

MINUTES OF A MEETING OF THE BOARD OF LEICESTER COLLEGE CORPORATION:

FINANCE AND GENERAL PURPOSES COMMITTEE HELD ON 9 OCTOBER 2019



Present: Danielle Gillett (Chair) Jonathan Kerry
Verity Hancock Caroline Tote
Chan Kataria

In Attendance: Louise Hazel Director of Governance and Policy
Shabir Ismail Deputy Principal/CEO
Shaun Curtis Director of Estates and Campus
Services (item 4)

1 DECLARATION OF INTERESTS

1.1 There were no declarations of interest.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Brigitte Heller and Tim Gray.

3 MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

3.1 The minutes of the meeting held on 26 June 2019 were received and agreed.

4 HEALTH AND SAFETY ANNUAL REVIEW STATEMENT

4.1 The Director of Estates and Campus Services presented the annual health and safety review statement for 2018/19. The following points were highlighted.

4.1.1 Work completed during the year included risk assessments for high and medium risk areas; health safety checks for work placements; fire risk assessments and follow up actions; an increase in the number of first aiders; reviews of all health and safety policies and procedures; and regular testing of evacuation procedures and drills.

4.1.2 The number of accidents was showing a gradual trend downwards. Practical Areas continued to have more accidents. Toolbox talks and follow up action by staff were designed to inform students of safe working practices.

4.1.3 There had been five reportable accidents.

4.1.4 97% of staff had completed online training modules.

- 4.1.5 Incident reports showed an increase on the previous year particularly in unruly behaviour and unauthorised access although additional categories had been added for this year. Like for like comparison showed a lower increase.
- 4.1.6 Objectives for 2019/20 were highlighted and included development of an online accident reporting system, ongoing staff development and training, and maintenance across several sites.

4.2 **Governors asked a number of questions including:**

- 4.2.1 **Whether the accidents sustained in vocational areas were minor.** They were and there were no long term ill effects.
- 4.2.2 **Why there were more instances of unruly behaviour at APC.** This was due to the fact that there were many more students at the site.
- 4.2.3 **Whether thefts were perpetrated by people in or external to College.** Bike thefts were by external individuals; there was an ongoing issue with professional thieves in the City stealing bikes.
- 4.2.4 **Whether APC was enclosed and could external individuals be responsible for the incidents.** It was an open site and so unauthorised access was much easier. The incidents recorded all involved students. There were some issues with external drug dealing on Memory Lane which the police were aware of.
- 4.2.5 **Whether there was sufficient budget attached to the planned work for 2019/20.** The capital allocation also supported the planned maintenance work. Much of this ring fenced within the Estates budget and was included in the Estates Strategy. The recent condition survey suggested that considerable investment was needed in planned maintenance. However work was risk rated to ensure that all health and safety requirements would be prioritised and funded.
- 4.2.6 **The overall number of accidents/incidents was low given the number of students and staff; where there were very low numbers, were incidents being fully reported, for example Engineering?** This was a high risk area and would be investigated.

4.3 **Governors noted the annual health and safety review statement and the low number of incidents given the size of the College. Governors requested further investigation of the number of incidents in Engineering.**

5 **STAFF CULTURE SURVEY REPORT 2018/19**

- 5.1 The Principal presented the staff culture survey report for 2018/19. The following points were highlighted.
 - 5.1.1 The survey had been conducted during May-July 2019. Despite changing the timing of the survey and offering incentives, there had been a 50% response rate which was felt to be disappointing.
 - 5.1.2 Overall satisfaction (average of all prompts) was up 3% from the previous survey and above the benchmark for similar colleges.
 - 5.1.3 Prompts showing the largest increases were:
 - Overall IT equipment helps me do my job

- Senior managers provide clear direction and leadership
 - Leicester college is managed effectively
 - I feel safe working at Leicester College.
- 5.1.4 Full-time lecturers were the least satisfied; Curriculum Area managers were the most satisfied.
- 5.1.5 There was little difference between the satisfaction ratings for staff at the three main campuses.
- 5.1.6 Seven departments had ratings which were below the College average for both area management and overall satisfaction.
- 5.1.7 Largest increases in satisfaction since 2013/14 were for prompts relating to feeling confident about the future of the College, communication and being given enough information about why change needs to happen.

