



**WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE**

Minutes of the meeting held in the Board Room, Derby Road site on Monday 13th October 2014 at 5.15pm

BOARD MEMBERS Terry Dean

PRESENT: Malcolm Hall

Dame Asha Khemka

Hari Punchihewa, Chair

ALSO IN Maxine Bagshaw, Clerk to the Corporation

ATTENDANCE: Andrew Martin, Deputy Principal/Director of Finance

Tom Stevens, Executive Director Capital Projects & Estates

David Overton, (Governor joining for estates matters only)

14.38 APPOINTMENT OF THE COMMITTEE CHAIR FOR 2014/15

Hari Punchihewa was nominated as the Committee Chair. This nomination was seconded and approved.

AGREED: to approve Hari Punchihewa as the Finance and Estates Committee Chair for the 2014/15 academic year.

14.39 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.

14.40 WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Kate Allsop and Colin Sawers. It was noted that Colin Sawers had been able to attend the original meeting date scheduled for 25th September 2014 but was unable to make the re-arranged date because of annual leave commitments.

14.41 MINUTES OF THE MEETING HELD ON 26th JUNE 2014

AGREED: that the minutes of the meeting held on 26th June 2014 were a correct record and were signed by the Chair.

There were no matters arising.

	ACTION by whom	DATE by when
14.38 <u>APPOINTMENT OF THE COMMITTEE CHAIR FOR 2014/15</u>		
14.39 <u>DECLARATION OF INTEREST</u>		
14.40 <u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u>		
14.41 <u>MINUTES OF THE MEETING HELD ON 26th JUNE 2014</u>	Chair	13.10.2014

Signed : _____ Chair

Date:

14.42 ACTION PROGRESS REPORT

Members reviewed the action progress table at page 18 and commented upon the following:

- Item 1 – Post Project Evaluation. The Executive Director indicated that an evaluation regarding the entirety of the new build facilities would be completed and this report would be available for the February meeting.
- Item 3 – Conditions Surveys. This is planned for the November meeting.
- Item 5 – completed.
- Item 6 – Bus Shelters. Contact has been made with the County Council and they have advised that the bus stops are the property of the College and not their responsibility. It was explained that the College originally funded the bus shelters although these were physically erected by the County Council. Because the responsibility lies with the College any upgrades to the facilities will have to be paid for by the College.
- Items 7, 8 & 9 are on the agenda.
- Item 10 – the Executive Director confirmed that a clock has been obtained and it is just awaiting fitting.

Exec Dir Feb 2015
Exec Dir Nov 2014

In general discussion regarding the bus shelters the Committee agreed that the Management team would internally discuss whether there is a need for any or improved bus shelters. If there is a need to replace, then some costings should be obtained and a decision made as to whether or not the finance is available to make the improvements required.

AGREED to note the update provided.

14.43 COMMITTEE TERMS OF REFERENCE AND WORK PLAN

The Clerk to the Corporation introduced this item and indicated that the changes suggested have been made following discussions at the last meeting. The committee had discussed the possibility of this Committee having more of a strategic role whilst retaining a financial focus. It was acknowledged that the previous year had focused on estates and that this would be reduced given the fact that the estates update is almost completed, and certainly will be at the very end of works come December 2014. The Clerk confirmed that a copy of the draft had been prepared in consultation with the Chair of the Committee.

In reviewing the proposed changes all agreed that HR needs to be specifically included. The Principal indicated that normally strategy and planning are reserved for a separate committee but that it was not her intention to seek to create an additional committee. The general view was that strategic matters should remain with the Board and that this Committee should focus on Finance, Employment and Estates. These items are to be linked to the Corporate Plan which sits with the Board.

Signed : _____ Chair

Date:

The focus of this Committee is Workforce planning, Finance and Property, albeit that property is not in as much detail as in prior years.		
It was agreed that the Terms of Reference in their current form could not be recommended for approval to the Board. It was agreed that the Principal and the Director of Finance would review with a further amendment scheduled for discussion and approval at the next meeting on Monday 10 th November 2014.	Principal/ Director of Finance	10.11.2014
In general discussion Committee members felt that the College was missing a longer term corporate strategy document which deals with both known and unexpected challenges in the next 3 to 5 years, and that this is something that needs to be addressed.		
AGREED: to note the update provided.		
14.44 <u>INSURANCE AND RISKS 2014/15</u>		
The Director of Finance introduced this item, and confirmed that the College insures both the College and the group of companies as a whole to achieve scale economies with specific insurance elements charged across through management recharges to the insured subsidiary companies. He confirmed that the College does not insure the Studio School although the rear buildings which are still utilised by the College are covered by insurance.		
Members' attention was drawn to the schedule of cover and it was noted that there are some changes to the level of cover quoted, most notably in some of the insurable values as the College has increased in size over the past years. It was explained that the premiums are based on ratings. The Committee were advised that the cost of insurance is influenced by a number of factors:		
<ul style="list-style-type: none"> • The number of claims/claim history • The number of vehicles – a lot of vehicles were inherited from VWS, this figure will go down as the leases are relinquished • The size of the estate • The size of the organisation both in terms of staff and students. 		
The Committee were advised that the insurance with Zurich was tendered 3 years ago and 2014/15 is the last year of the tendered contract. A full tender exercise will be completed for the 15/16 year although it was acknowledged that only 4 or 5 providers operate in this market and therefore the service is not very competitive.		
Members reviewed the detail of the schedule and acknowledged the reasons for insurance increase; all felt the reasons were reasonable and understandable.		
AGREED: to approve the insurance costs and the extent of cover provided for the 2014/15 financial year.		

Signed : _____ Chair

Date:

14.45 PARTNERSHIP/SUBCONTRACTOR PROVISION

The Director of Finance introduced this item and confirmed that the paper provided by the Director of Employer Engagement sets out the request to approve the release of contracts to partners in relation to carry over a new start activity to cover the 2014/15 contract year. It was explained that in order for the 2014/15 contract year to commence effectively the Board needed to approve the Partnership Board report and financials in order to release contracts for 14/15. The Board previously approved all new start activity for 2014/15 at the meeting held on 10th July 2014, and the schedule presented today contains actual carry over values along with new start activity. It was explained that variances are highlighted in yellow.

The Director of Finance explained that the partner schedule of contracts will be subject to change throughout the year and that this will depend upon partner performance and performance management which is undertaken each quarter.

In terms of contracts awarded to partners the Committee were advised that due diligence is undertaken in a number of areas:

- a) Capability and capacity
- b) Quality
- c) Finance.

Each area is reviewed by a separate team who then make recommendations to the Director of Employer Engagement. It was confirmed that there are often discussions regarding the suitability of partners both in terms of any contract being awarded and the size/value of contracts.

Members accepted that there would be practical reasons for variation and all agreed that it was critical for the team to effectively monitor partners on a timely basis.

AGREED:

- a) to note the content of the report provided,
- b) to approve the contract variations as presented.

14.46 ANNUAL REVIEW OF STANDING ORDERS

The Clerk to the Corporation introduced this item and confirmed that the standing orders had been placed upon the Governors portal for review. She confirmed that she had reviewed what was in place and her recommendation was to make no changes as they remain fit for purpose and cover the process and procedures in place.

AGREED: to approve the continued use of Standing Orders in the current format.

Signed : _____ Chair

Date:

14.47 MANAGEMENT ACCOUNTS (DRAFT) 31ST JULY 2014

The Director of Finance introduced this item and confirmed that given the timings of the re-arranged meeting this paper had actually been presented to the Board meeting in September. It was agreed that in these circumstances there was no need to go through the report in detail. The Director of Finance confirmed that the team were still in the middle of the Financial Statements Audit and in addition to this the College has also been subject to a funding audit completed by Price Waterhouse Coopers. He explained that the latter went reasonably well with no changes requested. It is his anticipation that the year-end position will not materially change from the report presented to this Committee and the Board.

He did indicate that turnover was slightly different to that forecast in July, and that the most significant influencing factor in relation to this was the fact that there have been a high number of learner withdrawals particularly from partners at the end of the year. This has been backdated for considerable periods for some students.

AGREED: to note the update provided.

14.48 PROVISION FOR BAD DEBT

The Director of Finance introduced this item and reminded the Committee that the College makes provision for bad and doubtful debts in line with its accounting policy, making full provision for debts over 90 days old and levying a 5% provision on residual sales and student ledger balances.

For the year ended 31st July 2014 the Colleges has bad and doubtful debt provision increase by £210,212 across all ledgers. This was significantly higher than budget and unusual in comparison to prior years. It was explained that both the value and volume of debtors is much higher. The total provision as at the balance sheet date was £317,240.

The Committee were advised that there are two key specific debts on the sales ledger that account for a large proportion of the increase.

- 1) Mansfield Learning Partnership – it was explained that this is more a dispute rather than a bad and doubtful debt. The issue is in relation to VAT. College advisors and tax advisors for Mansfield Learning Partnership have a difference of opinion. The figure outstanding is circa £80k. The College has made provision for this as a doubtful debt although it is unlikely that this will become a bad debt. It was explained that tax advisors for both organisations will now meet and reach a consensus view.
- 2) Richard Owen – This debt relates to a partner contract where there were a significant number of late learner withdrawals. It

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was confirmed that the College no longer works with the partner. What has happened is, that in breach of contract the partner has failed to notify the College promptly of learner withdrawals and as a consequence they have been paid for work not done. The contract specifically provides for repayment of this money to the College. The debt is currently placed with Incasa who will be commencing legal recovery.

The Committee generally discussed the issue of late notification regarding learner withdrawals. It was acknowledged that it is a breach of contract although a balance has to be struck in terms of the timing of discontinued contracts and the need to continue general business activity. The Committee were advised that the College does hold back 10% of the contract value until 'satisfaction' however on this occasion 10% was insufficient to cover the overpayment.

It was acknowledged that the College can make some improvements in relation to its monitoring arrangements and tighter controls are already in place for 2014/15. It was confirmed that all partners are contractually obliged to notify the College of withdrawals however timeliness of notification is an issue. The Director of Finance confirmed that the College team now have a site sampling opportunity built in to the contract, this enables the College team to check that learners on the system are actually present and are also making the required progress. In addition to this the College has introduced the need for all partners to use Smart Assessor, this is a system that logs every contact with the learner. The system, if scrutinised, quite clearly shows any lengthy periods where students have not been contacted and this would be a sign of possible withdrawal.

The Committee acknowledged that the success of partner management and in particular withdrawals comes down to how effective the monitoring teams are at both the College and at partners.

Members reviewed the schedule of Higher Education debts and were advised that most HE students are financed by Student Finance England, or to a lesser extent are supported by sponsors. The College has systems in place to ensure students demonstrate how they will pay for courses, however time is provided to allow them to process loan applications etc. It was explained that in all of the cases on the bad debt list there was no doubt that the debts are due and that this is just a matter of in many cases chasing students who have withdrawn. The Director of Finance confirmed that there has been a change in the processes this year and that students will not be allowed to enrol unless they can prove they are capable of paying - this is either through correspondence from the student loans company, letter from employers, payment upfront etc.

The Committee in general felt that the College ought to take a tougher stance at enrolment and if students cannot clearly demonstrate an ability to pay then they should not be enrolled. Governors asked that the

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College support students to fill in the Student Finance England forms.

It was agreed that the Director of Finance would internally review with the team and assess whether a much stricter approach to enrolment is appropriate. It was agreed that a report back on this would come in February together with a review of the Student Fees and Credit policies.

Director of
Finance

Feb 2015

AGREED: to note the update provided.

14.49 TREASURY MANAGEMENT POLICY AND PERFORMANCE

The Director of Finance introduced this report and drew a number of items to members attention:

- The Treasury Management function has not been able to deliver any significant investment income during the year to date, however the College's cash reserves have been properly and securely protected as a result.
- The College and its subsidiaries received interest on its current account balances at a level of 0.5% above the Bank of England base rate until 13th April 2013. From 14th April 2013 the College group received 0.5% on cleared current account credit balances in line with the loan tender offer from Lloyd's TSB.
- The total interest earned up to the end of year is based solely on the cleared current account balances and amounts to £76,709 falling just short of the full year forecast of £80,603.
- The College continues to explore a number of treasury investment opportunities with the banks listed in the Treasury Management Policy and although limited in taking opportunities will report to the Committee should there be a need to establish deposit facilities outside of the current banks with which the College has worked.
- The College has operated within the Treasury Management policy as agreed by the Committee for the duration of the current financial year.

Members discussed the report generally and were advised that cash flow was highest at the start of the academic year at circa £10 million and then will decline each month as the College completes payments to the building contractors. January 2015 is the date when the College has to repay claw back to the SFA. By this point in time the College will be down to its realistic working capital.

Members' attention was drawn to the schedule of banks with whom the College would consider investment; these are at page 6 of the report paragraph 5.2.1. Realistically the Director of Finance explained that there would not be a need to review investment decisions in this current year given the expectation regarding cash balances. He explained that the only real difference is BKSB and in fact the Board of Directors has specifically asked him to review options. The company has

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approximately £1 million cash available consistently. There is the option to invest this for a period in excess of 12 months. The Committee made the suggestion to look at either managed funds or tracker funds. The Director of Finance confirmed that he would specifically look at BKSb cash investment and would report back to the Board of Directors regarding the options available.

AGREED: to

- a) note the Treasury Management investment performance for the 2013/14 financial year, and,
- b) approve the Treasury Management policy (with no changes to the previous document) for 2014/15.

14.50 BOARD MEMBERS EXPENSES REPORT 2013/14

The Clerk introduced this item and confirmed that it is good practice to be open and transparent about payments to Governors. She explained that in the vast majority of cases payments were made in relation to travel expenses whether this be mileage, train, taxi etc and on the odd occasion there is accommodation costs associated with attendance at events on behalf of the College.

In reviewing the sums involved all agreed that they were modest.

AGREED: to note the content of the report.

14.51 PROPERTY UPDATE

The Executive Director introduced this item and drew a number of matters to members attention:

- Cladding programme overview – the current budget for the campus re-clad works is £4,731,212 however there is likely to be a potential budget shortfall of £43,115 inclusive of VAT. Current expenditure is £4,686,046. The Committee were advised that an additional cost of £42,627 plus VAT was incurred to install window openings in all windows to the three story block. This requirement was not included within the original tender documentation. The budget shortfall can be financed via anticipated projected under spends on the Engineering Innovation Centre and Visual Arts projects.

The Committee raised some concerns regarding this position and questioned whether the architects and/or building contractors should be responsible for the error. All were of the belief that ventilation should have been included within the original designs. The Committee felt that the variation was as a result of poor design and that someone needs to take responsibility for the additional £42k cost. The Executive Director confirmed that he would take legal advice on the position and see if there is contractually any recourse.

Exec Dir Nov 2014

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- J Tomlinson Ltd financial ratings – in September a credit check showed J Tomlinson Ltd as ‘not rated’ this however has now been rectified and they are on the system with a rating of 72, which is very good.
- Engineering Innovation Centre – this is now fully open. There are still some snagging matters to deal with but these are manageable. Project total budget is £5,235,505, forecast expenditure is £5,152,955 giving an under spend of £82,550.
- Further Education FE condition fund improvements to Derby Road heating system - these works are almost complete and all payments are as scheduled.
- Studio School project – there remains some significant outstanding issues. The Studio School Board of Governors is meeting this Friday with the Project Engineer attending. Issues for resolution are clearly noted at paragraph 9.4.
- Visual Arts project – the programme for completion of works has suffered a number of setbacks in particular the late arrival of glass for the windows preventing internal works proceeding as planned. The delays have not led to any additional costs but the position is unsatisfactory. The Committee were given assurance that the curriculum offer available has not been affected. Approved budget is £2,368,714, forecast is £2,264,350.40 leading to a saving of £104,363.60.
- Vision Workforce Skills property portfolio – of the 26 sites exit has now been completed on 17. Two properties still to be assigned are Coventry and Wolverhampton. Pearson will retain the properties and will manage the exit which will be at no risk to the College.
- Reactive and Planned Maintenance – for 2013/14 the budget was £400k for reactive maintenance and the actual expenditure was £363,837.75. For planned maintenance the budget was £200k and the estimated total cost is £167,327.69. In reviewing the figures at page 52 it was acknowledged that there were some typos which would lead to further savings.

In general discussion members questioned whether the College could use students more to undertake maintenance works. The Principal gave assurance that the College does try to use students but there are sometimes issues that get in the way:

- Quality of the finish required
- Health and safety
- Students can't complete to timescales required.

In addition to this there is some resistance from Tutors. It was agreed that this needs to be addressed and that there needs to be a change in mindset. It was acknowledged that there is more that the College could do.

AGREED: to note the update provided.

Signed : _____ Chair

Date:

14.52	<u>CONFIDENTIAL MINUTES OF THE MEETING HELD ON 26TH JUNE 2014</u>		
	The minutes were agreed as a true and correct record these were signed by the Chair.	Chair	13.10.2014
	Fire alarm tender update – the Executive Director confirmed that the tender process had been extremely close. Work is just about completed with commissioning work to be undertaken in October.		
	It was noted David Overton's company had participated in the tender exercise but had not been successful. He declared an interest in relation to this item, however it was agreed that this did not prevent him from participating in discussions.		
	AGREED: to note the update provided.		
14.53	<u>AOB</u>		
	As a matter of additional business a request was made for a copy of the Risk Register to be put on to the Governors portal. The Committee Chair is to be advised when this has been done.		
14.54	<u>DATE OF NEXT MEETING</u>		
	The Clerk confirmed that the next scheduled meeting was Monday 10 th November 2014 at 5.00pm		
	Meeting closed at 7.00pm.		

Signed : _____ Chair

Date: