

Further Education Corporation

Approved Minutes

Minutes of a Meeting of the Further Education Corporation held at the Southend Campus on Monday 7 December 2015 at 6.00 pm.

Present: Mr D O'Halloran (Chairman)
Mrs G Williams (Vice-Chairman)
Ms S Bridle (till 8.30 pm)
Mr B Brooks
Mr S Burrell
Mrs S Carr
Ms A Clarke (till 8.30 pm)
Dr R Gray
Mr T Knight (till 8.25 pm)
Mr R Launder
Mr B Morris
Dr G Ocen
Ms A O'Donoghue CBE
Mr R Patterson
Ms L Rieffel
Mr T Thompson
Ms M West (till 8.30 pm)

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)
Ms D Brown (Vice Principal, Curriculum & Quality)
Mrs W Barnes (Vice Principal, Student Support)
Mr S Smith (Vice Principal, Corporate Resources) (from 6.35 pm)
Ms K Mulvey (Director of Teaching & Learning)
Ms D Hurst (Director of Finance)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

Apologies for absence were received from Olga Buck and Paramjit Singh Narang

2. Urgent Business (Paper Enclosed)

Ofsted Improvement Visit

The regular visit from Ofsted has been arranged for 28 January 2016. It is possible that they will ask to meet some governors but that is to be confirmed.

Ofsted complaint

It has been decided not to pursue the complaint against Ofsted in the light of their unhelpful response and the 2014/15 learner outcomes.

College Financial Health

The Clerk reported that the College's Financial Health had been confirmed by the SFA as Good based on the financial forecasts submitted last summer. Although the impact of the Comprehensive Spending Review recently announced by the Chancellor may not be quite as bad as first thought on EFA/SFA Funding, the College will need to undertake revised financial modelling with consequential restructuring in order to maintain our Good status.

The devil may well be in the detail although it is encouraging that the base rate funding of £4,000 for 16-18 learners is to be protected and the adult funding looks reasonable, but allocations confirming this will not be received until February/March 2016. At this stage, we have modelled a 2% reduction in 16-18 funding and 10% in adult funding.

Retirement of Bryn Morris

At his request, Bryn Morris is retiring from the Board with effect from the end of this **Meeting** but is prepared to continue as a co-opted member of the Audit & Risk Committee until 31 July 2017.

The Chairman thanked Bryn on behalf of the Board for his efforts and diligence during his time as a member of the Board and thanked him for agreeing to continue to serve as a co-opted Member of the Audit & Risk Committee.

The Board **APPROVED** the appointment of Bryn Morris as a co-opted Member of the Audit & Risk Committee with immediate effect until 31 July 2017.

3. Minutes of the Meeting held on Monday 5 October 2015

The Minutes of the Meeting held on Monday 5 October 2015 were **APPROVED** and **SIGNED** by the Chairman.

The Minutes of the Annual General Meeting of South Essex Commercial Services Limited held on Monday 8 December 2014 were **APPROVED** and **SIGNED** by Mr Launder on behalf of the Company.

4. Matters Arising from the Minutes

There were no matters arising from the minutes which are not otherwise dealt with on the agenda.

5. Strategic Developments in South Essex (Paper FEC.15.27)

This was deemed to be a Confidential Item under the instrument & Articles and a separate minute has been prepared in connection with this item and is attached to these minutes.

6. Area Reviews (Paper FEC.15.28)

This was also deemed to be a Confidential Item and a separate minute has been prepared and is attached to these minutes.

7. Finance Matters (Paper FEC.15.29)

7.1 Annual Report & Accounts – year ended 31 July 2015

The Director of Finance presented the audited consolidated financial statements for the College and its subsidiaries for the year ended 31 July 2015 and briefly commented on the results for the year. She took the Board through the amendments to the Accounts using the forecast outturn previously reported to the Policy & Resources Committee as the starting point - these netted out to a total of £300,000 additional charge to the income & expenditure account. These adjustments are documented in the papers provided to the Board for this Meeting.

The Director of Finance commented that, although the College had not achieved its budgeted surplus for the year, the result was still positive, before the effects of the pension fund charges. Furthermore, the College had generated approximately £4 million of cash in the year and she made the point that, so long as capital expenditure can be controlled in the future, the College can replenish its cash resources relatively quickly.

