

EXETER COLLEGE FURTHER EDUCATION CORPORATION

BUSINESS SERVICES COMMITTEE

Minutes of a meeting held on Monday 26th November 2018 in the Board Room, Hele Road, Exeter College

Present Matt Roach Chair
David Allen
Heather Ancient
John Laramy
Emma Webber

Apologies Chris Hoar
Stewart Noakes
Glenn Woodcock

Observing Ben Gardner
Cassandra Wood

In Attendance

<i>From item 4.2</i>	Rob Bosworth	Vice Principal, Schools Partnership and Curriculum
	Steve Campion	Vice Principal, Finance and Business Operations
<i>To item 7</i>	Kate Barczok	College Accountant
<i>Item 5 only</i>	Mike Blakeley	Director of Apprenticeships & Employer Engagement
<i>Item 8 only</i>	Steve Strang	Head of Estates

Barbara Sweeney Clerk to the Corporation

1. **Welcome, Apologies and Declarations of Interest**

The Chair welcomed colleagues to the meeting. This was the meeting at which the Committee was required to scrutinise the Financial Statements, with the Audit and Risk Assurance Committee responsible for scrutiny of the Key Issues Document and Letter of Representation.

Apologies were received.

There were no declarations of interest.
2. **Minutes**
 - 2.1 Minutes of meeting held on 24th September 2018, as circulated, were agreed and signed by the Chair.
 - 2.2 Confidential Minutes of meeting held on 24th September 2018 as circulated, were agreed and signed by the Chair.

3. **Matters arising**

3.1 Interest on outstanding debts. Steve Campion, Vice Principal Finance and Business Operations confirmed that the College did not apply interest for risk of reputational damage. The College engaged a third party debt collector.

3.2 Committee Self-Assessment. The Clerk reminded the Committee that it had agreed to a self-assessment rating of outstanding and had agreed meeting strengths and even better ifs at the last. The narrative emanating from that discussion and resulting Quality Improvement Plan was received and agreed as an accurate reflection of the discussion for inclusion in the Governance SAR.

4. **Strategic Matters**

4.1 Opportunities and Developments Risk Register

This item was dealt with as a confidential item in accordance with the College's confidentiality policy and recorded in the confidential minutes.

4.2 Strategic Risk Register

The revised Risk Register, update by the Senior Leadership Team on 19th November 2018, was received and considered. Steve updated on changes to existing risks, new risks and amended mitigations and risk ratings. There was particular focus on HE student recruitment, staff recruitment, financial stability, and IT security. The Committee also considered the recent announcement on the viability of Flybe and the impact on the training academy.

The Committee noted the report

Mike Blakely, Director Apprenticeships and Employer Engagement, joined the meeting for item 5 only.

5. **Subcontracting Update**

This item was dealt with as a confidential item in accordance with the College's confidentiality policy and recorded in the confidential minutes.

Kate Barzok, College Accountant, joined the meeting for item 6 only.

6. **Statutory Accounts for Financial Year ended 31st July 2018**

6.1 Key Issues Discussion Document

The report was received. Kate updated the Committee on Key Issues Discussion Document (KIDD). Representatives from the Financial Statements Auditors had attended the Audit and Risk Assurance Committee meeting on 21st November 2018, at which the Committee had unanimously agreed to recommend the KIDD to the Board. The report to this Committee was for noting only.

Kate confirmed that the process had gone well and that the audit was clean. Bishop Fleming had completed the fieldwork and received all that was required to be able to issue a clean audit opinion subject to Board approval of the financial statements, the post balance sheet events and receipt of the Letter of Representation. No significant issues had been found and there was no override of management controls.

Using a RAG rating of the audit process, readiness for the audit, quality of working papers and availability of staff were all green. Key accounting issues had been discussed early in readiness for the audit.

The report summarised the significant risks identified and the work completed to address the risks. There were no management override of controls and no significant issues in revenue recognition. No issues were identified in accounting for capital projects and capital grant funding, with income allocated to the correct period for summer works.

During the year the College had acquired a company with a non-levy apprenticeship contract. This had not been consolidated into the main accounts for the College and had been treated as an investment, which was not material to the financial statements. The scale and complexity of the sale of Wear Barton had generated material sales proceeds and although complex to define the proportion of asset, this was treated as a disposal in the financial statements.

There had been considerable progress in updating the fixed asset register. Although this was not a material concern, the importance of accurate identification was recognised.

The key accounting judgements applied by management and estimates used by management in the preparation of the financial statements were considered. The most significant estimate was the valuation of net pension liabilities for employees in the Local Government Pension Scheme. Actuarially, the pension liability had decreased. The assumptions of the College were common to the sector.

Once adjustments were stripped out, the underlying financial performance of the College was a surplus, albeit lower than last year, due to pressure on staff costs and tight funding.