5.2 **Governors asked a number of questions including:**

- 5.2.1 **Whether the same methodology had been used as in previous years.** It was the same online process administered by an external company, was anonymous and took a few minutes to complete. However this was not the only way in which the views of staff and staff morale was assessed. Staff sickness and turnover were also monitored and attendance at staff meetings provided direct feedback.
- 5.2.2 **Whether the questions were all multiple choice.** They were but comments could also be written in.
- 5.2.3 **Whether the responses were related to dissatisfaction with pay.** Pay and workload were issues for staff. In some areas with particularly low satisfaction, there had been restructures or new managers and some people were not responding well to change. Low paid staff particularly those with difficult and demanding jobs were also the least satisfied.
- 5.2.4 **How were the results shared with staff?** Headline results had been sent to all staff. Outcomes of the survey would be followed up within departments and for Curriculum Areas would be picked up in QA meetings.
- 5.2.5 **Whether focus groups were used to explore themes.** Thematic issues were picked up at SLT and action would be expected at local level on specific issues. Vice Principals would also look at variations between Curriculum Areas.
- 5.2.6 **Whether there was any impact on performance.** The data was triangulated with the student survey and achievement rates but there was not always a correlation with achievement.
- 5.2.7 **What accountability was there at Director level?** The results would be picked up during appraisal although the specific issues within curriculum were likely to be at programme area and so would also be addressed at PAM level.

5.3 **Governors then commented that a 50% response rate was good compared to other public sector organisations although compared less well with private sector. EDI indicators were encouraging in terms of ethnicity.**

5.4 **Governors noted the staff survey report.**

6 FE COMMISSIONER DIAGNOSTIC ASSESSMENT REPORT

6.1 The Principal presented the FE Commissioner diagnostic review report. The final report had recently been received and was tabled. The following points were highlighted.

6.1.1 The report made no recommendations and endorsed the College's approach.

6.1.2 The final report had taken almost four months to be produced.

6.1.3 Some of the requested amendments, although not all, had been made and there were some comments which the College continued to question.

6.2 Governors made the following **comments**:

6.2.1 **Whether there was any value in mentioning the report in the regularity report.** It had been mentioned and had been shared with external auditors and with the bank, both of which had taken further confidence from the report.

6.2.2 **There was assurance to be taken from an external assessment and the comments including about potential risks should be noted.** Agreed; it was helpful to have the endorsement on record and the risks were understood.

6.3 **Governors noted the FE Commissioner's diagnostic assessment report and agreed that this was the best outcome.**

7 PERIOD 12 FINANCE REPORT

7.1 The Deputy Principal presented the Period 12 Finance Report. The following points were highlighted:

7.1.1 The College had exceeded its 16-18 learner responsive funding allocation based on the latest funding return. It was 1 learner below target.

7.1.2 The AEB was the hardest line to predict but it was on track to achieve at least 101% of the AEB allocation for the first time since 2013/14; this was largely as a result of the success of the low wage policy.

7.1.3 Apprenticeships were currently at £4.9m and had recruited well despite the ESFA instruction to pause recruitment earlier in the year. This was largely as a result of better planning and a move to standards which attracted higher funding.

7.1.4 The result was an operating surplus after restructuring and exceptional costs of £93k compared to the previous forecast deficit of £95k. This compared to the budgeted deficit of £1.2 million.

7.1.5 Bank covenants would be met and the College's financial health remained 'Requires Improvement'. The College's point score would

be 170. Cashflow looked healthy. Lennartz was still included but the outcome was unknown.

- 7.1.6 There was one exceptional item resulting from an ill health retirement cost, previously reported to the Committee. If this item was excluded, the College would achieve a financial health rating of Good and so it could self-assess as Good for the purposes of the financial return.
- 7.1.7 Work was continuing on the draft annual accounts. The auditors were on site and had completed around three quarters of the financial statements audit. No changes were yet identified.
- 7.1.8 The pensions revaluation was showing a £11 million deficit increase. This would not impact on covenants but would hit the balance sheet and I&E account below the line. As a result of the new insolvency regime, the pensions fund might look for security and/or additional contributions.