The Board was informed that the statements for the Group and South Essex Commercial Services Limited come to the Board this evening for approval on the recommendations (in principle) of both the Audit & Risk Committee and the Policy & Resources Committee and endorsed by an informal panel comprising the Chairman, the Chairman of the Audit & Risk Committee, Mr Thompson and Mr Kelleway, along with the Clerk, who had carried out a final review of the financial statements and the Annual Report.

At the request of the Clerk, the Board specifically **CONFIRMED** that, in their opinion, to the best of their knowledge and belief, and having made appropriate enquiries of senior management, the College consolidated financial statements and the statements for South Essex Commercial Services Limited, present a true and fair view of the Group and the Company's affairs as at 31 July 2015 and their results for the year then ended.

In addition, the Board specifically **APPROVED** the disclosures regarding going concern made in Note 1 to the accounts and the narrative on this matter included in the Statement of Corporate Governance and Internal Control (page 41 of the Report) are accurate and complete, including reference to the recent Comprehensive Spending Review.

It was **NOTED** the results of Nova Education & Skills Limited, a subsidiary of the College, have been incorporated in the Group Accounts but, as the Company is now virtually dormant, accounts will be made up to 31 October 2015, at which point the Company will be wound up and struck off the Register.

The Board **NOTED**, on the advice of the Clerk, that the Report & Accounts of Essex Shared Services Limited, which is a joint venture between the College and Chelmsford College, have been completed, audited and approved by the Board of Directors of the Company. The results of the Company for the year and the balance sheet deficit is included in the Group Accounts on the equity basis.

The Board **APPROVED** an Addendum to the Joint Venture Agreement with Chelmsford College regarding Essex Shared Services Limited to record and agree the share of the pension fund deficit of ESS on incorporation arising from the employees TUPE'd from each College to ESS. This deficit (£198,000) is included in

the consolidated financial statements of the College. The Addendum was signed on behalf of the Board by the Chairman and the Principal & Chief Executive.

The Board **APPROVED**, and **AUTHORISED** the Chairman to sign, Representation Letters for the Group and SECS as requested by the external auditors, KPMG.

The Clerk drew the attention of the Board to the representation being sought by KPMG in connection with the actuarial assumptions used in the pension scheme valuation and queried whether the Board were in a position to agree with these assumptions, since the Board has no influence over the appointment of the actuaries to the Essex County Council Pension Scheme or the assumptions underlying the valuations. Therefore, the College is not able to agree the findings of the actuary, the best that is possible to accept the findings. Indeed, KPMG's own review of the actuary's assumptions concluded that, in a number of instances, the assumptions were very conservative.

The Board **agreed** with the Clerk's contention but did not feel it warranted creating disagreement with KPMG by amending the representation.

The Clerk was **asked to make this point again to KPMG** and ask them to reconsider the wording requested for the 2016 audit. The Board were clear as to their responsibilities in connection with the valuation of the pension liability and how that is computed.

The Board indicated that they find the pension fund accounting in the accounts somewhat bewildering and the issues hard to understand. The Clerk explained the accounting methodology and reminded the Board that the liability included in the accounts relates only to the Local Government Pension Scheme, which is a funded scheme, whereas teachers/lecturers are members of the Teachers' Pension Scheme, which is unfunded and therefore not accounted for in the College accounts.

The liability in the accounts is a 'best' estimate of the future cost to the college in respect of qualifying employees and not therefore immediately payable. If the actuary considers that the employer contributions are insufficient, he may propose a 'deficit repair' plan in order that the assets of the fund will meet the liability in the future.

The Board **APPROVED**, and **AUTHORISED** the Chairman to sign, comfort letters, requested by the external auditors, KPMG, wherein the College provides ongoing financial support to Essex Shared Services Limited, Nova Skills Education and Careers Limited and South Essex Commercial Services Limited. The Clerk informed the Board that Chelmsford College as joint owners of Essex Shared Services Limited will also be providing a comfort letter to KPMG.

Taking all the above matters into account, the Board **APPROVED** the consolidated financial statements of the College and the financial statements of South Essex Commercial Services Limited for the year ended 31 July 2015 and **AUTHORISED** the Chairman of the Corporation and the Principal and Chief Executive to sign the College statements on behalf of the Corporation and Richard Launder, as Chairman of SECS, to sign those statements on behalf of the Corporation.

The Board noted, in response to a question from a Member, the tax liability arising due to the incorrect treatment of gift aid payments in past years between SECS and the College. The estimated liability, which has been computed by Baker Tilly on behalf of the College, is yet to be confirmed with HM Revenue & Customs – interest has been included but no penalties allowed for.

