

**College of West Anglia
Minutes of
The Finance & General Purposes Committee
17 November 2021
8.30 am
Meeting Room, Principal's Suite, King's Lynn Campus**

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|------------------|-------------------------|--|
| Present | Andrew Cave | Governor (Chair) |
| | Alan Measures | Governor |
| | Gary Webb | Governor |
| | Hein van den Wildenberg | Governor |
| | Donna Woodruff | Governor |
| Attending | Paul Harrison | Vice Principal Corporate Services |
| | Ruth Harrison | Vice Principal Curriculum & Quality |
| | Neil Harries | Interim Head of Finance |
| | Paul Smith | Head of Employer Liaison, Partnerships and Commercial Training (part) |
| | Stephen Halls | Clerk to the Corporation |

1 Apologies

Apologies for absence were received from David Pomfret, Principal, and Rob Petto, Assistant Principal Funding & Performance.

2 Declarations of Interests

There were no declarations of interest.

3 Minutes of the previous meeting – 29 September 2021

The minutes of the meeting held on 29 September 2021 were agreed as being an accurate record.

4 Matters Arising

The progress against the outstanding matters from previous meetings was summarised in the report for Item 4. There were no questions or concerns raised.

The Vice Principal Corporate Services provided an update on the recruitment process to the Head of Finance position. Five candidates had been recently interviewed with 2 individuals considered suitable for the role. Neither candidate had accepted the offer made by the College. The Vice Principal then met informally with a sixth candidate which was positive, leading to a formal interview process being arranged in the near future.

The Vice Principal provided an update on the recruitment for the new Head of IT Services position. A tender process to engage a recruitment agency had concluded the previous day

(16 November 2021) with an agency now appointed. The job specification for the role had been completed. The agency expected the recruitment process to take 3 months.

The Chair moved to Item 6 on the agenda.

5 CWA Accounts to 31 July 2021 (Item 6)

The Head of Finance advised that the accounts were still in draft form and subject to change. The accounts were almost finalised, subject to any possible late changes from the auditors, who had nearly completed their audit process. Some areas of the commentary and disclosures were still to be finalised. Two adjustments had recently been requested by the auditors although neither would affect the bottom line position for the final health rating for the College.

The Head of Finance referred to paragraph 5 of the report which detailed the changes to the accounts since the review of the preliminary financial results by the Board at its meeting on 13 October 2021. The surplus for loan scoring purposes had improved from £600k to £677k, causing no concern for loan covenants. It was noted that the College's current loan was due to be fully repaid in 2023. The surplus for health rating purposes was now £2,071k, with a score of 240 points in the "Outstanding" category.

The following discussion was deemed "Confidential."

Governors asked if the health rating was checked as part of the year-end audit. The Head of Finance explained that the health rating was calculated using the audited figures and the ESFA's own calculation model. The Vice Principal added that the ESFA itself then carried out its own calculation, using the same model and the published (audited) figures.

Governors asked if stress-tests were carried out on the financials to see how they reacted to the certain changes. The Head of Finance explained that as part of the checks for going-concern, the auditors had asked for the figures to be re-modelled based on various scenarios. During the tests undertaken in this audit no concerns had been highlighted. The Chair asked if the medium-term financial plan had been tested in a similar way. The Vice Principal confirmed that this was the case.

Governors asked if an accrual had been made for the Job Evaluation scheme for support staff, due to be implemented in December and backdated to the previous financial year. The Vice Principal advised that £500k had been allowed for in the accounts to cover this.

The Chair referred to Note 5 of the accounts regarding Other Income, where for miscellaneous income the amount for the College was reported as being £453k but for the Group the amount was lower at £377k. The Head of Finance explained that the reduction in the Group related to the adjustment for Gift Aid with the subsidiary companies.

The Committee reviewed the draft letter of representation from the College to the auditors.

The Chair asked members to provide the Head of Finance with any noted corrections or typographical errors after the meeting.

The Committee agreed that it would recommend the accounts and the draft letter of representation to the Board for approval.

The Chair moved to Item 5 on the agenda.

