

**Minutes of the Finance and Estates Committee meeting held on Thursday 30<sup>th</sup> May 2019 at 5.30pm.**

**GOVERNORS PRESENT:** Paul Frammingham, Chair  
Martin Sim, interim Principal and CEO  
Kate Truscott  
Adam Mussert (joining by conference call)  
Jon Mold  
Tony Westwater

**ALSO IN ATTENDANCE:** Maxine Bagshaw, Clerk to the Corporation  
John Owen, interim Finance Director  
Gavin Peake, Director of IT and Estates  
Sean Lyons, Observer  
Andrew Cropley, incoming Principal & CEO

**1 DECLARATION OF INTERESTS**

The Chair reminded everyone present to declare any interests that they may have on agenda items planned for discussion. Standing declarations were noted.

**2 APOLOGIES FOR ABSENCE**


Apologies for absence were received from Neil Shaw. Sean Lyons and Andrew Cropley were welcomed to their first Committee meeting. It was noted that Sean Lyons, the Chair of the Corporation Board, was attending as an observer only for this meeting.

**3 MINUTES OF THE MEETING HELD ON 29<sup>TH</sup> APRIL 2019**

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the minutes of the meeting held on 29<sup>th</sup> April 2019.

ACTION by whom	DATE by when

Signed :  Chair

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4 **ACTION PROGRESS REPORT**

The Committee was happy to note the content of the update provided.

5 **CYBER SECURITY / INFORMATION SECURITY**

The Director of IT and Estates presented his detailed report and a number of key matters were noted:

- The college has undertaken some different aspects of testing regarding cyber security and has seen some fantastic results, even before formal training provided to staff. This shows that staff are very conscious and are aware of potential threats to the college system.
- Having identified phishing as the greatest continuing threat to college IT systems, the college has undertaken specific training against this threat and also random testing to understand compliance. This has been agreed by college unions, is viewed by the college as awareness training/raising and has no disciplinary implications. The first round of simulated phishing attacks took place in April 2019 and the results show that only 6.69% of users (67) clicked on the simulated phishing link and only 1.9% of users (19) gave away their log in credentials. This demonstrates that user engagement is really working and the messages are being received and understood. The Committee questioned what the follow up was in relation to the individuals who had clicked on the link or gave away their log-in credentials. It was explained that online training has been provided on an individual basis.
- Penetration testing – the college employs a security firm to attempt a break in to systems from outside the organisation every year. The firm conducts a wide suite of attacks against systems over 2-3 days and then reports on any vulnerabilities to the IT, Estates and Learning Resources Director. This report is then used to close any gaps. Following best practice the security firm used for these penetration tests is rotated every 2 years. The college has also experimented with internal penetration testing, allowing the security firm to place a monitoring server on college premises and look for vulnerabilities inside the security perimeter.
- Internal audit – the college internal auditors (currently RSM) are tasked with auditing a different aspect of IT almost every year. Risk ratings as a result of these audits remain consistently green every year.
- External support and escalation – when the college comes under any form of IT related attack it is important that, not only are there highly trained internal staff to deal with immediate effects but also that there are external experts that can be called upon to assist in major incidents. The college is part of JANET and benefits from JISC membership which includes

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access to the JISC security system. This team are both proactive in sending the college security bulletins, support with actual issues with internet traffic and also reactive in terms of offering phone and email advice if an attack is underway.

- Backup systems – the last line of defence against a major system failure as a result of an IT failure or security incident is adequate backup of critical data. As with all of the college's IT systems, this involves layering security measures. The college operates a storage system with triple grade redundancy (3 entire disks can fail without losing any data). The storage system takes 24 hourly snapshots of all data and places them on different disks in the array, allowing for fast retrieval of any files.
- The impact of routine measures and reactive measures can clearly be demonstrated with a number of case studies/real life events, examples given to the committee were the 'Wannacry' attack in 2017 and ransomware attack in 2019. In relation to the latter, between 30 minutes and 60 minutes the location of the infected PC was identified and the PC was isolated and removed from the network. During minutes 60 to 120, all infected files were deleted from the college systems.