It was further noted that the prospects for SECS are that it will return to profit. Members noted the large loss recorded for the year, caused by the tax liability and the recharge of management fees from the college to the Company for the past three years. It was noted that if these management fees had been charged in prior years, it probably would not have been possible to achieve a profit and therefore gift aid any amount to the College.

It was **NOTED** that the approval of the SECS Limited accounts constitutes the business of the Annual General Meeting of the Company for the 2015 year.

The Board was not able to receive and consider the Financial Statements Auditor's final Audit Management Letter as it requires some final corrections, but noted that it had been reviewed in draft by the Audit & Risk Committee at their Meeting on 11 November 2015, as documented in the minutes of that Meeting tabled this evening.

The Board were concerned that the accounts production this year had been difficult and asked the Director of Finance why this was the case. She gave the following reasons:

- New external auditor, KPMG
- Unwillingness of previous external auditor (Macintyre Hudson) to provide access to their audit papers to KPMG
- The tax issue in SECS and MH's inability to assist
- The first set of accounts being prepared for Essex Shared Services Limited
- Temporary staff assistance booked to deal with the statutory accounts fell through at the last minute

There was a question by the Chair as to why we only knew about the £400k clawback from the Adult Skills Budget when we received the SFA letter. Anthony McGarel explained that there had been some issues with a sub contractor who had under delivered, but that we should have known this earlier.

She thanked the 'panel' for all their assistance in reviewing the accounts and the Clerk. She also asked the Board to note the contribution made by Peter Moore in the accounts production work, which the Board gladly did. The Clerk will write to Peter accordingly.

(At 7.00 pm, there was a brief adjournment to enable the Chairman, the previous Chairman and the Principal and Chief Executive to sign the College financial statements and the financial statements of the subsidiary company and the related documents)

7.2 Management Accounts to 31 October 2015

The Director of Finance presented the Management Accounts with commentary for the three months ended 31 October 2015, including measurement of agreed Key Performance Indicators.

The Accounts showed that, to 31 October 2015, total income amounted to £13.5 million (including South Essex Commercial Services Limited) and total expenditure amounted to £13.6 million giving rise to a deficit to date of £87K, compared to a budgeted surplus to date of £94K, an unfavourable variance of £181K.

At 31 October 2015, group net assets stood at £81.9 million, including cash and short term investments of £4.8 million and fixed assets of £110.0 million. All bank covenants continue to be met.

Pay as a % of turnover is running at 60.1% for this year against a target of 62.5%. There is still excessive spending on agency staff (£263K to date against a budget of nil) to fill staffing gaps arising from staff absence, although it was noted that there is a favourable variance on permanent staff, due to vacancies, of £174K, which still leaves a net adverse variance of £89K.

Members expressed concern regarding the ongoing agency staff issue and what the College was doing about it. The SLT reported as follows:

- All requests for agency staff emanate from the Departments concerned and are subject to institutional scrutiny by senior leaders before the expenditure is authorised
- A new tender is being placed to engage a more cost effective agency service
- The college is exploring the possibility of setting up its own in house agency to which staff would be recruited direct and needs managed through flexibility contracting

Due to negative current ratio at 31 October of 0.8 and total borrowings over target as a % of College reserves (excluding the pension reserve), the College Financial Health at 31 October, based on the SFA measurement methodology, is Satisfactory, against a target of Good. All bank covenants are currently being met.

Cash flow is very tight and the overdraft facility which the College arranged last year of £1 million for the period from January to April 2015 is going to be required this year as well. The Board **AGREED** this facility should be arranged.

A full reforecast of the budget will be completed by the end of January 2016 and considered by the Policy & Resources Committee at its Meeting in early February 2016. This will include discussions and review with all Department Heads, including fixed costs and enrolments.

The Board **RECEIVED** the Report.

The Board **AUTHORISED** the Deputy Principal & Chief Executive to organise a £1 million short term bank overdraft for the period from January to April 2016, peaking in March, as was done last year.

8. Curriculum & Quality Matters (Paper FEC.15.30)

8.1 College Self-Assessment Report 2014-15

The Self-Assessment Report is in the process of preparation. A draft will be sent to Ofsted shortly for them to study in advance of their Improvement Visit on 28 January 2016. They will be informed that it is only a draft and not yet examined or approved by the Board.