Paul Smith joined the meeting at 8.47 am

6 Subcontractor / Partnership Activity 2020/21 (Item 5)

The Chair noted that all members had attended the Governors' training morning held on 10 November 2021 which included a session led by Paul Smith on the ESFA's sub-contractor reforms.

The Head of Department advised that he was still awaiting clarification from the ESFA on the 25% delivery target, and whether this related to income values or student numbers. The current plan for the College allowed for 37% in the current year, noting that the 25% target would come into force from 2022/23. The Chair asked if affected contractors were aware of the changes to be made by the College and the planned cancellation of certain contracts; the Head of Department confirmed that this was the case.

Governors asked about the income received from subcontracted activity. The Head of Department advised that currently approximately 80% was passed over to the sub-contractor for the provision, with 20% retained to cover management and overhead costs. It was considered that the 20% retained amount was sufficient to cover the College's administrative and management costs. It was noted that the main aim for engaging in sub-contracted provision was to be able to provide an appropriate route for the delivery of education to specific groups of learners, that could not be provided on campus. The Head of Department commented on the work carried out by the sub-contractors, adding that each one satisfied one or more of the criteria specified by the ESFA.

Governors commented on the possible exposure and risks to the College by engaging in sub-contracted activity. The Head of Department confirmed that there were indeed risks for the College, but that these were mitigated by the close scrutiny, controls and monitoring in place between the College and the sub-contractor. The Head of Department added that Ofsted had been complimentary following its last review of the sub-contracting activities, where some recommendations had been offered. Further, an audit had been carried out over the summer period where a strong assurance opinion had been given by the internal auditors.

The Head of Department advised the Committee that he would be reviewing the process for the renewal of contracts and the appointment of sub-contractors in due course.

The report was noted.

Paul Smith left the meeting at 8.59 am

7 ESFA Dashboard – October 2021

The Vice Principal Corporate Services advised the Committee that the dashboard produced by the ESFA was based on the College Financial Forecasting Return (CFFR), recently submitted and which included an adjustment to allow for AEB clawback.

The Vice Principal referred to the Forecasting graph on the dashboard and noted how close the forecast out-turn surplus was to the actual out-turns for the years under review, indicating that forecasting at the College was reasonable.

Governors asked about the production of the dashboard. The Vice Principal explained that the dashboard was published by the ESFA, individually to each college, using the data submitted by colleges on the College Financial Forecasting Return. The Chair commented that there were no surprises on the dashboard, as the College was already aware of its own data. The Vice Principal said that occasionally the ESFA would query and challenge some of the numbers submitted on the return.

Governors noted the detail of the dashboard and questioned the need for such reporting. The Vice Principal advised that the ESFA had been previously criticised for not having sufficient oversight of finances in colleges in the FE sector and so had increased the level of reporting required over recent years. Governors asked about the planned changes to the indicators used in the financial health scoring calculation. The Vice Principal explained that the changes had been published and were now being used in the College reports.

The report was noted.

8 Management Accounts – September 2021

The Head of Finance explained that the management accounts for September 2021 were not as detailed as the usual set of accounts reviewed by the Committee: year-end accruals were still to be adjusted for; income figures to departmental level were still to be calculated and so it was not possible to produce a contribution analysis at this time.

There were no concerns with current expenditure, although the Head of Finance highlighted future cost pressures including inflation rates, energy costs, national insurance costs and necessary wage increases caused by the recent increase to the national living wage. The Head of Finance would update the medium-term financial plan in due course, with a budget reforecast exercise to be undertaken in February 2022. There were no issues with the going-concern of the College caused by the cost pressures, where the finances were robust and resilient. The Chair asked if the auditors would be reviewing the Management Accounts in order to note the cost pressures; the Head of Finance advised that the auditors were aware of the issues via the stress-testing undertaken during the audit.