In terms of a general overview, he indicated that the routine work undertaken by the team is really playing dividend and the college is held out as an exemplar to other organisations in terms of the protective systems in place. Governors present with experience in the IT security sector all confirmed that the statistics provided were incredibly positive and were really pleasing to see.

There were a number of questions raised by the Committee:

- They asked what the college policy is in relation to personal devices being brought in to college. It was explained that this is permitted but that personal devices only connect to the internet and not the servers.
- The Committee questioned whether full restoration checks are undertaken; it was confirmed that they are.
- The Committee asked whether there were any issues with the different versions of Windows available. It was explained that 98% of college IT uses windows 10. There are a small number still on legacy systems, but these are not connected to the network, and in any case are only one version behind windows 10.
- What is the college policy in relation to USB sticks? The Director of IT and Estates expressed the view that they do not pose a significant risk and mainly students tend to use Cloud storage.
- What is the college password policy? It was explained that the policy is that the password changes one a year, but that the password required needs to be 16 characters long.
- In terms of internal audit, the Committee questioned how

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frequently this takes place. It was explained that it takes place every year on different areas of the IT network. This year the testing was done in relation to security and a green RAG-rating given. The Committee questioned whether the internal auditors utilised have the right skills to properly test the IT systems. It was explained that they ask the right questions but may not technically be IT specialists.

- The Committee questioned whether the college is happy with the external assurance mechanisms in place. It was explained that the College spends a sensible amount on external assurance for the size of the organisation. The Director of IT and Estates expressed the view that the college is in a very good place and there is a high degree of confidence given that there are good routines in place and this has been the case for many years.
- The Committee asked what the strategy is in relation to critical employees and succession planning. The Director of IT and Estates confirmed that there is a succession plan in place and this provides some degree of confidence. The team is cross trained so that there is always someone who can deal with specific issues that arise. In terms of members of the team, he explained that there are 4 members of staff in the network team and 7 in the desktop team. The system utilises 180 servers, all of which are virtual with only 12-14 being physical.

Having received the comprehensive report provided, the Committee all agreed that there was a high degree of assurance provided from the information made available and they commended the team on the work undertaken.

AGREED: to note the content of the report provided.

## **6 LLOYDS BANK – HEADS OF TERMS**

The interim Finance Director provided a verbal update and explained that there had been a delay in the completion of the IBR. Some additional work has been requested and commissioned and has been undertaken by the College, this is in relation to a new risk which has emerged i.e. the cap on the non-levy apprenticeship budget. He confirmed that the work required has now been done and has been submitted to BDO. It is expected that the bank will still have some concerns and questions, but because of staff annual leave at the bank the questions have not yet been formulated, however the college believes it can anticipate the questions and are therefore working to be able to respond immediately when they are presented. The expectation is that Lloyds will issue the new documentation by the end of June.

The Committee were advised that the terms of the old RCF are continuing until the end of June and therefore there are no immediate concerns regarding this delay. The Committee questioned what the

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underlying cause is for the delay. The interim FD indicated that BDO have been appointed as liquidators at Hadlow College and it is known that this has put pressure on the team. In addition, the college has not historically split out levy and non-levy activity and when the change in policy was announced this split has had to be unpicked to obtain clarity in terms of the potential impact and risks. One further challenge is the fact that BDO has been late to ask questions of the college and this has led to several delays past the due dates of March and April for the provision of the final report. He explained that the longer it takes to conclude the report then the more likely it will be that there are changes in the sector, which will have a knock-on impact regarding the ability to finalise the report.

The Committee questioned whether concerns can be escalated within BDO. The interim FD indicated that representations will be made after the report is received. He indicated that the college is in exactly the same position as at the end of the phase 1 review.

As an overview he explained that unpicking the 'carry forward' learners has been a challenge, however it was acknowledged that this work undertaken will stand the college in good stead for future financial planning.

It was agreed to defer this agenda item to the next meeting in the anticipation that documentation will be available for review prior to the Board meeting in July 2019.