It is proposed that the Board discuss, validate and approve the SAR at a Special Board Meeting on Monday 18 January 2016 commencing at 3.00 pm and ending at approximately 5.00 pm at the Thurrock Campus. Relevant departmental staff will attend as necessary and an outside assessor is hoped to be present to add challenge to the validation process and the outcomes.

Members will be notified of final arrangements in due course. In the light of the Board's request to have more interaction with students, it is proposed that the Board will gather at 2.00 pm with a number of students to discuss their experience in the College on an informal basis.

A final draft of the SAR will be sent a week before the Meeting for Members to review and formulate questions.

The Board Development Day scheduled for 1.00 pm that day will be transferred to a new date, probably in March.

The Board **AGREED** this approach.

8.2 Final Report on Learner Performance 2014-15

The Board **RECEIVED** and **NOTED** the Report, which had been discussed in detail by the Curriculum & Quality Committee as described in the minutes of that Committee, and **AGREED** the comments made, particularly in respect of areas of underperformance, some of which attributable to Maths & English.

The Report will form an integral part of the College Self-Assessment Report 2014-15, to be discussed on 18 January 2016.

The Board were very disappointed with the outcomes for last year. Level 1 and Level 2 and A Levels were poor and it was noted that Health Care, Motor Vehicle, Construction and Engineering were underperforming areas. Maths & English has had a very negative impact on overall success rates, as we are now measured on achievement of the overall study programme. This may be the case in many other colleges but information is only anecdotal at present or from published Ofsted reports.

It is clear that, in Ofsted terms, the College still Requires Improvement. The Principal & Chief Executive explained, in response to a Member question, that, should the College received a Requires Improvement judgement at the next Ofsted due in late 2016, this would almost certainly lead to intervention by the FE Commissioner.

8.3 Quality Improvement Plan 2015-16

The Board considered the proposed QIP for 2015-16, which had been reviewed in detail by the Curriculum & Quality Committee at its Meeting on 9 November, as noted in the C&Q minutes. The Committee had been advised that the final version of the Plan would reflect outcomes of the College Self-Assessment Report 2015-16.

Given the process noted in 8.1 above, the Board will be asked to approve finally the QIP 2015-16 at that Meeting, taking into account the comments of the Curriculum & Quality Committee and discussions at the 18 January Meeting, which were:

- Steps in place to improve outcomes for 2015-16
- Particular focus on underperforming areas including Construction, Engineering and 'A' levels
- Focus on Maths & English given its importance and poor results
- Relationship between QIP and the Teaching & Learning Strategy (item 8.3 below)
- Insertion of milestones in the QIP so progress can be reviewed and date and other SMART targets with KPIs

- Increase in number of students undertaking Work Experience and similar placements of sufficient quality bearing in mind last year's target was not met

The Board **APPROVED** the Quality Improvement Plan 2015-16 in principle subject to any necessary revisions following finalisation of the SAR for 2014-15. The final Plan will be an agenda item for the Special Meeting on 18 January.

8.4 Learning, Teaching and Assessment Strategy 2015-16

The Board received the Strategy, which was presented by Kathy Mulvey, and noted that a revised and revamped Strategy was required, following discussions at the Curriculum & Quality Committee Meeting in November.

The Report outlined the reasons for changes to the structure and content of the strategy, recognising that the previous version of the strategy patently did not work, having little impact on improving teaching and learning and not being used as part of departmental improvement planning.

The revised draft structure reflects good practice gleaned from grade 1 Colleges and current research into effective teaching and learning from Ofsted Reports. It identifies the principles for success, the required actions to achieve that success and where responsibility lies for that achievement.

The strategy has six pillars: curriculum, tutorials, assessment, learning environment, professional development and work experience. The Strategy will be used as part of departmental reviews, will be used in management meetings and will form the basis of the CPD for all staff.

On approval, a Summary of the Strategy will be published and disseminated, together with the full strategy, on the Teaching and Learning site on Moodle.

The Board **APPROVED** the Teaching and Learning Strategy, noting that it will be regularly monitored by the Curriculum & Quality Committee.

8.5 Current Learner Performance 2015-16

The Board **RECEIVED** a Report on Retention/Attendance/Learner Numbers up to 2 November 2015, which had been reviewed by the Curriculum & Quality Committee (see minutes). Attendance & Retention so far this year is above last year and above target, but the goal is to ensure Achievement. The Board noted that the College has over 3 000 students resitting GCSEs and this presents an enormous challenge.

The Board asked why, so far this year, retention & achievement appears to be improving. It was a combination of factors including setting high expectations, close liaison with parents, utilising some school based strategies with younger students and close monitoring by class teachers and management.

The Report was **NOTED**.

8.6 Academic Performance Targets 2015-16

The Board received this Report, which updated a Report reviewed by the Curriculum & Quality Committee in November, noting that the setting of targets for this year has had to be amended, following the change in the QSR (Qualification Success Rate) methodology in December 2014.

The targets for this year reflect the poor outcomes for Level 1 and 2 English & Maths in 2014-15 and the fact that Level 1 and 2 16-18 Study Programmes require significant improvement.

Members noted the mechanisms put into place to bring about rapid improvement as noted in the C&Q Minutes. They further noted that some of the targets set are below the National Average, but it is felt that these NAs will fall once the 2014-15 outcomes in the light of the introduction of English & Maths as a key measure takes effect. Also, the jump for some areas from what was achieved this year and the N/A is too large, so we have tried to set realistic targets for this year.

It is not likely that the proposed targets will be changed but some may need to be added, e.g Special Educational Needs.

The Board **APPROVED** the proposed Key Performance Indicators for 2015/16 in principle on the understanding that there may be additional targets added once the SAR 2014-15 is complete and approved (see 8.1 above).

8.7 Adult Curriculum Plan 2016-17

The Board **APPROVED**, on the recommendation of the Curriculum & Quality Committee, which had discussed this item at its November Meeting, the proposed strategy for developing the adult curriculum at the College.

The Board noted its duty regarding the determination of the overall educational character of the College of which this proposal is a key element.

The Plan is designed to be self-funding within existing Budgets. It will not be rolled out at Basildon. It recognises the College's continuing commitment to the local adult community and the fact that Government funding for adults continues to diminish and will do so in the future.

9. Matters for Approval by the Corporation (Paper FEC.15.31)

The Clerk presented a Report outlining matters for approval by the Corporation arising from items already considered in detail by Committee and are recommended for approval by the Board.

From the Audit & Risk Committee

The Board **APPROVED** the

- i. Annual Report of the Audit & Risk Committee 2014/15
- ii. College compliance document relating to the Code of Good Governance for English Colleges
- iii. Value for Money Policy

10. Items for Information Only

The Board **RECEIVED** the following Committee Meeting Minutes (unapproved):

- Audit & Risk 11 November
- Curriculum & Quality 09 November
- Policy & Resources 16 November
- Search & Governance 05 October

And also a Report on the Board Development Day held on 12 October.

11. Governance Matters (Paper FEC.15.32)

The Board **RECEIVED** the following Reports:

- Performance Review in respect of the previous Chairman for 2014/15 (verbal)

Most of the returns have come back and no issues arise.

- Self-Assessment Checklists for the Corporation for 2014/15
- Outcome of the Governors' Self-Assessment Questionnaire for 2014/15

It was **AGREED** that the outcomes of the SAQ and the Self-Assessment Checklists would be considered at the Meeting of the Search & Governance Committee on 1 February 2016. It was noted that twelve responses out of fourteen possible responses had been received and the Clerk will chase up the two outstanding questionnaire responses.

The Board **APPROVED** the Terms of Reference of all Board Committees, on the recommendation of each Committee, following the usual annual review.

For the avoidance of doubt, the Board **AGREED** that Denise Brown is a designated Senior Postholder of the College and hence her terms and conditions are a matter for the Remuneration Committee.

The Board **APPROVED** the Scheme of Delegation and the Standing Orders for the College, following the usual annual review by the Clerk.

The Board **RECEIVED** a revised Glossary of Terms in respect of FE, prepared by the Clerk.

The Board **NOTED** the further vacancy arising on the Board due to the resignation of Bryn Morris, giving two vacancies in total to be filled, and to note Committee vacancies.

The Search & Governance Committee will endeavour to fill the Board vacancies (two candidates are being pursued) and make proposals at the next Board Meeting in March 2016.

12. Forthcoming Events (Paper FEC.15.33)

The Board **NOTED** the contents of the paper, prepared by the Clerk.

13. Date of Next Meetings

Monday 18 January 2016 – Thurrock – 3 pm – Special Meeting to approve Self-Assessment Report (in lieu of Board Development Day) – to commence at 2 pm with an informal meeting with students.

Monday 21 March 2016 – Thurrock – 6.00 pm.

There being no further business, the Meeting terminated at 8.40 pm.

Signed..... Dated