WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the meeting held in the Board Room at the Derby Road site on Tuesday 24th February 2015 at 4.00pm

BOARD MEMBERS PRESENT:	Terry Dean Malcolm Hall Dame Asha Khemka Hari Punchihewa, Chair Colin Sawers
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Deputy Principal/Director Finance Tom Stevens, Executive Director Capital Project and Estates Tracey Thompson, Director HR Sacha McCarthy, Director Employer Engagement David Overton, Governor Estates matters only

		ACTION by whom	DATE by when
15.01	**DECLARATIONS 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.		
15.02	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE** Apologies for absence were received from Kate Allsop.		
15.03	**MINUTES OF THE MEETING HELD ON 10TH NOVEMBER 2014 & ANY MATTERS ARISING** Agreed that the minutes were a true and accurate record of the meeting. AGREED: to approve the minutes of the meeting held on 10th November 2014. As a matter arising the Executive Director Capital Projects and Estates provided an update on the 3 story block referred to in section 14.61, page 6. He confirmed that he has spoken again to the architects and they have apologised for the error. They have confirmed that the additional costs will be subsumed within the HE centre project.		

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15.04 **ACTION PROGRESS TABLE**

Members reviewed the action progress table and were happy that matters were progressing as required.

AGREED: to note the update provided.

15.05 **COMMITTEE TERMS OF REFERENCE 2014/15**

The Director of Finance introduced this item and confirmed that the Committee terms of reference had been presented at the last meeting but a little more work had been requested, key items to be added to the remit and role of this Committee are HR and strategy discussions. Members reviewed the proposed changes and commented that there seemed to be a significant amount of detail removed from the estates items. It was explained that this reflects where the College currently is in terms of development of its estate and that item (xviii) is a catchall for all future estate issues. Members reviewed the paragraphs which referred to HR matters and were advised that these allow more detailed discussion at this Committee, assurance was given that this is not a duplication in relation to any other role taken on by another subcommittee. The Principal confirmed that the overall strategy regarding the estate and HR remains with the Board but that the reviewed remit of this Committee, once approved by the Board, would allow for a greater detailed review at these meetings.

In reviewing the content of the terms of reference proposed it was agreed:

- That the reference to the learning and skills council in (xvi) would be changed to the SFA
- Paragraph 10 would be removed – it was confirmed that the Board considers finances at each meeting directly from the Deputy Principal and as a consequence there is no need to produce a termly report.

AGREED: to recommend that the Board approve the amended terms of reference as discussed.

15.06 **WORK PLAN 2015**

The Clerk introduced this item and it was confirmed that what was presented was a broad guideline that could be added to as required throughout the year.

In addition to that which is covered in the proposed plan the Principal indicated that a five year Intention Strategy up to 2020 needs to be completed. She explained that work was currently ongoing in relation to developing this and that it would be ready for discussion at the June residential. The Principal indicated that the June residential was a perfect opportunity to give some considerable time to discussing a 5 year

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strategy and then following on from this, different plans can be developed depending on the focus/steer given from the Board. Once these plans are in place then there may be additional items which will filter in to the work plan.

In relation to the estates work the Committee were advised that although significant development work has been done there is still more internal work to do, the condition survey to be considered later on the agenda will support this. Key matters to consider going forward in relation to the estates are;

a) Whether any additional space is required
b) Efficiencies
c) Quality and maintenance of the estate.

The Committee Chair also questioned whether an acquisitions/disposal strategy also needed to be considered as part of the 5 year plan. It was agreed that potential options should be included and reviewed, for example the Sheffield construction site – it was confirmed that this is on a rolling 6 month lease which will at some stage need to be reviewed, with the College making a decision on whether to keep on the current terms, extend the lease period and/or purchase the property.

In relation to the work plan provided it was agreed that

• The Health and Safety midyear report referred to on 24th February 2015 would be deleted. It was confirmed that the Health and Safety annual report is provided directly to the Board with exceptional items reported as required throughout the year.		
• Estates strategy 2015 – 2020 a draft to be included at the May 2015 meeting with final reports presented to the September Committee following full residential discussion in June.	ED:CPE	May/June/ Sept 2015
• Employer responsive update (standing item) to be added to the June meeting planned.	SM	May 2015

AGREED: to approve the work plan presented for 2015.

15.07 PROPERTY STRATEGY UPDATE

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

- Engineering Innovation Centre – the programme of work is complete. The ventilation and extraction system for fabrication and welding and grinding bench has been upgraded. The temporary generator has been removed and the power instillation is complete. It was explained that the College has been able to manage this without a power upgrade.
- £60k was set aside within the budget to provide a waste solution for the Engineering Innovation Centre. Implementation of this does not appear to be necessary following the opening of the centre. It is proposed to evaluate the cost of installing a second

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waste tank to reduce the number of times effluent is removed from the site. It was confirmed that this review would be undertaken outside this budget with other waste solution options explored.

