.<br>• An apprenticeship provider payment is being challenged as the contract does not allow for interest payments.<br>• The Auditors report gives an unqualified opinion and will go to Audit Committee on 6th December.<br>• No specific representations are being requested in the Letter of Representation.<br><br>FINANCIAL YEAR ENDED JULY 2018 NEW CITY COLLEGE:<br>a. Financial Statements, Year Ended 31 July 2017<br>b. Auditor's Management & Regularity Audit Report<br>c. Auditor's Letter of Representation<br><br>The Financial Statements were discussed, and Governors noted the following matters:<br><br>• Out-turn for the year – NCC While the management accounts presented at the F&GP meeting in October showed a deficit of £146k, the work undertaken since then to reconcile all material accounts relating to income and expenditure and ensure that only appropriate balances are carried forward, means that we are now showing an operating surplus of £417k, before the exceptional profit on disposal of George Green Building, which is some £667k better than budget. This was partly because at the previous management accounts were prepared on a prudent basis so that any change should only be in a positive direction but also because we have fully reconciled income, particularly related to the activity with UKCBC and agreed a basis for sharing HEFCE grants, which has released £1.8m of grant to income, with a corresponding cost of the UKCBC share at 82%, so adding £324k to NCC income. The other major variance from budget is on staff costs, where overall these are some £1.9m below budget, as the college has managed vacancies and staff recruitment through the year.<br><br>• Re-evaluation of fixed assets - £300k capitalised as not justified.<br>• Include the employer voice survey results under Risk 1, as they were very positive.<br>• Edmund Harbour resigned part way through the year.<br>• KPMG have finished their audit and the finalisation meeting is tomorrow.<br>• Surplus of £417k (all liabilities have been noted)<br>• On Purchase Ledger, all invoices have been brought up to date and included up to about 10 days ago.<br>• Variances on staffing is quite substantial – is there any impact on this elsewhere? It was noted that there is some overstating as some vacancies are not whole year vacancies. The variance is about 5% of the pay bill and is primarily due to better utilisation of staff.<br>• The Audit report carries a recommendation on getting the accounting process issues resolved, as detailed under Matters Arising.<br>• The Letter of Representation has no specific representations |

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| | The Committee agreed to recommend to Corporation, subject to satisfactory finalisation of the accounts by the Auditors, both the EFC and NCC financial statements.<br><br>Pensions<br>Governors were advised that the employers contribution rate is likely to rise from 16.8% to 23.5% on teacher pensions due to the scheme deficit. This increase will be funded for a limited period of time by direct government grant and the cost to NCC is likely to be £1.3m prior to Havering mergers. On costs are already over 30%. Employee contributions may rise slightly but is a fixed rate defined benefit scheme. This increase applies for new teachers as well as existing staff members.<br><br>**CURRENT YEAR 2018-19:**<br>d. Management Accounts & Cash Flow Report till October 2018 (including EFC)<br><br>Governors asked for the absolute number and then the variance to be added to the summary on the front sheet in future.<br>**Action: SA to update**<br><br>Governors noted:<br>• Income profile is not varying currently. 16-18 doesn’t get adjusted this year and adult recruitment will hit target and other incomes are on profile.<br>• Challenges at UKCBC in getting clearance through Pearsons, meant the cohort didn’t start to October so income for first term will be down. This will be managed through the reconciliation process.<br>• There are 70 vacancies currently compared to budget. These will be reviewed to see if they are permanent or temporary and if permanent, will be taken out. Some agency costs are attributed but overall, are inline or slightly better than budget<br>• The figures in the monthly accounts to October, give comfort to governors when signing of the 17/18 accounts with a *going concern* opinion.<br>• Cash balance down £1.8m. This is mainly a timing issue due to the capital programme over the summer, which has had a knock-on effect compared to previously. These were approved expenses and cash is where it is expected to be. Management will continue to look at cash and how it should be managed.<br>• A Cash flow forecast has been carried out, partly to show ESFA NCC can afford to repay exceptional financial support at Havering.<br><br>Governors asked what risk is there to the college following on from the pay award given at CCCG of a 5% increase to most staff, at a cost of £3.4m, whilst posting a deficit. Staff could move, or it could make it harder to recruit. The AOC is likely to recommend a 1% increase. UCU at NCC did not make the 50% threshold, the vote was about 35%, so they are not going out to ballot again. The Havering college is re-balloting as the vote was narrowly missed.<br><br>Governs questioned why the consolidated income account budget restructuring is set at £0. This is because it is not possible to know this figure at present, so cannot budget accurately for it. It is anticipated that salary savings are made in-year.<br><br>Governors requested a monthly cashflow be produced and monthly accounts be provided to governors via the Governor Portal.<br>**Action: SA/FC to facilitate** |

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| | It was noted that the Westbourne Academy has a positive position versus budget. Some is deferred income from their busy time in June and July, but there is also growth. This provides an additional income of about £100k.<br><br>High Needs funding has a reconciliation process in place to manage the fluctuations in income. |
| **7.** | **Health & safety 2017-18 annual report & action plan**<br>Governors noted:<br>• Consistency of approach across all campuses<br>• Single policy and single approach now used<br>• Reporting is much improved<br>• As a large college group, there is a need for a full-time expert in H&S, who is now driving these improvements forward. The current H&S lead is extremely experienced and knowledgeable, and making significant improvements. Havering do not have a current H&S lead – this will be addressed as part of the staffing review going forward, as a number of key staff have moved on.<br><br>Governors asked:<br>• for assurance that risk assessments are up to date, particularly in high risk areas. Focus has been on high risk curriculum areas but needs to be rolled out across the whole group – further staff may be needed to facilitate this. This area will be a focus under the new Ofsted ready workplan and managers are being trained in the appropriate risk assessment processes.<br>• If there is an audit process on Health & Safety – it is in the internal audit plan for this year and the college has an external consultant who does a health and safety audit. From both the internal and external processes, a health check will take place and an action plan provided.<br>**Action: SA to report**<br>• How personal stress is managed. Stress association is managed through the HR process, although mergers have disrupted the previous regular process of a stress/wellbeing survey being undertaken by staff. This was done about 3 years ago, and the college needs to find an appropriate time for this to take place. Up-to-date survey results will form a baseline and enable management to plot trends. Governors requested a staff survey be carried out. H&S meetings with TU are attended by HR director and these give a good barometer on such matters. H&S cross college committee consider matters of policy, emerging issues from local meetings and strategic issues.<br>**Action: SA/PA to facilitate.**<br>• That the H&S annual report be presented to the Committee by the H&S manager in future<br>**Action: AS/FC to facilitate**.<br>• When the reporting systems will be consistent. They are now, and management have comparative data from last year which can be used as a baseline for next year.<br>• Physically challenges in the incident report seem high. For the large cohort of SEND students the college has, the figures are actually relatively low.<br>• Whether the categories of incidents are standardised. There is standardised reporting and metrics, and staff are reporting through Estates and Duty Managers.<br><br>Governors noted and endorsed the Annual Health & Safety Report 2017-18. |