Data analytics on the key risk areas based on trends led to more focussed audit. Following testing, there was no concern over regularity and the auditors were comfortable to give an unqualified opinion. Regarding independence of the audit, whilst there had been due diligence on the acquisition of a new company, work had been undertaken by a separate partner, not involved in the audit, and was therefore not considered a significant threat to independence.

Control observations and recommendations included updating bank mandates to current staff. It was confirmed that this action had been completed and systems amended.

The Committee agreed to

Note the report.

6.2

Exeter College

The Report and Financial Statements for the Exeter College Group were received and taken as read.

The College had reached a turnover of over £40m for the first time, due to the increase in student numbers, apprenticeships and the travel scheme, which also affected costs. Salaries costs had also increased, especially over the second half of the year.

Key issues were the sale of Wear Barton, which resulted in an increase in cash levels at year end, and actuarial gains in the pension funds. The Annual Statement included staffing ratio which, at 68%, was higher than the optimal 65%. The financial health of the College had moved from Outstanding to a strong Good, which would not impact on grants or investments. The importance of investing in the quality of the learner experience was regarded as a positive.

The Committee noted that the College had acquired a new business to deliver non levy apprenticeships, now registered at Companies House as Exeter College Apprentices Limited. The first set of accounts would be the year ending July 2019.

The Committee received the Education and Skills Funding Agency (ESFA) Financial Health Assessment and dashboard, noting that based on the submitted financial plan, the College was in (strong) Good Financial Health for 2017-18 and also for 2018-19. Financial Health of the College would move between Good and Outstanding for the rest of the year depending on investments in the capital programme. The Committee considered the positives of investing in staff and quality even at the expense of the financial rating and recommended that the narrative in the Financial Statements be amended to reflect this.

Subject to the agreed amendment, the Committee agreed to:

Recommend the Exeter College Financial Statements to the Board for approve at its meeting on 7th December 2018.

Vote: unanimous

6.3 Aplus Training Ltd
The accounts of the dormant company were received and **recommended to the Board.** BHS

6.4 Exeter College Services Ltd – formerly Ecole Limited.
The accounts of the dormant company were received and **recommended to the Board.** The intercompany debt had been treated as a debt provision in the College accounts, therefore leaving the intercompany debt in the subsidiary accounts. BHS

6.5 Letter of Representation
The report was received and considered. Representatives from the financial statements auditors had attended the Audit and Risk Assurance Committee meeting on 21 November 2018, at which the Letter of Representation had been scrutinised and recommended to the Board.

The letter was generic across the sector and, once approved by Board, confirmed that it was satisfied that the financial statements gave a true and fair view of the results and financial position of the College.

The report was noted.

7. **Financial Matters**

7.1 Management Accounts – September 2018
The September 2018 Management Accounts were received and considered. Forecasting early in the academic year was not the norm, but given financial pressures, this had been undertaken and there was forecast operating deficit of £813k. The impact of reduced HE enrolments resulted in a deficit of £420k against budget. There had been an ESFA clawback on the under-delivery of Adult Education.

On the non-pay side, the reconvened Business Efficiency Group had identified £500k to date (£300k recognised in the September 2018 set of accounts), following consultation at the Quality and Resource Review days. Early identification of savings were key to bring the management accounts back in line as early as possible.

The College had discussed overdraft facilities with the bank to mitigate the risk that, because of funding phasing, there were identified periods when cash flow was known to be low (March 2019). The receipts from Wear Barton had provided assurance to the bank. Positive discussions were also being undertaken with the bank over one bank covenant where EBITDA would now provide a better metric. The Committee challenged whether this set of accounts was prudent but was assured that plans were in place to monitor staffing costs in November and December to provide better illustration and further assurance.

The Committee agreed to

Note the report

- 7.2 Student Recruitment
Item 7.2 was dealt with as a confidential item in accordance with the College's confidentiality policy and recorded in the confidential minutes.

Steve Strang, Head of Estates, joined for item 8 only.

8. Property Matters

- 8.1 Estates Masterplan
8.2 Institute of Technology
8.3 Property Update

Items 8.1 to 8.3 were dealt with as confidential items in accordance with the College's confidentiality policy and recorded in the confidential minutes.

9. Reports and Minutes for Information

The following items were received and **noted**.

- 9.1 Safety, Health and Environment Meeting
9.2 Items to take to Board
The Committee reviewed the agenda and agreed on the items to be reported to the Board at its next meeting on 7th December 2018
9.3 Items for next agenda
The Committee reviewed the cycle of business for the January 2019 meeting and agreed items to be included on the agenda.
9.4 Risk Register Review
The Committee reviewed the meeting in the light of the risk register and agreed that no changes were required.

Clerk

10. Dates of future meetings for 2018-19

Monday 28 January 2019
Monday 29 April 2019
Monday 24 June 2019