Governors asked about the staff on the national living wage rate. The Head of Finance explained that there were a number of staff employed at this rate across the College and due to its increase, those staff were now at the same rates as though at a higher pay band, hence the need for the Job Evaluation exercise for support staff to re-set the pay structure. Governors asked if the differentials between the grades in the new structure would be maintained. The Vice Principal considered that it was only likely that the differentials could be maintained for 18 months before the lower grades began to catch up with the higher grades. Governors asked how the current pay structure issue could be avoided from repeating itself. The Vice Principal explained that the need for regular pay awards would help to alleviate the issue, although this would then adversely affect the College's pay as a percentage of income ratio. The issue was noted on the College's risk register and was a factor in the staff recruitment difficulties experienced. Governors agreed that staff recruitment and retention was a major issue for the College at the current time.

The report was noted.

9 Funding Position and Data Control

The Vice Principal Corporate Services reviewed the 16-18 learner numbers for the current year which were broadly in line with those achieved in the previous year, despite the anticipation that numbers would increase in 2021/22.

With regard to Adult Loans, following very recent communications with the ESFA it was suggested that the College's allocation would be increased as suggested in the paper.

The Vice Principal referred to the recent audit carried out on apprenticeship funding which returned a number of errors during the sample review. SMT had agreed to allocate resources to fully review and correct where necessary the apprenticeship data for completeness and accuracy in order to avoid any issues should the ESFA commission a funding audit. The processing of apprenticeships data would be revamped, and a new system introduced to manage the data more effectively. The Chair asked about the current

method of operation. The Vice Principal explained that much of the processing was paper-based and open to error with the PICS software currently in use not fully optimised to provide the reporting information required. Data would now be processed on the College's main EBS software system, co-ordinated by a new project manager to oversee the revamp. The Vice Principal added that due to the complexity of apprenticeships and its own particular funding rules many other colleges faced similar difficulties in processing the data.

Governors asked what factors accounted for the lower than expected new student numbers in the 16-18-year group. The Vice Principal Corporate Services noted that the inflated teacher assessed grades achieved by learners in schools had in some part encouraged them to remain with their respective schools in the sixth form. The Vice Principal Curriculum & Quality added that there had been new competition this year from the new Sports Academy at KES, resulting in lower numbers for the College's own sports courses. Numbers were also down for Childcare and Health & Social Care. The Vice Principal Curriculum & Quality considered that a number of multiple-applications had been received in advance of the start of term which in future would need to be filtered out to avoid over-estimating the number of applications. It was noted that recruitment activities for 2021/22 were much reduced in scope and opportunity due to the coronavirus pandemic. The College would carry out a number of face-to-face on-campus recruitment events to attract new learners for 2022/23.

The report was noted.

10 Contracts £100k-£500k & Single Payments > £1m

Governors noted the recent purchase of a number of new interactive panels for use in teaching areas.

Governors asked for clarification on the levels of depreciation adopted by the College for assets. The Vice Principal Corporate Services explained that items less than £1,000 tended not to be capitalised, unless they formed part of a larger order of items in which case the whole purchase would be aggregated and capitalised.

The report was noted.

11 Any Other Business

Andrew Cave

Gary Webb noted that Andrew Cave would be retiring from the Board in December 2021 after 20 years of service to the College. Gary, on behalf of the Committee, thanked Andrew for his commitment, support and dedication to the role of Governor and as Chair of this Committee. Gary noted the time taken by Andrew in preparing for meetings and the additional work undertaken by Andrew when dealing with regulators such as Ofsted, the ESFA and the FE Commissioner.

Paul Harrison, Vice Principal, on behalf of the management and staff at the College offered thanks for the support and encouragement given by Andrew to management and staff. Paul noted that Andrew had always been supportive to himself and to management, even during some difficult and challenging times over the years. Paul noted the extra duties Andrew had undertaken over the years, such as meeting with the regulators and reviewing and signing contracts.

Other members of the Committee also offered their thanks and best wishes to Andrew on his retirement from the Board. Andrew thanked everyone for their good wishes.

12 Chair's items for briefing to the Corporation

CWA Accounts to 31 July 2021 – The Committee had reviewed the accounts and letter of representation and would be recommending their approval by the Board at its next meeting.

13 Date and time of next meeting

Wednesday, 2 March 2022, 8.30 am.

The meeting closed at 9.32 am