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| 8. | **Finance & Resources KPIs**<br><u>KPIs</u><br>Governors noted that proposed KPIs are internally and externally generated KPIs i.e banking covenants are external. These KPIs are a high-level monitoring tool, and more in-depth information behind them will be provided in the annual reports. The KPIs are noted as:<br><br><u>Financial</u><br>* Staff spend as a % of income - Termly<br>* Financial health grade - Annually<br>* Cash days in hand - Termly<br>* Adjusted current ratio - Termly<br>* Total borrowing as % of income - Termly<br>* Debt service cover - Termly<br>* Income diversity/sources - Termly<br>* Commercial activities (performance against targets) - Termly<br><u>HR:</u><br>* Sick day absence – Bi-annually<br>* Disciplinaries - Bi-annually<br>* Complaints/Grievances - Bi-annually<br>* Staff Turnover - Termly<br>* staff satisfaction (key outcomes from staff survey) – Annually<br><br>Governors suggest the percentage of appraisal completions be added as a KPIs. It was noted that the impact of appraisals rather than the fact they had taken place, is more important. This can be monitored through the SAR etc. and reported to CQ&S. Trends are tracked through the college, for example, a particular area of the college needing CPD, is picked up through lesson observations, appraisals etc.<br><br>Governors questioned whether staff spend as a percentage, includes non-core income i.e whether it includes UKCBC or franchised income. Benchmarking against other colleges is tricky in this area as NCC includes in its staff costs, agency workers and sub-contracting costs. However, not all colleges do, which makes it difficult to benchmark. Governors asked management to further define this KPI to make benchmarking more meaningful. Also, it was noted that the perception can be that NCC is low compared to others, but actually there is not a like for like measurement.<br><br>Governors asked that any KPI that is drawn from the management accounts, to be reported monthly.<br>**Action: SA/FC to report**<br><br><u>ESFA Data Dashboard</u><br>Governors noted the data dashboard as set by the agency, and the ratings therein. No risks or concerns were highlighted. |

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| | Governors asked if poor performance in any of the measures, resulted in intervention by the ESFA. It was advised that this dashboard did not have such a function. |
| 9. | **Financial Policy Review**<br>**Treasury Management Policy:** it was noted that colleges no longer need ESFA approval to borrow money, this was amended under Schedule 4 in 2011. No changes were made to limits of investment.<br><br>**Fraud Policy:** Training on fraud issues was addressed by Barclays giving a presentation to the financial team. The team is aware of the high risk of external fraud such as in payments, so new suppliers' awareness training is given, and the Procurement Manager is on top of this topic.<br><br>**Anti-slavery:** Governors asked what the college does to ensure goods from abroad are not from places where slavery is in practice. New supplier due diligence is undertaken, and significant purchases are done through frameworks.<br>**Action: SA to review this area**<br>**Both policies be recommended to the Corporation for approval** |
| 10. | **Property decant lease agreement.**<br>The college has identified a potential decant site that could accommodate a significant proportion of the current provision in Poplar during the redevelopment of the site. Negotiations of the Heads of Terms are currently ongoing. If a mutually agreeable outcome is achieved, the rental agreement will need to be approved by the Corporation. It is likely that the rental agreement would be presented for the Corporation's approval at the strategic event on 14 February. This report provides an overview of the financial implications of the rental agreement. It is based on the latest offer from the landlord, which is currently under negotiation and subject to change. Requirement for re-build requires decant for 3 years A one-sided break clause after 1 year will be included in case of planning permission issues. The sunk costs will be £268k at point of contract. The cost will be capitalised as part of the merger project plan. Property costs are being managed separately and the £350k spend to date, was written off in the accounts. |
| 11. | **Any Other Business** (Time permitting)<br><br>Governors noted it is the Deputy CEO's last F&GP meeting. They thanked for his work over the years.<br><br>Governors also thanked the Finance Manager for bringing these figures to the committee and undertaking the review of the balance sheet.<br><br>The committee recorded its thanks to Gunner Burkhart on his last F&GP meeting. He stated he was surprised to how far the college had travelled over the past 8 years, and the ambition for improvement has been matched by the capability at a senior level.<br><br>The CEO advised that the Board has played a key role in this journey and knows when to scrutinise and when to take big picture, which is skill some Boards lack. |
| 12. | **Meeting Schedule for 2018-19:**<br>• Tuesday 19 March – 5.30pm<br>• Thursday 20 June – 5.30pm<br><br>Governors noted the date of the next meeting.<br><br>The meeting closed at 7.35 pm |