7.2 Governors **asked** a number of questions including:

- 7.2.1 **Whether there was sufficient cover now in place to avoid a similar issue in future years.** There was.
- 7.2.2 **The outturn had been achieved through very careful financial management including vacancy management. Would the vacancies remain unfilled?** They had been taken out of the organisational structure and so would not be filled.
- 7.2.3 **Was this sustainable?** It might be necessary to achieve further efficiencies in the future but this would be reviewed once recruitment was known. It was unlikely that a restructuring programme would be needed provided income assumptions were met. Natural wastage would also present opportunities for further efficiencies.
- 7.2.4 **Whether there was a time limit on the Lennartz payment.** A court decision was still awaited.
- 7.2.5 **Bearing in mind the FEC report's comments about the risk of unforeseen issues, the College had a very low level of contingency to manage any shocks although this allowed it to protect the delivery of learning.** Agreed. The College would need to build up its operating surplus position gradually to provide more of a cushion. Of the £400m announced for FE this would only add a modest amount (£600k) to the College's budget.
- 7.2.6 **What the capital allocation would cover.** A new boiler had been needed for FPC and this would be part paid in 2019/20. Other costs were included in the plan. There had been significant growth in brick and electrical with 30% more students being taken on within existing resources. There were two challenges to meet this demand: staffing and physical and discussions were taking place to see how the demand could be accommodated.
- 7.2.7 **Whether any assets were currently used as security.** APC Block A was used as security for the bank loan.
- 7.2.8 **What the regulator's view of the pensions deficit would be?** The ESFA would consider it below the line but it could become an issue if it meant the College was at risk of not being a going concern. There was an outstanding action from the June away day to look at

alternative pensions arrangements once the consultation on the LGPS had concluded. This would be brought back.

7.3 **Governors requested sight of the letter from Lord Agnew.**

7.4 **Governors discussed how the College should self-assess its financial position and agreed that it should self-assess as 'Good' in view of the exceptional item.**

7.5 **Governors noted the Period 12 Finance Report.**

Chan Kataria left the meeting.

8 DRAFT REGULARITY SELF ASSESSMENT QUESTIONNAIRE

8.1 The Deputy Principal presented the draft regularity self-assessment questionnaire. The following points were highlighted:

- 8.1.1 The questionnaire formed part of the Post-16 Audit Code of Practice and the ESFA's expectation was that colleges would complete the self-assessment.
- 8.1.2 It had also been considered by the Audit Committee which had suggested some amendments but was otherwise content with the responses.
- 8.1.3 The form would be signed by the Chair. It would then be shared with the external auditors in preparation for the financial statements audit.

8.2 **Governors noted the regularity self-assessment questionnaire and agreed to recommend signature by the Chair of Corporation.**

9 TREASURY MANAGEMENT

9.1 The Deputy Principal presented a paper setting out the current position on treasury management. The following points were highlighted:

- 9.1.1 Investment and loan activity were set out. Daily cash balances were forecast to allow optimum investment of surplus balances.
- 9.1.2 Loan payments were made quarterly for the capital element and monthly for interest.

9.2 **Governors asked if the College was on track to pay off the loans.** It was confirmed that payments were being made in line with the agreement and the bank was happy with the arrangements.

9.3 **Governors noted the situation on treasury management.**

10 FINANCIAL REGULATIONS

10.1 The Deputy Principal presented the draft Financial Regulations for approval. The following points were highlighted:

- 10.1.1 The Financial Regulations were reviewed every two years.
- 10.1.2 Changes were proposed to reflect changes in roles and responsibilities, to levels of authority and limits based on experience of operating the current regulations, revised policies and Committee terms of reference.
- 10.1.3 The main changes to levels of authority and limits related to contracts for apprenticeships which it was proposed would now be signed off by the Director for contracts up to £50k, by the Deputy Principal or Vice Principal for up to £100k and by the Principal for contracts over £100k.
- 10.1.4 Any contract over £25k should be tendered for.

10.2 **Governors asked how many subcontracts would need to be put out to tender.** This would be a very small number as subcontracting had been reduced.

10.3 **Governors approved the Financial Regulations.**

11 BAD DEBT WRITE OFF

11.1 The Deputy Principal presented a paper requesting authority to write-off debts that were considered uncollectable. The following points were highlighted:

- 11.1.1 Any attempt to re-enrol by students with unpaid debts would trigger an alert and they would not be allowed to reenrol until the debt was paid.

11.2 **Governors considered the paper and agreed to approve the write-off of uncollectable debts totalling £13,121.56.**

12 ENROLMENT UPDATE

12.1 The Principal gave an update on current enrolment showing data through the Matrix. The following points were highlighted.

- 12.1.1 Enrolment was looking strong for 16-18s and was currently above allocation although withdrawals and cancellations were yet to take place.
- 12.1.2 Most areas had recruited well; some areas, particularly construction, had recruited very well and discussions were taking place about whether further students could be accommodated.
- 12.1.3 Adult recruitment was broadly similar to the previous year but recruitment would take place throughout the year.
- 12.1.4 Apprenticeships were hard to judge at this stage but there was more work to do.
- 12.1.5 HE was below target although better than expected; strong competition from universities was continuing to impact on enrolment.

12.2 **Governors noted the update on enrolment.**

13 FINANCIAL PLANNING TIMELINE

13.1 The Deputy Principal gave an update on the financial planning timeline. The following points were made.

13.1.1 The ESFA would now be requesting financial plans for 2020/21 by the end of January. However the College's planning process only started in December and allocations would not be known until March so the timescale was felt to be unrealistic.

13.1.2 It was proposed that a plan be submitted in January based on the previous July's three-year plan, with an updated plan developed and approved in July as currently.

13.1.3 An additional Corporation meeting had been called for January to approve the initial financial plan.

13.2 **Governors noted the financial planning timeline and agreed with the proposed approach to bring an initial plan in January and a revised plan in July.**

14 COMMITTEE SELF ASSESSMENT AND ACTION PLAN

14.1 The Director of Governance and Policy presented the outcomes of the Committee's self-assessment. The following points were highlighted:

14.1.1 The results were generally very positive.

14.1.2 Positive impacts were identified and evidenced by use of KPIs, financial commentary in reports and robust, transparent reporting to the committee.

14.1.3 Areas for further development included integrating new members into the Committee, revising Financial Plans based on anticipated changes to funding levels, ensuring financial stability and continued performance management and scrutiny.

14.1.4 Any further information on funding policy would be reported through the Committee.

14.2 **Governors highlighted the comments about the importance of cashflow.** It was noted that a 24 month cashflow was produced and included in management reports. Further reports could be produced if governors felt it would be helpful.

14.3 **Governors noted the outcomes of the Committee's self-assessment.**

15 ESFA LETTER AND BOURNVILLE COLLEGE INVESTIGATION REPORT

15.1 The Principal presented the recent letter from the ESFA and investigation report into Bournville College. The following points were raised:

15.1.1 The report highlighted several failings of management and governance around the oversight of proper use of public funds; failure to comply with financial regulations; limited control of costs; ineffective monitoring

by governors and poor practice in terms of registers of interest and recruitment.

- 15.1.2 It included a number of recommendations covering access to information and the skills mix of governors; scrutiny of any new initiatives including cost benefit analysis and contribution to the college mission; the importance of an effective Audit Committee; and completion of the regularity self-assessment questionnaire.

15.2 Governors discussed the report and commented on the importance of collective responsibility and of all governors being willing and able to challenge managers and other governors.

15.3 Governors received and noted the ESFA letter and Bournville College investigation report.

16 TRADE UNION FACILITY TIME

16.1 Governors received and noted a report on the amount and cost of trade union facility time.

17 STAFF DEVELOPMENT ACTIVITIES

17.1 Governors received and noted the report on staff development activities.

18 EMPLOYMENT TRIBUNALS

18.1 Governors received and noted the report on employment tribunals.

19 WAIVERS OF FINANCIAL REGULATIONS

19.1 Governors received and noted the report on waivers of financial regulations.

20 INTERNATIONAL UPDATE

20.1 Governors received and noted the update report on international activities.

21 UPDATED SUBCONTRACTING AND TENDERING POLICY

21.1 Governors received and noted the updated Subcontracting and Tendering Policy.

22 DATES OF NEXT MEETING

- Thursday 5 December 2019