

**BOARD OF GOVERNORS**

MINUTES OF A MEETING OF THE BOARD OF ACTIVATE LEARNING  
HELD AT THE CITY OF OXFORD CAMPUS ON 17 JUNE 2019

PRESENT:	Chris Jones (6/7) Sally Dicketts (7/7)	Chair of the Corporation Chief Executive Officer
	Maire Brankin (6/7) James Dipple (7/7) Malcolm Wicks (6/7) Dermot Mathias (5/7) Nina Robinson (5/7) (as indicated in the minutes) Julia Von Klonowski (5/7) Elena Ingham (2/3) Andy Stone (2/2) Sue Sturgeon (1/1)	
IN ATTENDANCE:	Steve Ball Lee Nicholls	Chief Finance Officer Deputy Chief Executive Officer
CLERK:	Jamie Wade	Clerk to the Corporation

**PART I**

**The meeting started at 16:05.**

<u>MINUTE NO.</u>	<u>ACTION</u>
	The Chair welcomed Governors to the meeting and reminded them of the email circulated prior to the meeting, containing correspondence between the Vice Chair and the CFO regarding the 2019/20 Budget.
1.	<u>Apologies for Absence</u> Apologies were received from Tracey James (6/7), Pauline Odulinski (3/7) and Ben Sims (5/7).
2.	<u>Declaration of Interests, Gifts and Hospitality</u> AS declared that his company was undertaking work on behalf of the Manchester College Group, but it was agreed that this would not present a conflict for any item on the agenda. No other member declared any gifts, interests or hospitality.
3.	<u>Minutes of the Meetings of 25 March 2019 and 01 April 2019</u> The minutes of the meetings on 25 March 2019 and 01 April 2019, having previously been circulated to the Board, were approved as accurate records of the meetings. <b>All members were agreed.</b>

**MINUTE  
NO.**

**ACTION**

4. Matters Arising from the Minutes of 01 April 2019  
The Corporation noted that all actions were complete and that the Culture Action Plan had been postponed to the July agenda.

6. Finance and Performance  
Management Accounts

The CFO presented the Finance Update and provided an overview of the 2018/19 Full Year Forecast (FYF) against Budget and Mid-Year Forecast (MYF).

The CFO highlighted in particular that invoices issued to The Oxford Partnership (hereafter, read Saudi Partnership) were expected to be paid in time to be recorded in the 2018/19 accounts; this resulted in a FYF £3.4m ahead of MYF. The Board queried the circumstances under which the funds might not be received and were assured that although the funds may be delayed, Activate Learning were legally entitled to the payment. The Board cautioned the Executive Team not to be over-optimistic about receipt of funds and considered the accounting treatment of income from the Saudi Partnership; it was agreed that this would be discussed with the external auditors and an update would be provided at the July Corporation meeting.

**Action:** Discuss the accounting treatment of Saudi Partnership income with the external auditors and provide an update to the Corporation at their July meeting

**CFO**

The CFO outlined the other major variances in FYF against MYF, noting that the main deficits were in FE and Apprenticeships and noting the main factors contributing to these deficits. The CFO advised the Board that visibility of the variances had not been as good as it could have been due to the focus on budget development, and outlined measures to be implemented to prevent this from recurring. The Board noted the impact of variance in the staff:income ratio, and were advised that although managers had visibility of this ratio within management reporting a lack of flexibility in the staffing structure prevented responsiveness; increasing flexibility was noted as a priority moving forward. The Board cautioned the Executive Team to consider value over cost and not to cut cost at the expense of quality; the CFO assured the Board that staff restructuring decisions were taken in partnership between HR and managers, taking into account experience, quality and flexibility, on the clear expectation that delivery quality must not be affected. The CEO added that recruitment continued to present challenges, but the recent appointment of specialist recruiters was expected to improve this.

The CFO outlined the key variances in the Apprenticeships FYF versus MYF, noting in particular unexpected income mix and lower than expected numbers of apprenticeship starts on the Grant Thornton contract.

The CFO presented the Corporation's cash position, noting that this was the most important indicator of financial health; it was noted that a closing cash balance of c.£7m was expected for 2018/19, reflecting the continuation of successive cash-generative years. The CFO advised the Board that the 2018/19 Financial Statements would bear little resemblance to the management accounting, as a result of merger costs and funding; the Financial Statements were expected to reflect an estimated £17.5m surplus. The Board sought assurance that the management accounting was not

distorted by such significant movement, and were assured that merger costs were being matched with funding and financial reporting would continue to focus on the underlying business, with merger spend being monitored by the Audit & Risk Committee.

The CFO advised that such an outturn would generate an 'outstanding' financial health grading from the ESFA as a result of the exceptional income, and that even without income from the Saudi Partnership, a 'strong good' grading would be expected. The Board noted that few colleges could boast a 'strong good' grading in the current climate, although limited reliance should be placed upon ESFA grading. The Board noted that the underlying profitability of the business had decreased in year, and briefly considered student attraction and retention; the CEO advised that a new Group Director of Marketing had been appointed and would be managed by the DCEO.

*Property*

This item was not covered due to time constraints.

5. Deep Dive – 2019/20 Budget

The CFO presented the 2019/20 Budget report and provided a summary of key details, noting that the budget was inclusive of Bracknell & Wokingham College but not Guildford College Group, whose separate budget would be presented to the Corporation at the July meeting. The CFO highlighted the budget surplus of £100k, a contingency of £400k, and some particular investments in new provision.

The Board challenged the adequacy of the contingency, in light of the 2018/19 deficit; they were assured that work to improve student attraction, retention and transition was underway, and it was agreed that a coherent student attraction and retention strategy was needed. The Board queried the assumption of income from the Saudi Partnership, and were advised that only the £250k annual fee was assumed. The CFO advised that, due to the strong cash position, reinvestment in estates and facilities was planned. The Board queried the status of plans to dispose of the Bicester campus, and were advised that an offer of £1.9m had been received and details would be presented to the Board when there was greater clarity.

The CFO presented a high-level analysis of local market share for 16-19, 19+ and apprenticeship provision in the three regions (Oxfordshire, Berkshire and Surrey), noting the stronger growth opportunities in Surrey as compared with Oxfordshire and Berkshire.

The CFO presented a summary of the expected 2019/20 contribution by income type and faculty, highlighting that the target contribution rates were differentiated based on income mix and cost of delivery. The Board challenged the prudence of budgeting for an increased Apprenticeship contribution and were assured that there was greater confidence in the robustness of budget assumptions than in previous years and the contribution target was based on realistic cost reductions and modest income increases. The CFO reported that the new Managing Director of Activate Apprenticeships was confident in the budget and planning was based upon growth markets, but there remained a delivery risk. The Board agreed that they would like to review the Apprenticeship business development plans, once the Managing Director had had sufficient time to embed changes.

**MINUTE**  
**NO.**

**ACTION**

**Action:** Agenda Item, February Corporation Meeting: Activate Apprenticeship Deep Dive

**Clerk**

The CFO advised that £1m merger efficiencies had been realised in Group Services and briefly outlined the cost profile of Group Services, highlighting a high proportion of immovable costs. It was noted that the budget included staff pay increments and a 1% cost of living increase; the Teacher Pension Scheme cost increases were due to be covered by the Department for Education, but there was a risk of mid-year increases to Local Government Pension Scheme costs.

*The meeting was paused at 17:45 and NR left; the meeting reconvened at 18:00.*

The Board considered whether, considering external and internal pressures and challenges as well as the strong cash position of the Group, it was appropriate to aim for a surplus budget, or whether a break-even or even deficit budget would be more appropriate for long-term growth and sustainability. The Board cautioned against stretching the budget to hit an unrealistic target, and considered the balance between allowing for investment and consolidation and ensuring appropriate aspiration and pressure was maintained.

It was agreed that any dilution of the budget surplus should be linked with specific investment opportunities, with proposals for the aim, implementation plan and outcome measures of any investment to be presented to the Corporation; this was agreed on the expectation of return on investment and a reversion to surplus budgets from 2020/21 onwards. The Board noted that there would be significant sensitivities and risks within the budget and these should be understood before a break-even or deficit budget were approved. The Board queried whether diversion from the budget forecasts submitted to the Transaction Unit would present an issue, but were assured that it would not, provided the cash position remained good and there was a compelling reason for the diversion.

**Action:** Provide an update on budget proposal, supported by investment proposals (including costing, action plan and impact measures) and an analysis of budget sensitivities, to the July Corporation meeting

**CFO**

**Action:** Agenda Item, July Corporation meeting: 2019/20 Budget

**Clerk**

7. CEO Report

The Board received the CEO Report, which was taken as read.

8. Minutes of Committees

The Search and Governance Committee meeting had been postponed to July 2019. The Board received and approved the recommendation to appoint Meheryar Khan as co-opted member of the Audit & Risk Committee. **All members were agreed.**

9. Policies

The Board received and approved the Subcontractor Delivery Policy, 16-19 Financial Support Policy and the 19+ Financial Support Policy. **All members were agreed.**

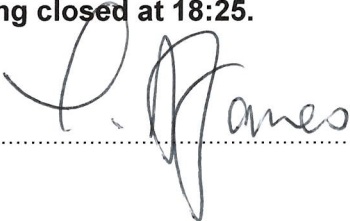
**MINUTE  
NO.**

**ACTION**

10. Use of the Corporation Seal  
There were no uses of the Corporation Seal to report.
11. Away Day  
The Board received the Summary of Away Day Resolutions, which was taken as read.
12. Health and Safety Updates  
The Board received the Health & Safety Update, which was taken as read. The Board queried the absence of reporting against the Lifting Operations and Lifting Equipment Regulations (LOLER).  
  
**Action:** Explore whether LOLER should be included in future Health & Safety Updates
13. Any Other Business  
No other business was raised.
14. Dates of Upcoming Meetings  
The dates of upcoming meetings were taken as read.

**CFO**

**The meeting closed at 18:25.**

Chair .....  .....

Date .....

**Summary of Actions**

<b>Action</b>	<b>Responsible</b>
Discuss the treatment of Saudi Partnership income with the external auditors and provide an update to the Corporation at their July meeting	<b>CFO</b>
Agenda Item, February Corporation Meeting: Activate Apprenticeship Deep Dive	<b>Clerk</b>
Provide an update on budget proposal, supported by investment proposals (including costing, action plan and impact measures) and an analysis of budget sensitivities, to the July Corporation meeting	<b>CFO</b>
Agenda Item, July Corporation meeting: 2019/20 Budget	<b>Clerk</b>
Explore whether LOLER should be included in future Health & Safety Updates	<b>CFO</b>