Interim FD June/  
July  
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## 7 MONTHLY MANAGEMENT ACCOUNTS - APRIL 2019

The interim Finance Director presented the accounts and a number of matters were specifically discussed/noted;

- the trends are similar to previous months
- income is ahead of budget
- the college now has a better understanding of subcontractor activity
- Page 7 details the income analysis and shows that the college is above the midyear forecast. The positive position in month is due to additional AEB.
- Page 11 provides non-pay analysis. There is a distorting effect as a result of franchised provision costs. The college continues to monitor and only spends what has to be spent.

A question from the Committee was whether partner over performance is with the permission of the college. It was explained that in the main it is and that what the college had wanted to avoid was a 'yearend bulge' which is what occurred in 17/18.

- Page 10 provides a further update on sessional pay – this gives an analysis of the controls in place and also key items. The Committee questioned how sessional pay spend is controlled.

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It was explained that all requests come to the Executive on a weekly basis and that there is no route to incur additional sessional pay outside of the Executive approval route.

The Principal took the opportunity to raise a practice point and explained that there is a general willingness on the part of staff to cover on a voluntary basis. This is hard to monitor and does mask the reality of the situation in terms of staffing needs. This is something to monitor. The Committee questioned what the staff absence rate is, it was explained that it is well below sector averages. The Principal explained that the college does have challenges in attracting specific staff in particular areas. In terms of the point made he explained that it is a capacity issue and, because of staff willingness to cover, it is harder to be completely certain of the staffing requirements when in a steady state.

In terms of the pay cost analysis provided on page 10, the Committee questioned how confident the senior team are in terms of the expected total expenditure for the year of £22.8 million. The interim FD expressed the view that this was accurate and that there are no significant savings anticipated as a result of the restructure in 18/19. Restructure costs are included within the £22.8 million. It is envisaged that the restructure will bring the 19/20 staff costs down to £18.4 million. In terms of the targets provided for the full year it was confirmed that this is the recalibrated target following the midyear review and reforecast.

The Committee considered the apprenticeship data provided on page 8 and challenged whether there was any way to present the data more clearly in terms of the joiners and leavers. The statistics were reviewed in detail and it was explained that, in September and October the college was still dealing with a lot of legacy issues which would explain the numbers. He indicated that the college is now much more confident that leavers are recorded quickly and accurately and therefore there should be no significant variances going forward. The Committee indicated that they would like to see some recognition of the month by month movements. The interim FD reminded the Committee that 18/19 was not a 'normal' year given the data cleanse undertaken to ensure robust and accurate numbers. Taking on board the observations made by the Committee, the interim FD undertook to review the method of presenting the data, albeit that it was acknowledged that this is not a straightforward ask.

Interim FD June  
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The Committee specifically made reference to the information provided in relation to 'pending induction requests on the CRM' and questioned what 'good' looks like and what drives the figures seen. It was explained that the length of induction request and the delay is because 'something is missing' in terms of information required. Assurance was given that the whole system has now been reviewed and induction requests are now, in the main, processed within 2 days.

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It was explained that some of the delays seen from the data are quite historic. The Committee were advised that the process in terms of information to collect and the forms to be filled is quite complex. It was noted that the average time taken to process induction requests is still not good enough and can be improved. The Committee indicated that they would like to see a KPI set for the timescales required to process induction requests. The Committee were advised that the college is gradually making more and more of the process electronic and this should help to speed up the time taken. It was explained that the college did attempt to go fully electronic but that there were problems associated with this and therefore a more gradual approach is being taken.

Director IT  
& Estates

June  
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In relation to the information provided on page 9, a question and challenge from the Committee was why there were withdrawals in relation to HE so late in the year. It was agreed that the Standards Committee would be asked to analyse and consider trends and reasons for withdrawals, particularly any late withdrawals.

Standards  
Committee

July  
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In terms of income, the interim Finance Director provided a high level overview and indicated that:

- There are some ups and downs
- Excluding AEB, the college is still circa £200k ahead of the midyear forecast. Quite a lot is 'other income' and is as a result of employer incentives which is 'money in money out' and therefore is not of particular benefit to the college.
- Underlying performance is broadly on track in terms of incoming contribution
- Non-pay costs are still under budget and there is good control in this area.

The Committee's attention was specifically drawn to page 14 which is the updated cash flow forecasts, this is now provided for a 15 month period as requested. It was specifically noted that

- August 2019 shows a dip, this is because of the costs of restructure to be incurred in July and August and the fact that the level of July ESFA funding is low in terms of the profile.
- In August the balance goes back up because of the ESFA profile
- The cash flow forecast assumes no £3 million injection from RCF
- The line on the right hand side provides the cash days position.
- The Committee were specifically advised that the RCF facility is not currently being drawn down.

A question from one member of the Committee was in terms of the teaching costs provided on page 10, they questioned why they were increasing. It was explained that the college continues to fill vacancies. Assurance was given that there are no significant variances or excessive changes.

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The Committee considered the information provided in relation to page 6 in relation to the potential clawback. It was acknowledged that this is quite a complex situation in terms of what has been agreed and what remains outstanding to clarify. The Committee indicated that a table providing a breakdown on this would be helpful within the accounts.

Interim FD

Monthly

The Committee asked for an update in relation to the colleges subsidiary/dormant companies. The interim FD confirmed that things are progressing and that 2 companies will be liquidated and a further 2 companies will be dissolved. In relation to the outstanding queries these are being addressed and the expectation is to start the processes of liquidation/dissolution next month and conclude before the end of July 2019.

The Committee considered the debtor position summarised on page 16 and queried when this will be fully reviewed. The interim Finance Director indicated that he has made some progress and is aiming for conclusion of the process before the end of July 2019.

Interim FD

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The Committee then went on to discuss the segmental analysis on page 13 and asked for an expansion on the information provided. The interim FD expressed the belief that there is not much that can be done to change the 18/19 in year reporting. During discussion it was acknowledged that there are different ways to allocate/report on central costs, for example exam costs, and that there needs to be clarity in terms of the approach to be taken. The interim FD stated his intention to analyse the curriculum plan and 19/20 budget between the categories and see how efficient they are given that now is a point where this can be influenced. A challenge from the Committee is that they would wish to view the 19/20 budget through the lens of analysing contribution targets. A question and challenge from the Committee was whether or not there is staff ownership of these targets. It was acknowledged that there is a degree of inconsistency in relation to this.

The interim Principal expressed his belief that the historic system used at WNC is flawed and that there are different models that can be utilised, for example fully devolved versus departmental allocations. He indicated that there are choices to be made in this regard and that there has been a lot of debate internally regarding control and accountability.

The Committee acknowledged that there were different models and indicated that it was important for the Board to know which model is to be used and how the executive will manage and monitor this. The interim Principal indicated a preference that efficiency be measured on staff deployment, remission, average class size etc. rather than a percentage contribution. He indicated that colleges need to be careful in terms of making staff accountable for contributions when they do not have control of a budget, and that there is clearly a need to have

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staff buy-in regarding any contribution targets to ensure they are 'fair'. Following the debate, a challenge from the Committee was that this is an area that Governors clearly need to better understand. They asked that the executive formulate the preferred model and present this to the Committee/Board, this is particularly in relation to the principles to be applied. One member of the Committee specifically asked how VBSS is to be used fits into the model, given that the table demonstrates that this is an underperforming area against the target historically set.

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AGREED: to note the content of the April 2019 monthly management accounts.

## 8 FINANCIAL RECOVERY PLAN UPDATE

The interim Finance Director introduced this item and confirmed that his report is a brief update and that it in fact crystallises some aspects already discussed as part of the earlier agenda item. He confirmed that the 2 remaining significant uncertainties in respect of the current financial year are:

- a) Achievement of the phase 2 restructuring cost savings, &
- b) Agreement of medium term refinancing with Lloyds bank.

In terms of the prospects for 2019/20 he explained that quite a lot of work has been done behind the scenes to break up the component parts of the budget. The previous budget was set on a top down basis and is now being divided up in to smaller areas. He indicated that there will be changes as things have moved on, however the overall thrust of the budget is not likely to change significantly. Budget will be very similar in terms of the overall position but within that there will be some ups and downs on the differing lines. One member of the Committee questioned whether the incoming permanent FD has been involved in the budget setting process, as this is something that he will have to own and deliver. The interim FD confirmed that he has been invited in to college for a number of days prior to formally starting his employment and the suggestion has also been made that he attend the next meeting of this Committee.