- Paragraph 3.3 provides a detailed breakdown of the contract costs and the decant. It was noted that there was a significant reduction made in relation to professional fees. The net project total shows a positive variance of £140,580k.
- Vision Studio School – the programme of work approved by the EFA is complete.
- Condition improvement grant (CIF) - Studio School trust had an opportunity to bid for a CIF grant on 15th December 2014. CIF provides opportunities to bid for funds to improve the condition of the building. The bid included the proposed change to the original 1920 oil boilers and heating systems with a gas boiler replacing all pipework and radiators. Total estimated cost of £594k. Requested grant element of £414k with the remainder £180k to be funding by a SALIX loan paid back over 8 years with energy savings. Alternative option/bid was also submitted to replace the boilers only at £278k with a £120k SALIX loan. The Committee were advised that there is no real certainty regarding receipt of any monies following the bids made as it is unclear how much total funds are available and how many bids will have been submitted. It was explained that if the Studio School does not receive the money then the school will have to continue as is, at risk. It was explained that there is a separate gas heater in place for water so that if the boilers fail in the warm months then the position would be manageable, however if there was a boiler failure in the colder months then this would be a significant challenge for the school as there is no real contingency plan in place. It was explained that the real issue is the fact that the boilers are asbestos lined so would be very expensive to replace. The Committee were given assurance that the Vision Studio School Board of Governors are aware of the risk and that this issue appears on the schools risk register. It was confirmed that a copy of the conditions survey obtained has been provided to the EFA so that they are fully aware of the issues regarding the boilers and the roof.
- Members' attention was drawn to pages 28 and 29 which provide the budget breakdown of the 2 alternatives. In reviewing the detail the Committee felt that there were some inconsistencies regarding the 2 schemes and in particular questioned why professional fees were the same for both given that there was significant difference in value of the contracts. The Committee felt that there was a danger that it would appear that the College was taking advantage of the Studio Schools ability to bid for this grant funding to upgrade its own premises and not only those areas leased to the Studio School.
- Visual Arts project – programme of work complete although the programme of works went considerably over the anticipated

timeline for completion. Current forecast expenditure of £2,332,568 should be set against a budget of £2,368,714 leaving a credit balance of £36,145.15.

- Vision Workforce Skills property portfolio now comprises of 5 properties which is a reduction of 4 from the previous report. The ultimate aim is to get this property number down to zero.

AGREED: to note the update provided.

15.08 **ESTATES FIVE YEAR CONDITIONS SURVEY 2015-2020**

The Executive Director Capital Projects & Estates introduced this item and confirmed that further to the meeting of this Committee on 10th November 2014, Jones Lang Lasalle had been appointed and completed the conditions survey of buildings during January 2015. The report compiled provides a five year condition survey of College owned buildings for years 1-5 and an indication of likely costs for years 6-10. It was explained that the surveys undertaken are visual and exclude any mechanical and electrical installations. Although they do include anticipated maintenance costs. The Committee were advised that the lifts at Derby Road have been excluded from the report.

Members' attention was drawn to pages 68 and 69 of appendix 2 which sets out the total investment required. It was explained that this is an ideal 'wish list' and it would cost £4.2 million to keep the buildings in the current state of repair. It was confirmed that the report includes details of maintenance required which has built up as a backlog whilst the substantive estates development programme was running. Members noted that the total spend on the estate in terms of maintenance over the last 5 years has been £1.4 million they therefore questioned whether £4.2 million over the next 5 years was too high? They commented that, given the estate has been consolidated and is in an improved position should there not be efficiencies rather than increases. It was explained that the report was prepared by consultants who had realistically compiled a wish list. The next stage is for the College team to look at each item on the basis of need, affordability, priorities etc. All of the items included within this report would be profiled and agreed on the basis of priorities. It was confirmed that all of this information would need to be integrated within the College wide 5 year plan.

The Committee asked whether there were any particular areas of work suggested that staff are particularly interested in seeing completed. It was explained that the internal refurbishment of the six story tower is a priority for staff however, within the consultant's report this is not planned until year 3. It was explained that if the College does chose to complete this work and bring forward then other items will need to be rescheduled.

The Principal was clear that the report presented was not the Colleges strategy but was more of a wish list following survey. The next stage is to

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prioritise and then agree a schedule of activity required.

The Committee indicated that they would wish to see wherever possible the use of students to give them an experience and also keep costs down. It was felt that redecoration in particular was an opportunity to be explored with students. It was acknowledged that for some projects there will be health and safety issues which would need to be managed but it was felt that this could be done with proper supervision.

The Committee felt that the report presented was a useful starting point and requested that all of the recommendations made and actions to be progressed would be properly linked to the risks associated with each and prioritised.

AGREED: to note the content of the report provided.

15.09 **PHASE 2B (LIFESTYLE BUILDING) PROJECT DEVELOPMENT/POST OCCUPANCY EVALUATION**

The Executive Director Capital Projects & Estates introduced this item and confirmed that the report covers a specific part of the projects undertaken, this is in relation to phase 2B development/post occupancy evaluation of the new teaching block of accommodation and enclosed court yard on the Derby Road campus. He indicated that post occupancy evaluations will be completed in due course regarding all other elements of the estates development.

Members attention was drawn to key items

- In June 2010 the College Governors provided approval for the development of the Derby Road campus. This led to formal approval of the first phase of development and refurbishment of existing premises in to a new music, media and performing arts centre. Phase 2 of the property strategy comprised 4 separate elements and the report presented evaluates phase 2B which relates to the lifestyle buildings.
- Project design – the building is located on the Derby Road campus and delivers 4072 metres squared of space plus enclosed court yard of 750 metres squared. Accommodation comprises commercial/training salons for hair and beauty, health spa, training kitchen and fine dining restaurant, classrooms, IT suites for hair and beauty, hospitality and travel, health and social care and academic studies.
- Project facilitated withdrawing and disposal of Regent Street (1,442 metres squared) enabling a decision to be made by the corporation Board to eventually vacate Chesterfield Road (6,080 metres squared) in its entirety.
- Gross internal area (GIA) reduces after the project from 37,891m^2 to 37,565m$^{2.}$
- The estate increased for an interim period to 41,513m^2 until vacation of Chesterfield Road in 2014 however this is now down

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to 37.5m^2.

- Estate condition and effect of the new lifestyle building has been consolidated in isolation. Category A accommodation increases from 25.6% prior to the projects to 36.4% after the project. Inclusion of Derby Road improvements including the sports hall but excluding the refurbishment of the trades building for visual arts increases condition A property to 40.01%.
- Members' attention was drawn to table 5.7 which summarises the College estate position in relation to condition A,B,C and D before and after the project. Whole estate is now 61% category A, it was explained that an ideal position would be 80%.
- Programme and development – with a construction value of £7.7 million and project value of £11,046,572 the scheme was subject to OJUE tendering. Planning application was submitted on 5th September 2011 with planning permission granted on 21st November 2011. The successful building contractor Mansel Construction was appointed on 21st December 2011 and commenced on site on 13th January 2012. Construction took a total of 55 weeks with the building handed over to the College on 4th February 2013 for opening on 25th February 2013. It was explained that the contract suffered a 7 week delay in the programme planned, this was due to bad weather and 2 week Christmas shutdown. It was confirmed that from a College perspective the team were able to hit all of the targets set.
- Overall cost came within the planned budget.
- Table 11.8 demonstrates that the number of learners increased in overall terms as well as apprenticeships as a result of the project completed. There was an increase in 20.4% of learners post project from 5,063 to 6,097 compared with an apprenticeships 9.8% increase from 5,063 to 5,562.
- The development of facilities further enhances opportunities for the College to increase apprenticeships in a number of areas including hair, beauty, health and social care, hospitality and leadership and management. In addition the College has also been able to increase its commercial activity particularly in relation to hair and beauty and the fine dining restaurant.
- Paragraph 18.5 provides a summary of the reduction in running costs per metre squared achieved.

When reviewing the report members questioned whether the correct metre squared figure for the estate area referred to in the report was 38 or 41k m^2. They were advised that 38k is the correct figure. It was noted that this does not include Ransom Hall or the Sheffield Construction Centre.

The Committee indicated that they would find it useful at a future meeting to see a 2 page summary explaining where the College is now in terms of its estate plans and also intentions for the future.	EDCP&E	2015

All agreed that there was a positive story to tell here. They indicated that

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	it would be useful to also have sight of a value for money assessment in terms of money/savings and increased productivity income etc.	EDCP&E	2015
	The Committee questioned who within the Senior team was responsible for commercial income generation. It was explained that within College it is mostly the Lifestyle Academy management team who develop this and that a lot is left to individual departments. The Committee felt that this ad hoc approach was not the best way forward and agreed that what needs to be developed is an overall commercial strategy that departments then work to. Governors felt that there were significant income generation opportunities that were being missed simply because individual departments do not have the appropriate vision in this area. The committee expressed the belief that this would apply to full cost provision too. Governors' view was that it was important to set a key goal to try and get the College to a self-financing position. The Principal acknowledged that this was an area to be developed and progressed and expressed the view that currently the College does not have the right people in place to exploit all commercial opportunities and acknowledged that promotion could be better. She agreed that it was important to find the right people/person to push forward the commercial agenda. It was however acknowledged that ambitions have to be offset with practical considerations particularly in relation to the curriculum delivery requirements.	Principal	2015
	AGREED: to note the content of the report provided.		
15.10	**<u>THORESBY STREET/RANSOM HALL OPTIONS REVIEW</u>**		
	It was agreed that discussions relating to this item would be recorded confidentially.		
	(Colin Sawers the staff Governor stepped out of the meeting at 5.05pm and re-joined once this item had been discussed).		
15.11	**<u>EMPLOYER RESPONSIVE PROVISION UPDATE</u>**		
	The Director of Employer Engagement introduced this item and confirmed that the report was presented to give an update on the current position and also request approval for contract variations as listed on the schedules at pages 76 and 77. In terms of the schedules she confirmed that the pink shaded areas are proposed new partners and yellow highlighted areas are proposed adjustments to existing contracts. Members reviewed the format of the schedules and all agreed that going forward they would like the information presented to be as page 77 in terms of font size etc.		
	Key items brought to members attention: • A re-profiling activity on apprenticeship provision across all partnerships has taken place and allocations reduced where performance has been greater than 20% below profile. This is to		

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ensure plans for the remainder of the year are realistic and funds can be distributed accordingly.

- Current position 16-18 and adult apprenticeships – as at the end of December income through partnership delivery was slightly above plan for 16-18 apprenticeships, however adult apprenticeships show significant underspend in their allocation, this relates to existing partners only performing at 77% of their planned profile. The re-profiling exercise should address some of this.
- 2014/15 contract allocations – in order to address the shortfall within apprentices the College has submitted a virement request to the SFA to distribute funds to traineeships which there is currently demand to deliver. It is the intention that should the College be successful this will also promote further progression opportunities in to apprenticeships. The decision will be known at the end of February 2015.
- Existing partners consolidation and quality improvement – the College now has contracts with 27 partners with new start contracts and 16 with managed-out carry in contracts. The intention was to have strategic relationships with between 15 and 20 partners in 15/16 however due to current levels of underperformance and bringing new partners on to address this, this number will be more challenging to achieve then initially thought.
- Future allocations – the College has now revised prequalification questionnaires and due diligence packs to assist in ensuring future partners are of a high quality with demonstrable high quality track records of delivery in the funding areas sought.
- Members' attention was drawn to 5.2 and the table which sets out the profile amount sought by potential partners. It was explained that the amounts detailed are what they have requested rather than what has been agreed.
- Risks;
  a) The shortage of ALR funding and the fact of having to remove some existing contracted allocations will require very careful management if this is not to impact on other funding streams. The College already has examples of partners distributing their learner allocations across other prime funders.
  b) No ALR to increase traineeship allocations. The College has submitted a virement request to the SFA for £1.33 million from ASB adult apprenticeship allocation to ALR traineeships. The decision on this will be made on 27th February. The College has existing partners who have submitted profiled requests to spend this allocation when/if granted.
  c) Traineeship funding rules that restrict the College from allocating traineeship funding to those partners who were not on the 12/13 subcontractor declaration at June 2013 will (if not revised under challenge) restrict the Colleges

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opportunity to grow this area of priority funding. Currently there are a number of partners affected by this decision.

d) Partners going into administration – whilst it is difficult to foresee and even more difficult to prevent, the new CMR and Smart Assessor risk analysis and contract management processes being adopted will give as much prior warning as possible. It was confirmed that the systems are now in place and there is a contractual requirement for partners to use the systems.

In general discussion the Committee reviewed the proposed new partners highlighted in pink and were generally supportive, if the team were happy that partners had gone through the appropriate robust due diligence assessment, the teams are happy with the quality to be offered and also proper controls are in place regarding finance and quality.

When reviewing the proposed contractor allocation variations at page 77 members were advised that the ESF/SSW proposed contractual commitment requested was above the actual allocation. The amount detailed in the schedule is £8.5 million; however this is above the current contract value of £7 million. The Director of Employer Engagement explained that she was asking for growth as she was confident that the College could deliver, however the Committee felt that it was not possible to approve delivery over allocation as this could put the College in the position of approving delivery/contracts with partners where there was a funding shortfall. The Committee were happy to support contract allocations/variations up to the current allocation of £7 million rather than the £8.5 figure included within the report.

In reviewing the performance figures the Committee were advised that currently the profile position is a £2.2 million shortfall against allocation for adult apprenticeships. It was explained that even if the College does get the £1.3 million virement requested then there is still a £1 million shortfall/gap. It was explained that new partners who satisfy the due diligence requirements will fill some of this gap to get the College to the position of hitting target, however it was acknowledged that risks surround this as it is unlikely that all companies will pass the due diligence test, also the College cannot rely on the fact that all partners will deliver to the level that they currently propose. The Committee all agreed that it was incredibly important for the team to be satisfied regarding the capacity and quality of partners.

The Committee were happy to provide support regarding flexibility required in terms of new partners and contract adjustments. In future reports they requested that information be provided on actual contract allocations too so that clear comparisons can be given.

AGREED: a) to note the content of the report provided, b) approve contract variation up to the current College contract allocation position.

15.12 **PEOPLE STRATEGY – DRAFT**

The Director of HR introduced this item and provided a summary presentation, she confirmed that the full strategy document was available on the Governors portal and in addition to this hard copies were available at this meeting. Key items brought to members attention

- People strategy 2015 – 2018;
  a) Our vision is a dynamic College for aspiring communities
  b) Our mission is learners at the heart of excellence
  c) Our strategic objective is attaining excellence, reaching new heights
  d) We expect excellence every day from everyone. We stand for quality, choice and consistency
  e) Our three core values are professionalism, respect and responsibility.
- Where are we now – strengths;
  a) Structures which are fit for purpose (e.g. work related training)
  b) Progress in performance and absence management
  c) Improved quality assurance processes (e.g. mock inspections)
  d) Where done, succession planning is outstanding (e.g. in relation to paid interns and there is the intention to build on this)
  e) Impactful training and development
  f) Change programmes successfully implemented
  g) Outstanding employer relations – it was confirmed that the College receives very few appeals and tribunal hearings.
- Where are we now – challenges;
  a) Learning points form inspection show lack of consistency in managers giving meaningful feedback and appropriately managing the individuals with performance issues.
  b) Since inspection there have been difficulties in recruiting high calibre candidates to vacancies and managing a talent pool of existing people to become the next generation. Absence rates are rising above sector benchmarks – these have been successfully managed and the challenge is to maintain these levels
  c) Overcoming challenges within public finances
  d) Morale within the College which the team think is good but haven't measured through a survey for some time
  e) Our overarching aim as a College is to return to being outstanding whist embedding the 3 core values of professionalism, respect and responsibility
  f) To make the step change needed in all our behaviours to address the emerging challenges and meet the strategic single objectives.
- Our priorities;
  a) Provide a talent pool for the next generation
  b) Equip leaders to inspire and motivate their teams and

provide meaningful feedback to drive standards
   c) Support managers to appropriately manage and resolve performance issues of capability and absence
   d) Meet the future funding challenges to better equip staff and managers to cope with change
   e) Be an outstanding employer.
- To achieve our priorities we need to;
   a) Share and implement our plans – it was explained that the College has a really detailed operating plan which underpins the strategy, this is updated on a yearly basis
   b) Assign responsibility for carrying out the plan
   c) Set milestones to check we are on track
   d) Assess and monitor progress
   e) Report on progress
- Objectives - meeting our priorities;
   a) The College will be an outstanding employer and recognised as such through external benchmarks
   b) We will engage the right people through creative recruitment and we will provide the Colleges next staffing generation
   c) Managers will manage their staff effectively, all staff will receive meaningful and timely feedback on their work performance in order to sustain and improve quality
   d) We will review and revise when needed the way we contract our staff to meet business needs and deliver an affordable workforce which is fit for purpose.
- Objectives - maintaining good practice;

a) All staff will receive an effective induction, we will provide impactful training which improves performance and engages staff
b) We will develop and utilise the HR system and continue to provide accurate timely information to support decision making
c) We will demonstrate that we care about the health and wellbeing of staff and will proactively seek to maintain low levels of absence, prevent stress and promote healthy choices.
d) We will listen to our people who have protected characteristics to improve the way we manage and recruit minority groups
e) We will contribute to the Colleges responsibility for safeguarding children and vulnerable adults
f) We will work to our budget

- Measuring impact - The success of this strategy will be measured through;
   a) The HR KPIs which are reported on a monthly basis through the Colleges executive team, these will be expanded to capture the people strategy
   b) The use of external benchmarks such as staff survey
   c) Quality assurance and improvement processes such as area and the Colleges SAR
   d) The annual people report
- Next steps;

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a) People strategy to the corporation Board on 12th March 2015
b) Selection and approval of options to address future challenges to Finance and Estates Committee 12th May 2015 then for main Board approval at Business strategy residential 19th June 2015.

In general discussion the Committee were advised that the last staff survey undertaken was approximately 4 years ago. In the interim period other surveys have been done in relation to wellbeing, stress etc. and therefore it was agreed that now is an appropriate time to undertake a fresh survey. It was explained that the survey takes a lot of effort as a high level of participation is important to give it meaning. Governors suggested having the staff survey at the same point in each year so that staff become used to the timing and process.

The Committee questioned whether there is a staff suggestions box in place. It was confirmed that yes there is and that feedback is also gathered through Staffnet, staff meetings, Employee Council meetings, Principal's regular meetings with staff, termly drop in opportunities at each centre etc. It was also confirmed that feedback from staff following mock inspections is captured and collated, this then gives a very broad view of staff views.

The Principal took the opportunity to explain that the College still has some issues in relation to teaching and learning with a lack of consistency evident at mock inspections. Of particular concern to her are staff errors in relation to basic English and Maths. It was agreed by all that staff need to be skilled enough in this area to be able to give students proper direction and guidance. The Principal expressed the belief that the College is still 'not there' in terms of consistency and this is a significant issue to address as the basics need to be in place.

The Committee questioned whether performance management is used effectively. Assurance was given that it is but with hindsight it was felt that the College, as with other organisations in the public sector, could act more promptly however the sector hoops and regulations have an impact on this.

In terms of the challenges ahead the Committee indicated that it was important to keep Governors well informed and also ask Governors for support as and when required.

AGREED: to note the content of the update provided.

15.13 **PROCUREMENT REPORT**

The Director of Finance introduced this item and confirmed that the report included within the pack provides an update on the delivery of the objectives set. The report covers the 2013/14 financial year in its entirety which is the last year of the current 4 year strategy. Key points:

- Target 1 – cashable savings of £306,396 or 4.94% of spend (target was 2.5%)
- Target 2 – transaction efficiency savings of £297,464 or 5.47% of spend (target was 2.5%)
- Target 3 – spend through collaborative arrangements of 32% (target was 10%)
- Target 4 – vendor base reduced to 598 from 2225 in 2013/14
- Target 5 – tenders completed in the period. 22 with a further 3 in progress
- Target 6 – noncompliance at 37.83% and 36% for electronic and manual orders.
- Good progress has been made in delivering against the outcome targets in the procurement strategy with a real focus now necessary on encouraging greater compliance with a process for purchasing orders.
- An update of the current strategy is being prepared and will be presented to the Committee and is likely to follow a similar trend. It was confirmed that the next 4 year strategy would be presented to the May meeting.

	Director Finance	May 2015

Members took the opportunity to discuss the noncompliance rate and were advised that the finance team are currently working with all staff to resolve the rate of noncompliance and avoid the need to rework. It was explained that central procurement takes place for items with a value over £25k. Under £25k, departments and units carry out their own procurement and this is the area of noncompliance to address.

Members were given assurance that there have been no instances of actual or attempted internal fraud. There was one external fraud attempt regarding invoice payment changes in relation to the capital project. This was spotted and addressed.

AGREED: to note the update provided.

15.14 MANAGEMENT ACCOUNTS TO 31ST JANUARY 2015

The Director of Finance introduced this item and presented an update in relation to the midyear point for 2014/15. Key items noted:

- For the period up to the end of January 2015 the College group performance (excluding the effects of fixed asset sales) has delivered an overall operating surplus before interest and depreciation of £2,248k (last month £1,739k). After interest and depreciation the surplus remains positive at £991k (last month £682k) and significantly ahead of the budgeted result of £456k. The first half of the year has been boosted by a marked improvement in the College financial performance following a targeted effort to bring ESF and ASB enrolments up to date for the quarter two performance review. Whilst this is a one off hit in the period it provides a good starting point for the delivery in the remainder of the financial year.

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- At the halfway point last year the College group recorded an operating deficit of £3.053 million leading to a swing to this year's result of over £4 million. All agreed that this was a remarkable change in 12 months.
- Across the component parts of the group the College performance is above budget with a surplus before interest and depreciation of £1,526k (last month £1,112k) against a budget of £964k.
- Overall group income of £29.07 million for the first half of the financial year is £386k better than budget although lower than the £33.9 million recorded in the prior year.
- College pay costs continue to underspend and the first half of the year is £558k below budget. This is providing a large contribution to the overall positive position in the first half of the year but will be challenging to sustain for the remainder of the year.
- BKSB had a weaker month in January 2015 with a number of specific costs hitting the performance in the period. These are expected to be one off in nature and we are expected to see improvements in performance in the remainder of the year. The costs included £39k of exhibition costs from the BETT show and an increase in the doubtful debt provision of £25k. BKSB income is holding up strongly in the first half with £1.281 million (budget £1.277 million) and an operating profit of £530k (budget £597k.)
- Vision Apprentices continues to produce a close to breakeven performance although in the month of January income levels fell further due to a reduced number of employed trainees and produced a gross loss in the month. This has been an ongoing trend and must be tackled during the remainder of this financial year if the company has a sustainable future. It was confirmed that the Vision Apprentices Board of Directors will have to make a decision regarding the company's future given the ongoing contraction in activity.
- VWS continues to report a small operating profit as a result of provision releases and property exits which have now hit £163k for the year to date.
- The group balance sheet has continued to build reserves as a result of the improved performance in the first half of the year. Cash balances as predicted have declined at the end of January to £6.79 million as the SFA payment profile declines and 13/14 recoveries are actioned. Cash level will stabilise until the end of the first quarter and then increase in April 2015.
- The short term current ratio solvency indicator remains weak but is supported by sufficient liquidity so there are no real concerns.

The Committee questioned what the current position was in relation to bank covenants. The Director of Finance confirmed that the Colleges current position was now in line with covenants required, above £7.5 million. He explained that the bank were very pleased with the Colleges performance.

Governors noted increased turnover and questioned whether this means an actual increase in student numbers. It was explained that this was not the case because a significant proportion of the increase in turnover relates to partner activity.

Members' questioned the nature of underspends in relation to staff costs and questioned whether this was having an impact upon delivery. It was explained that the underspend is 4.3% of overall budget and of this 3% relates to teaching with more savings in relation to support staff areas rather than delivery. It was explained that the College has had some real challenges in relation to recruiting the right/quality staff particularly in relation to Maths, English and Computer Sciences. All acknowledged that these were key priority areas and that staffing was crucial. In terms of staff pay costs it was felt that whilst there was some challenges assurance was given that this was not as a result of the College choosing to hold back on recruitment, it was more to do with market conditions and a failure to attract suitably qualified personnel.

Members' questioned the debtors figure at page 5 of the report and felt that it was high and questioned why this was the case. It was explained that some of the income is paid in arrears so the debtor figure can change significantly as a result of spikes in activity. The Director of Finance provided assurance that there were no real issues and concerns regarding the debt level particularly as this includes accruals and pre payments.

AGREED: to note the content of the management accounts to 31st January 2015.

15.15 **MIDYEAR REVIEW AND FINANCIAL RE-FORECAST**

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

- The full year original budget will continue to be reported at budget holder and College level and will be used in the end of year financial reconciliation presented to the Board with the group financial statements.
- In January of 2015 the SFA informed the sector that there would be available additional funding capacity to meet the needs of non adult apprenticeship learning and the College was provided with an extra £700k in funding.
- The College is awaiting the outcome of a virement request made to the end of January 2015 to move £1.3 million of adult apprenticeship activity into the traineeship programme. The outcome of this request will be known at the end of February 2015.
- Paragraph 15 shows the adult skills budget delivery schedule for 2014/15, it was confirmed that the virement requested has been assumed within the forecast. If the virement is not approved

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then it will have an impact upon the 15/16 allocation.

- The 2 key areas of under delivery against the budget relates to College classroom provision and College work place learning NVQ. For each of these areas the budget includes the staffing resources to meet this level of activity but the reality is that in the first half of the year the performance has not been delivered. All agreed that this was a disappointment and a lost opportunity. Turnover will be higher than expected but will be a benefit to partners rather than the Colleges bottom line.
- The specific areas where under delivery is most prevalent for classroom delivery is in creative arts (£250k for the year) and business, professional and continuing education (£170k for the year). Both areas failed to recruit to the planned student numbers and are delivering underspends within staffing but this is not sufficient to recover the lost contribution from the planned activity.
- College delivered work place and NVQ activity was budgeted at £1.78 million with the majority of delivery expected through the construction work related training team. Current expectations are that this activity will deliver just £811k for the full year falling someway short of the target. Staffing costs are not significantly underspent in this area thus resulting in a poor contribution for the year. The programme and resourcing of College work place NVQ provision will need to be reviewed before the start of the next financial year.
- In addition to our own direct delivery the challenging targets set for adult apprenticeship programmes will not be achieved for the year with the expectation that an outturn of £12.291 million will be attained. This falls £2.451 million short of the target in the original budget for the year.
- Pay costs – the original budget anticipated pay costs of £26.08 million including a contingency of around £380k which has been utilised to absorb the annual pay review in January 2015 of 1% as agreed by the Board.
- Non-pay costs – total non-pay costs of £31.798 million include partner costs of £20.102 million. Within partner costs £4.452 million is for the ESF programmes. Excluding all partner costs from the non-pay forecast results in an overall non pay spend of £11.697 million. This compares to the original budget of £11.360 million.
- College forecast result for the year – the original budget for the College anticipated an outturn surplus after interest and depreciation of £58k for the 14/15 financial year. The midyear forecast anticipates that this budget will be attainted and the outturn will be a surplus of £59k, an increase of £1k. This, despite an expected increase in income of £1.4 million to £57.1 million for the year. As has been detailed in the report the core under delivery of the direct work related training programme and through adult provision in some areas will result in an irrecoverable impact on the year. Changes will be required in

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order to properly resource the underperforming areas to realistic and sustainable levels. Whilst it is easy to focus upon some of the remaining challenges that we have to fully return to operating efficiency, the progress made form 13/14 financial year to the current financial year are stark and absolutely positive enabling the College to maintain the trust and confidence of its backers and funders in a tough operating climate.

In general discussion members were reminded that the second half of any academic year is always more difficult than the first and therefore hanging on to the current position will be a challenge. Because of this, contingencies have been included within the re-forecast position. The midyear re-forecast position could be improved but not substantially.

Members' attention was drawn to the financial table at page 111. All agreed that there was a remarkable turnaround form the 13/14 position. The Director of Finance confirmed that there were still some challenges to tackle and there were also some concerns regarding the assumptions that have been made.

In relation to the underperformance seen in relation to College based classroom activity the Committee questioned whether an assessment has been undertaken as to why this has happened. Assurance was given that this assessment has taken place. Key areas for review are business and creative industries. There are a number of contributing factors which include:

- The College not presenting itself and marketing itself correctly in some areas
- Quality issues
- Staffing resource issues
- Some programmes not run because of recruitment performance issues. It was explained that some tough decisions were made in terms of the viability of programme areas and also the ability to provide at the right quality level. The College has and will take decisions that if it cannot provide at an acceptable standard then it is unlikely to continue to deliver in these areas.
- Staff recruitment challenges in particular niche areas.

It was confirmed that the reforecast presented would form part and parcel of the midyear review undertaken by the Board at its March meeting.

AGREED to note the update provided.

15.16 <u>STUDENT FEES AND CREDIT POLICY 2015/16</u>

The Director of Finance introduced this item and confirmed that fee levels are reviewed on an annual basis. Particular items brought to members attention:

- In 2014/15 tuition fee income has increased by 8% from £2,660,669 to £2,876,808 largely due to the increase in HE tuition fees. For 2014/15 total tuition fees are expected to reach £2.876 million following the recent midyear financial forecast.
- A reduction in vocational tuition fees is expected in 14/15 as 13/14 looks like an outlying year with respect to historic fee levels although 14/15 shows some increase over the previous 2 years as a result of the introduction of the advanced learning loan system.
- Fee remission categories have now been issued by the SFA and have not changed.
- Paragraph 15 of the report details the proposed fees in relation to HE. The College has increased its fulltime higher education fee levels by £200 for 15/16. Fee levels for 15/16 will be;
  a) £5950 for fulltime learners
  b) £3150 for part time learners (plus £150 on last year's fee)
  c) £1150 per module – first entry (plus £150 on last year's fee)
  d) £750 per module – resit (new)
- Paragraph 25 details the changes to the FE fees. Course fees for adult apprentice programmes will continue at £500 for the majority of adult apprentices. Advanced learning loans are no longer available for apprenticeship programmes. The fee of £500 is payable in full at the start of the programme as a one off fee. The College will increase its tuition fee levels in 15/16 by 2% rounded up to the nearest £5 with some minor specific fee changes outside of this general policy. This follows a three year period whereby fee levels have been held by the College.
- Paragraph 3.1 provides clear detail regarding arrangements relating to student withdrawals. There are some minor changes but in reality are simply making the current position much clearer.
- The further education advanced learner loan system – a deposit is now required at enrolment, this is in line with other areas of provision.
- Discretion – this still remains with the Deputy Principal.

Governors questioned whether the fees were in line with competitors. Assurance was given that this is the case. The College does have some market led fees that maybe different but generally they are all comparable.

It was noted that instalments are all paid by direct debit. The College is looking at developing an online payment portal for all fees, currently an online system is only available for incidentals.

Members reviewed the policy presented and changes proposed and all agreed that it was sensible and fit for purpose.

AGREED: to approve the student fees and credit policy for 2015/16.

Signed : ____________________________Chair Date:

15.17 **AOB**

There were no items of additional business.

15.18 **DATE OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was Tuesday 12th May 2015 at 4pm.

Signed : ____________________________Chair Date: