



**WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE**

Minutes of the meeting held in the Board Room, Derby Road site on Monday 10th November 2014 at 5.00pm

BOARD MEMBERS PRESENT: Terry Dean
Hari Punchihewa, Chair
Colin Sawers
Ian Baggaley (from 5.30pm)

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
Andrew Martin, Deputy Principal/Director of Finance
Tom Stevens, Executive Director Capital Projects & Estates
Tracey Thompson, Director of HR
Steve Cressey, Employer Engagement

14.55 DECLARATION OF INTEREST

The Chair reminded those present to declare at the start of the meeting any interests that they may have on items on the agenda. No declarations were made.

14.56 WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE

Apologies for absence were made from Kate Allsop, Malcolm Hall, Dame Asha Khemka and David Overton. It was noted that Ian Baggaley would be joining the meeting but would be slightly delayed. The Clerk explained that quorum for the meeting was four Governors and that it was only possible to consider items for information until Ian Baggaley arrived. The Chair confirmed that the running order of the agenda items would be altered so that all information items would be taken first and items for discussion, decision and approval would be delayed until Ian Baggaley joined the meeting and the Committee was quorate.

14.57 ACTION PROGRESS TABLE

Member's reviewed the action progress table and commented on the following:

- 1) Sports hall post project evaluation – it was accepted by the Executive Director Capital Projects and Estates that the initial action requested had related to the sports hall only. However, as time had had now passed, the Committee were looking at a full new build assessment. This has been scheduled for a report at the February 2015 meeting.

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- 2) Condition surveys – this is on the agenda.
- 3) Item 5 – Boardroom clock this has been obtained but has not yet been installed.
- 4) Item 6 – Committee Terms of Reference – Andrew Martin confirmed that this was something that he and Dame Asha Khemka would pull together for the next meeting.
- 5) Item 8 – additional fees incurred in relation to the windows – an update on this will be given as part of the property strategy update.

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Feb 2015

AGREED: to note the update provided.

14.58 EMPLOYER RESPONSIVE PROVISION – STRATEGY AND UPDATE

Steve Cressey in the absence of Sacha McCarthy introduced this item and indicated that the team have had a challenge in the first quarter regarding financial reporting and allocations; however during this period the team had met with all partners to ensure that they have stayed on profile. Some funding in response to performance has been moved to the ALR budget. He confirmed that the College was not looking to bring any significant new partners on to the College's books for this period but that this is being reviewed for the future.

He confirmed that the team have been able to close out the SPS position (who went in to administration). He explained that the College had taken responsibility for all of their learners. There was initially a challenge regarding the data available and there was some real difficulty in indentifying where learners are on programme. As a consequence, the College has had to withdraw a significant number of learners which has had financial implications. He explained that the contractual position with SPS was not unusual and in fact the SFA's direct contract with SPS was worse, it being the case that the College was able to show a stronger management position when compared with SFA's own controls and paperwork.

The financial impact for the College is that we have been paid for activity that was not delivered. This situation makes it clear that robust tracking with partners is critical. It was confirmed that Smart Assessor will do this.

All Committee members' agreed that it was very disappointing that such a situation arose with a partner. It was acknowledged by all that dealing with such an issue creates a massive amount of paperwork for the team to try and address. The system in place should ensure that partners are paid as the learner evidences progress. The Committee indicated that they, and the management team, need to be reassured that robust tracking is in place to make sure payments do not get ahead of progress. The Director of Finance confirmed that partner use of Smart Assessor is now included within all contracts as a requirement. This, together with other checks and balances including an update to the CRM system gives much more robust controls. Members' attention was drawn to paragraph

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7.4 which explains in detail the work undertaken in relation to the SPS situation.

Members' were advised that the 14/15 allocation for ALR within partner contracts does have an over commitment against what can be delivered. As a consequence contracts will need to be reviewed and varied. It was acknowledged by all that there must not be over delivery as the College will not be paid for this.

Members' attention was drawn to section 7.2 of the report which explains the traineeship funding rules and the implications for partners. Steve Cressey indicated that the rule seems to be at odds with Government Policy and priorities. If the rules were more flexible then this would have given the College the ability to bid for growth.

Members' reviewed the schedule of partner commitment proposals for 14/15 and all agreed that this needs to be provided in a larger format so that the data presented can be read more easily.

AGREED: to note the update provided.

Sacha
McCarthy

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14.59 HR REPORT – KEY SUMMARY

The Director of HR introduced this item and confirmed that her initial report was presented so as to obtain a feel for what should be covered as part of the HR section of Committee discussions. She explained that as staff costs are the single highest cost to the College then there needs to be a corporate strategy in place to give this direction. A number of items were specifically brought to members' attention.

- The team are currently building a corporate strategy which will ensure a legacy of outstanding education and training which will empower and sustain the local communities.
- To make the corporate strategy happen differing strands are needed of which people are key.
- People strand – currently concluding the evaluation of 2013/14 People Report. From this a three year strategy will be developed with a one year operating plan. The intention is to use this as a driver from the corporate plan to update the People Strategy.
- Future challenges that will be included and addressed in the People Strategy are;
 - a) Skills profile needed from our people
 - b) Finding outstanding people and rising stars
 - c) The cost of providing the people the College will need – in terms of their remuneration and making succession planning a reality
 - d) Continue to make progress on existing priorities i.e. E-engagement – wellbeing and performance.
- The role of this Committee;
 - a) Providing strategic guidance and feedback based on collective

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- expertise
 - b) Use the meetings to monitor and approve progress in relation to the work identified
 - c) Use the Committee as the framework to be able to seek approval for change from the Corporation Board.
- Next steps
 - a) People Report 2013/14 to Corporation Board on 4th December 2014
 - b) Draft People Strategy to Finance & Estates Committee 24th February 2015
 - c) People Strategy to Corporation Board 12th March 2015
 - d) Selection and approval of options to address future challenges Finance and Estates Committee 12th May 2015 and for the main Board approval business strategy residential 19th June 2015.

In general discussion it was acknowledged that there are a number of items to be reviewed; these include staff ratios, percentages, and nursery costs. All agreed that the College needed as much flexibility as possible. A recent example of this was the TUPE of staff to BKS B, this should in future give greater flexibility regarding contractual arrangements. The Director of HR gave assurance that the team are clear that there are a number of things that have to be looked at and addressed, for example the impact of online delivery requirements. She confirmed that there are known future challenges and changes. The Committee accepted that going forward the College will need different types of people to support delivery and this may lead to the offering of different contracts. It was agreed that any decisions made in relation to staffing also need to sit alongside the space and IT strategies.

The Committee Chair indicated that it would be useful at the next meeting to have a framework work plan presented which sets out the critical times in the year that things need to be approved e.g. HR, Estates, Finance etc. This work plan will be considered at the next meeting and approved.

Clerk

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AGREED: to note the update provided.

14.60 MANAGEMENT ACCOUNTS TO 30TH SEPTEMBER 2014

The Director of Finance introduced this item and presented the accounts which are in a slightly different format. He confirmed that the format would continue to develop with slight changes made in response to identified improvements and direction from the Committee. He confirmed that what was presented today was the first set of management accounts to the end of September. Members' attention was drawn to page 20 and a number of items were specifically noted:

- This is the first report of the new financial year following weak

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Date:

financial performance reported in 13/14. The budget approved for 14/15 financial year aims to address this weakness and deliver a sustainable financial performance to support the ongoing support for investment in College facilities, whilst being sufficiently robust to meet the economic challenges within the education sector.

- For the period covering the first two months of the year to the end of September 2014 the College Group performance has delivered an overall operating surplus before interest and depreciation of £580k. After interest and depreciation the surplus remains positive at £203k and close to the budgeted result of £246k. This represents an encouraging start to the year for the Group as it aims to build reserves following the Group losses of 13/14. It was explained that at this point in the prior year the Group had recorded a loss. The team are aware of the issues and have corrected the pattern. There was however a word of caution regarding the Colleges performance, given the time of the year the team have had to estimate some income figures/values. It is believed that a prudent approach has been taken with figures and values understated.
- Across the component parts of the Group the College performance is below budget with surplus before interest and depreciation of £126k (budget £413k). A clearer picture of the actual College performance will be visible following production of the first quarter accounts at period 3.
- BKSB has made another strong start to the year with operating profits of £238k against a budget target of £201k which has been supported by significant volumes of licence renewals at the start of the financial year. Subsidiary companies have helped to get the finances back on track with BKSB and VWS recording a surplus (albeit that the VWS surplus is not a reflection of improved trading performance but rather again regarding building dilapidations.) So, overall the College is in line with expectations.
- The overall budget for VWS was to break even on property transactions for 2014/15, although the performance in exiting dilapidation commitments less than the amounts provided has been good and it is likely to deliver a number of additional gains during the financial year.
- The Group balance sheet remains impacted by the deficit from 13/14 financial year but reserves have began to rebuild following a positive overall Group performance to the end of September 2014.
- Cash levels still strong but falling.
- Working capital fairly weak but quite a lot of this relates to deferred income, so the position should improve.
- Overall the College is reasonably close to budget.

In general discussion all acknowledged that the key to an improving position is to get the College's core performance back on track.

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Members' reviewed the management accounts in detail and discussed a number of items:

- Page 24 – the balance sheet and commentary. This shows that accrued expenses are increasing whilst provision is going down. In addition to this the value of loans is also decreasing.
- Page 25 – this provides further analysis of the College income so that the Committee and the Board can see exactly where the College is. At the current time the performance shows that the College is short in relation to ASB and adult apprenticeships. The team are currently reviewing whether it is possible to get this back on track.
- Page 26 – pay costs – there is an under spend.
- Page 27 – this provides a non pay cost analysis and notes an under spent on partners because they are not hitting targets.
- Page 28 – shows cash flow.
- Page 29 – KPIs. The Director of Finance reminded the committee that key loan covenants are to be monitored. There have been some historic breaches and as a consequence it is incredibly important to improve. In relation to the covenant breaches the bank has issued a waiver letter, however this is not a situation to be repeated.

As discussed earlier in the meeting it was agreed that the College's core position and performance is something that needs to be addressed and needs to be improved. The Director of Finance indicated that the first quarter report should give a true representation of the current position.

AGREED: to note the content of the management accounts presented.

(Ian Baggaley joined the meeting at 5.30pm)

14.61 MINUTES OF THE MEETING HELD ON 13TH OCTOBER 2014

Members' reviewed the content of the minutes and were happy that they were a true and accurate reflection of meeting discussions.

AGREED: to approve the minutes of the meeting held on 13th October 2014.

The Executive Director Capital Projects and Estates provided an update in relation to the action required of him at page 8 (14.51). He confirmed that he did take legal advice as requested. The position is that there is no culpability regarding the construction contractors. Any culpability would be in relation to architects but because of the design and bill contract terms there is flexibility regarding interpretation. The legal advice is that culpability would entirely depend upon clarity regarding tender specifications. Advice is that pursuing the architects may cause significantly more costs in terms of legal expenses than benefits obtained. The initial view is that it would be better to use the position as leverage regarding the ongoing relationship with the architects. All agreed that the

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mistake made was an issue of professionalism which can be discussed with the architects, with the College's position being one of concern regarding competence and a query as to why they did not pick up the issue regarding window openings.

14.62 2013/14 DRAFT MEMBERS REPORT AND FINANCIAL STATEMENTS

The Director of Finance introduced this item and confirmed that the members report presented is in a usual format and follows the statement of recommended practice and utilises the template provided. In reviewing the document a number of items and changes were specifically noted:

- Page 32 – the College is now required to report in relation to the public benefits statement, this is included. It was noted that the regulator is BIS.
- Page 33 – 34 provides a review of the operating and business plans
- Page 35 provides a summary of the financial objectives and results. Within this section it is acknowledged that the College did not meet all the bank covenants but that a covenant waiver letter has been obtained in relation to this. This position has been cleared with auditors.
- Page 36 – this provides much more detail of the financial results and shows the significant impact of VWS performance on the operating position/deficit.
- Page 38 onwards summarises current and future development and performance opportunities. This includes an overview of the principle risks and challenges.
- Page 44 – this summarises and notes stakeholder relationships.
- Page 46 details key professional advisors.
- Page 48 provides a list of governors and also includes a statement of governance and internal controls.
- Page 52 is the Governing Body Statement on the College's regulatory propriety and compliance with funding body terms and conditions of funding. This is a new requirement. He confirmed that a clean opinion regarding regulatory audit had been provided from external auditors and this gives the Board the assurance that it needs in this area.
- Page 56 & 57 is the auditors' statements.
- Page 60 onwards are the actual financial statements themselves. The figures should be very familiar and again it was recorded that the impact of VWS under performance is very clear.
- Page 61 this is a statement of recognised gains and losses and is prepared on a consolidated basis.
- Page 62 is the balance sheet – this shows a weakening of reserves as a consequence of the 13/14 losses.
- Page 63 shows cash flow.
- Page 64 onwards are the notes to the accounting policies. He confirmed that the detail provided follows the SORP

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Date:

requirements and includes all relevant disclosures. Members' attention was drawn specifically to note 26 which relates to pensions. He explained that because a number of staff had been TUPED directly to BKS B this caused additional work as it was required to have an explanation twice in the accounts - the first for the College and the second for the Group. It was noted that the pension deficit on the balance sheet has increased and this is a consequence of a significant swing in actuarial assessments year on year. Mortality rates are increasing and has had a big impact upon the calculation. All agreed that there was a need to regularly monitor and review the pension provision.

The Director of Finance took the opportunity to raise potential issues regarding Gift Aid and the recent case in the sector regarding illegal distribution of reserves. He confirmed that KPMG are reviewing the position and if it is found that changes are required the College may have to historically readjust payments, it was acknowledged that this is a sector wide position. He explained that if changes are required then for 13/14 it is a relatively simple position. Because of the VWS tax losses there is something to offset against the gains. He indicated that going back further than 13/14 would be at a cost and would involve changes to tax computations. He confirmed that there would be clarity on this position when the Board receives the final members report and financial statements in December 2014.

It was acknowledged that the draft members report and financial statements are subject to audit. The updated document will be presented to the Audit Committee in December and then the final report shared with the Board in December.

AGREED: to note the update provided.

14.63 RECONCILIATION OF FINANCIAL STATEMENTS TO JULY FINANCE REPORT

The Director of Finance introduced this item and confirmed that his report is the usual explanation of movements as between budget forecasts and actual. He confirmed that in year the most significant change was to the midyear budget and outturn. As previously reported VWS had a significant negative impact upon the outturn for the year. Again he confirmed that this report was a draft and that the paperwork is still subject to audit. A number of items were specifically noted:

- Disbursements
- Changes to the ILR held back
- Funding audit not completed until September.

However, it was confirmed that there were no significant differences between the end of year report and the financial statements.

AGREED: to note the update provided.

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Date:

14.64 STUDENT UNION ANNUAL AUDITED ACCOUNTS 2013/14

The Director of Finance presented this item and confirmed that the Student Union is not a separate company but sits within the College as a department. He confirmed that the Student Union accounts are audited as part of the College review. It was noted that the Student Union had generated a surplus for the year and that there was an under spend in relation to staffing budget. It was noted that the Student Union will not carry forward the surplus but instead the budget will be reset each year. It was confirmed that the staff costs referred to are College employees.

AGREED: to approve the Student Unions annual audited accounts for 2013/14.

14.65 FINANCIAL REGULATIONS – ANNUAL REVIEW

The Director of Finance introduced this item and drew members' attention to the key points to note. It was acknowledged that the full document was available on the Governors portal. The Director of Finance confirmed that there were no changes recommended at this time, he did however indicate that upon reflection he is of the view that the document is rather lengthy and would benefit from streamlining at some point in the future.

AGREED: to note that the College Financial Regulations have been reviewed without any recommendation for any major change.

14.66 PROPERTY STRATEGY UPDATE

The Executive Director Capital Projects and Estates introduced this item and drew a number of items to members' attention:

- 6 story tower – this is now just about complete. Lights are installed and the paving work is done. Accounts in this area are as last reported.
- Financial review of J Tomlinson shows that they are now back on the credit register and have a rating of 72 which is perfectly acceptable.
- Engineering Centre – this is practically complete and the accounts as previously reported.
- Credit check in relation to Wild Goose shows that their score has dropped, however this is not thought to be a high risk issue given that the works are now substantially complete.
- Improvements to the heating system are now 95% implemented.
- Studio School – this has in effect been a long and torturous process. EFA attended a meeting of the Board of Governors in October. Some additional funding for plastering work and asbestos removal has been agreed. All scheduled works were completed and the school was able to operate at the beginning of

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Date:

half term. Formal opening is set for 18th November 2014. Still some snagging to be done but substantially completed with the building handed over to the school now.

- Visual Arts – more work was completed over the half term period.
- VWS – the team are issuing ongoing breaks to the leases at the earliest opportunity. There are 9 properties still with VWS which will run the course of the contract until break clauses.
- Work in relation to the fire alarm has been completed
- Bay 6 – sale has been completed at the level expected.
- University Centre – revised proposal has been submitted and the College is still awaiting a formal response. It was noted that whilst waiting for a response there is a need to progress with design and the proposal made was to appoint a design team at a cost of £40k plus VAT. It was explained that an additional £35k would then be required to get the project to the planning application stage. The Committee acknowledged that the team would be progressing at risk at this stage but all felt that this was an acceptable risk at this stage. The Executive Director Capital Projects and Estates confirmed that the contracts proposed had followed all the necessary procurement guidelines. As a general comment the Committee indicated that they would like to see fixed fees established and agreed wherever possible. It was confirmed that all contracts have been secured on the basis of a design and build procurement route.

Members' reviewed the specific contract proposals recommended in relation to the University Centre and agreed:

- a) The appointment of IBI Taylor Young for architectural services, RIBA stage C £17,700 + VAT, RIBA stage D £17,700 +VAT.
- b) Appointment of Gleeds cost management inclusive fee of £3,950 +VAT for RIBA stage C and RIBA stage D. Plus up to four days project management support at £550 +VAT per day (two days for stage D and two days for stage C).
- c) Appointment of Curtins Ltd for civil and structural engineering services RIBA stage C £4,850 +VAT, RIBA stage D £9,700 +VAT.
- d) Appointment of Waterman for mechanical and electrical services, RIBA stage C £4,000 +VAT RIBA stage D £5,300 +VAT.
- e) Allowance of £1500 +VAT for surveys to enable RIBA stage D and C design work to progress and for planning submission.

14.67 COMMITTEE TERMS OF REFERENCE 2014/15

It was agreed that this item would be deferred to the next meeting with the final document presented for approval by the Director of Finance.

Director
Finance

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14.68 AOB

There were no items of additional business.

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14.69 **DATE OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was 24th February 2015.

Confidential items – it was agreed that confidential items would be recorded separately.

Meeting closed at 6.45pm.

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