In terms of the budget for 19/20 the Committee questioned and challenged how many of the assumptions will change. The interim FD indicated that there are 2 main changes

- 1) The position in relation to apprenticeship activity
- 2) The position in relation to LGPS as it is likely that there will be an increase in rates. He confirmed that the impact in 19/20 will not be for the full year (as they only change in April) but that 20/21, which will be a full year, will be a real challenge.

Also to consider is the fact that there is no guarantee that additional funding regarding TPS increases will continue in to 20/21.

As a general overview the interim FD indicated that he was confident that the issues raised are manageable.

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AGREED: to note the content of the update provided.

9

**FINANCIAL RISKS REPORT**

The interim FD circulated the correct version of the register at the meeting and explained that it had been uploaded to the portal this morning. He indicated that there were no significant movements in terms of the risks and specifically brought to the Committee's attention the fact that 3 additional risks have been added (page 2 of the document). These are all red risks (RAG-rated red on the basis of the gross risk rather than the residual risk). All intended mitigating actions are detailed. The 3 new risks are in relation to:

- Creation of a free school in Mansfield creates significant competition;
- High needs claim put at risk by level of cost cutting at phase 2;
- Gift Aid at risk if BKSB underperforms and sale of BKSB delayed, or proceeds less than valuation.

He indicated that some of the additional risks flow from the independent business review undertaken.

In terms of process, he confirmed that the updated register will go to the Audit Committee and will include all other risks as well.

The Committee considered the register in detail and discussed page 1. It was explained that the risk on line 1 in relation to removal from the RoATP has been reduced given that the reapplication has now been submitted and the application has been externally validated before submission. The Committee questioned how long it will be until the college knows the outcome of the reapplication. Staff were unsure and they queried whether the ESFA may be able to advise on the likely window for a response. One error was noted on the register in relation to line 1: the residual score should be 15 not 20.

The Committee Chair referred the interim Finance Director to the previous minutes of the meeting and the request for an 'in depth analysis of risks in relation to apprenticeship provision' and queried why this was not pulled out in detail. The Committee discussed the context for the in depth analysis requested and it was confirmed that this was predominantly in relation to the change in policy and what this means for the college in pounds and pence, how this will impact upon college strategy and the recovery plan. The Committee indicated that they would like to see some assurance regarding the college's response to the issue and it was agreed that this would be circulated ahead of the next meeting. Linked to this but separate is the risk regarding marketing and how the college responds to employers in terms of the changing landscape.

AGREED: to note the content of the update provided.

Interim FD

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**10**      **INTERNAL AUDIT REPORT ON KEY FINANCIAL CONTROLS – ACTIONS IMPLEMENTATION**

The Clerk provided the context for this agenda item and explained that the Audit Committee had asked that F&E committee specifically monitor progress made in terms of the actions, given that these impact upon financial processes and procedures. The interim FD drew the Committees attention to the content of the report and explained that none of the actions were due for completion at this stage and therefore, whilst work has been done, there are no actions that are expected to be finalised.

A question and challenge from one member of the Committee was particularly in relation to actions outstanding from the previous audits. It was explained that these will be reintroduced on the monitoring table provided to audit committee.

A challenge from one member of the Committee was in relation to the recommendation made regarding 'balance sheet reconciliations'. The view expressed was that this was a housekeeping matter and therefore the expectation is that reconciliations would all be up to date (action 3.3 on page 16). A challenge from the Committee was that they would not wish to wait until August for this action to be implemented and that instead this should be done on a more regular basis. They asked that account reconciliations be updated and assurance given in relation to this for the next meeting.

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AGREED to note the content of the update provided.

**11**      **DATE OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting is 25<sup>th</sup> June 2019 at 5.30pm.

**12**      **CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded separately.

(Gavin Peake left the meeting at 7.30pm)

Meeting closed at 8.30pm.

Signed : \_\_\_\_\_ Chair

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