WEST NOTTINGHAMSHIRE COLLEGE FINANCE, RESOURCES AND ESTATES COMMITTEE

Minutes of the meeting held at the Derby Road site on Tuesday 29th September 2015 at 4.00 pm.

BOARD MEMBERS PRESENT:	Terry Dean Malcolm Hall Dame Asha Khemka DBE (joining by conference call) 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 Projects and Estates Tracy Thompson, Director: HR Sacha McCarthy, Director: Employer Engagement David Overton, Governor for Estates matters only

		ACTION by whom	DATE by when
15.37	**APPOINTMENT OF THE COMMITTEE CHAIR FOR 2015/16** Hari Punchihewa was nominated as the Chair, this nomination was seconded and approved. AGREED: to appoint Hari Punchihewa as the Finance, Resources and Estates Committee Chair for 2015/16. The Chair indicated that he would like to progress the meeting on the basis that all papers have been read in advance and therefore presenters are to pull out highlights only and then receive questions from the Committee.		
15.38	**DECLARATION OF INTERESTS** 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.		
15.39	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE** There were no apologies for absence.		
15.40	**MINUTES OF THE MEETING HELD ON 29TH JUNE 2015** The minutes were reviewed and agreed as an accurate record.		

Signed : ______________________________Chair Date:

AGREED: to approve the minutes of the meeting held on 29th June 2015.

15.41 MATTERS ARISING AND ACTION PROGRESS REPORT

Members reviewed the action progress table and noted that a significant number of items had now been completed. They were entirely happy with the activity completed and planned.

AGREED: to note the update provided.

15.42 PROPERTY STRATEGY 2015 - 2020

The Executive Director introduced this item and drew members' attention to his detailed report. He confirmed that all main capital investment proposed in the 5 year strategy will in fact take place over the next two years with circa £7million being invested. He confirmed that the strategy would need to be reviewed again after a 2 year period. The main thrust of the 2020 strategy is to deliver a new University Centre, synthetic turf 3G 5-aside football pitch, additional car parking on the Derby Road site and relocation of administrative staff from Ransom Wood to Ashfield House at Chesterfield Road in the 2015-2017 period. Following on from this will be an on-going programme of internal refurbishment of the Derby Road campus, including the refurbishment of the main learning resource centre for the introduction of blended learning.

Members' attention was drawn to page 76 which sets out the planned KPIs. These were discussed in detail:

1) Sustainable condition A/B across 80% of the estate – it was explained that 80% would be a minimum.
2) Room occupancy of 60% plus and room utilisation rate of 40% - it was explained that the College will undertake a full utilisation and occupancy survey in November 2015 and then report back to this Committee in the first meeting in the 2016 year. The Committee were advised that in previous years the College would not have hit the target figures established because of the fragmented state of the estate. In terms of occupancy and utilisation the Committee questioned whether there was a need to have a strategy in place to increase numbers and group sizes or to reduce room sizes for example by splitting them to make room size more efficient. The Executive Director indicated that what the College needs to tackle first is timetabling, because what is in place at the current time is often a mismatch between student group sizes and room size. The Committee asked what the sector benchmark is for occupancy and utilisation.

Action	Date
Executive Director	Feb 2016

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3) The Executive Director indicated that there were no specific benchmarks for FE but that he could see simply by walking around the estate that there is evidence of some large and small groups that are not timetabled properly. He indicated that there is the option of linking some classes together. The Committee felt that if large rooms were being used inappropriately then there was the option to introduce partitions to give more flexibility. They also questioned whether it was worthwhile looking at cost savings by not using certain rooms.		
The Committee were of the view that room occupancy and utilisation ought to be closely linked to the contributions made by each area of provision and the finances. It was acknowledged that there may be opportunities for curriculum rationalisation and consolidation. The Committee questioned whether it may be better to report on frequency of usage and also utilisation during these times to give a better idea of what rooms are used when.		
The Committee questioned whether there was the appropriate level of connectivity between curriculum planning and the timetabling system and team. The Director of Finance provided assurance that all of the data is available to allow this process to occur efficiently but that the current position can be improved upon. Generally there is the view that the College currently has some small groups which mean inefficiencies in relation to room usage and percentage utilisation. All agreed that what was key going forward was to establish a baseline and then monitor over time. The Committee were not of the view that the KPIs proposed in relation to occupancy utilisation would apply for a 5 year period. They were happy to approve the indicator in the short term but asked that this be reviewed in 2016 following the full survey undertaken.	Executive Director	February 2016
The Principal expressed the belief that this Committee and the Board needs to be more challenging on this issue. She agreed that the Executive would meet and more detail be provided in relation to how room occupancy and room utilisation will be addressed. It was confirmed that this would form part of an updated report to this Committee.	Executive Director	February 2016
All agreed that the College has to look to fill any empty spaces when it becomes clear in the timetable that these gaps occur.		
4) 85% of estate in very good or good functional state and 15% of estate in a satisfactory state – the Executive Director explained the difference between 'functional' which means that the estate is fit for purpose for the curriculum and that 'satisfactory' is adequate but not perfect. The Committee felt that in the strategy there is a need to have clear ambitions shown. The view is that over 5 years it is inappropriate to accept that there would still be 15% of the estate that is still not functional. The Committee did not feel that this was aspirational enough.		

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Whilst accepting that there is a need to be reasonable there needs to be ambition in terms of the facilities on offer to students. The Executive Director indicated that if the College continues with the current level investment then in his view it was not unreasonable to get above the 90% figure.

Assurance was given that the College does carefully consider any investment needed and the feasibility regarding accommodation that is only satisfactory. Clay Street in Sheffield was given as an example. These facilities are just about 'satisfactory' but any improvement would need significant investment. It was acknowledged that this was a decision to be discussed at a future meeting.

The Committee indicated that at a future date they would like to see a report presented on the space not required in the estate and an explanation given as to how this impacts upon the overall strategy for the College. Also to be provided are details of the energy efficiencies achieved as a result of the improvements to the estate.	Executive Director	February 2016

In terms of this indicator proposed the Committee again stated that they would like to know what national benchmarks are for comparison. They also indicated that they would like to see the College aim for 100%.

5) Appropriate targets for reduction of carbon emissions to be identified as part of the 2015-2020 property strategy – it was explained that this was a work in process.

Subject to the comments made, the Committee generally felt that they were able to recommend that the strategy as drafted be presented for approval by the Board. It was noted that further reports would be provided in response to the comments made during the next 6 month period.

AGREED: to recommend that the Board approve the property strategy proposed for 2015-2020.

15.43 SOLAR PANEL FEASIBILITY REPORT

The Executive Director introduced this item and drew members attention to the executive summary included at page 139. Members reviewed the information provided and received the recommendation that, realistically the investment required would be too significant when the College looks at the payback period. It was explained that the Colleges carbon emissions position does not make it imperative or attractive to make this level of investment and that this, when combined with the uncertainty regarding the feed in tariff also makes it less than attractive.

The Committee were advised that installing solar panels is an economic decision and on the basis of the information provided the payback

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	period would be 30 years plus and therefore not realistic or attractive. All agreed that the payback period is very extended and realistically is not something to be considered in the current economic circumstances where prudence is required. One member of the Committee challenged the senior team and indicated that for this level of investment, in his view it would be far better for the College to look to change the lights to LED, as this would be a much quicker payback period. It was agreed that the Executive Director would undertake a lighting review and report on this at a future meeting. The Committee generally felt that it was important to seek to 'future proof' the College and part and parcel of this would be to look at what other sectors do. It was believed that there is merit in linking the College's delivery to future technologies and efficiencies required. AGREED: to note the content of the report provided. (David Overton left the meeting at 4.45pm)	Executive Director	February 2016
15.44	**<u>INSURANCE AND RISK 2015/16</u>** The Director of Finance introduced this item and explained that the College had recently gone out to tender for this service. Key points noted were: • Of the 3 companies on the framework the College received 2 compliant bids from Zurich Insurance (the incumbent) and MARSH. • Following evaluation of the bids the College will be appointing Zurich Insurance to provide cover against College risks for the next 3 year period. • The total cost of cover for the College group is £151,200.17 and is some £23,878 (13.6%) lower than the previous year. It was noted however that £16,672.50 of this reduction is due to the end of WIP Insurance on the new build programme and the College will need to instigate a more limited policy for the new HE Centre. • Changes to the cost of cover include a reduction in property cover costs with large increases in casualty insurance reflecting the litigious climate. The College will also see the cost of terrorism insurance reduce by around £10k due to a different cover level being selected in the tender process. • Across other elements of the overall package of cover the tender structure differs to the 14/15 insurance policy and as a result there are some other minor differences with inclusion and exclusion of various insurable lines, however the level of cover sought for 15/16 reflects the level of cover in place for 14/15 aside from terrorism.		

	The Committee questioned whether within the insurance policy the College is covered for a cyber-attack. The Director of Finance indicated that he was unsure and would therefore check. It is a possibility that this is covered as part of business interruption or computer equipment. He confirmed that he would clarify at the next meeting. The Director of Finance explained that the contract appointment would be for an initial 3 year period with the option to further extend by 2 additional one year periods. AGREED: to approve the insurance costs and the extent of cover provided for the 2015/16 financial year.	Director Finance	November 2015
15.45	**2015/16 BUDGET - SEGMENTAL ANALYSIS** The Director of Finance introduced this item and confirmed that this is the first time he has provided a formal report on segmental contributions. He acknowledged that it was important to help both the senior team and the Board understand the businesses component parts. In terms of the process he explained that he has identified a number of profit centres and then has also identified cost centres. In addition to this, cost drivers have been identified which explain how costs are to be allocated. He explained that this was very much the first iteration of the analysis and should therefore be considered as a starting point only. All acknowledged that this was an incredibly useful tool to aid the start of discussions. In reviewing the data provided members discussed page 23 and agreed: • that there were two concerning areas i.e. Creative industries and Digital Media and Construction and Business Services. They agreed that the next step in the process was to better understand why they appear to be facing the most significant challenges. The Director of Finance expressed the belief that the College was not generating enough income from the Construction provision but it is not known whether this is because of under-utilisation or poorer returns when compared with other areas of delivery; • HE has a really positive influence on the statistics; • the College has £12.8 million of overheads and needs to look more closely at the highest cost centres and question whether the College is driving hard enough to manage and reduce these costs. In reviewing the report all acknowledged that it does not give finite answers but broadens out the areas for discussion needed. The Director of Finance confirmed that there was a need to look at the information from both increased income and reduced costs.		

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He explained that there were some significant challenges in the future particularly if the size of the organisation reduces and realistically, if the College loses income then it has also got to find significant cost savings.

The Committee commended the work undertaken and were happy that it provided a really good starting point. It gives a broader picture of what now needs to be investigated and reviewed.

The Committee questioned whether student support funds, particularly for the disadvantaged is simply money in and money out. The Director of Finance explained that it was more than this and in fact it is a positive contributor.

It was explained that property and estates costs are spread across the estate on the basis of space used.

The Committee questioned whether there is a group who discretely meet to agree the cost drivers. The Director of Finance explained that this was not yet operational but would be the next step in the process.

The Committee agreed that at this stage what is important is to identify the key messages and then consider how they will be dealt with. From the data provided it was acknowledged that the franchise and partnership provision is a key component part to the Colleges viability and profitability. The Director of Finance confirmed that this report will now help to open up and start discussions with each head of school. His plan of action includes:	Director Finance	November 2015

a) Reviewing the 2014/15 year-end position and using this as a baseline going forward to compare;
b) Analysing the differences for each income stream e.g. work based learning, classroom activity, apprentices etc.

The Committee indicated that because of the importance of franchise and partnership provision they would like a future report to allow them to better understand the risks relating to this line of income.

AGREED: to note the content of the report provided.

15.46 **<u>ANNUAL REVIEW OF STANDING ORDERS</u>**

The Clerk to the Corporation introduced this item and presented changes proposed and highlighted in red. She confirmed that two particular changes were recommended. The first relates to Governor attendance at meetings and widens the scope of this in line with the Board decision in July to include physical presence, skype and conference call. The second relates to the period of office that Governors can serve on the Board. The change takes account of recommended good practice that this should be a maximum of two terms of office. Each term being for a four year period.

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It was noted that whilst there may be circumstances where a deviation from this is approved by the Board it should be considered as the exception rather than the rule.

AGREED: to recommend that the Board approve the amended standing orders as presented.

15.47 **MANAGEMENT ACCOUNTS (DRAFT) TO 31ST JULY 2015**

The Director of Finance introduced this item and confirmed that the report presented was still a draft position, although he did not expect there to be significant changes. Key points brought to members' attention were:

- As reported to the Board earlier in the year the financial year has been a year of rebuilding operating capability and delivering on financial budgets following the poor reported performance in 13/14 and the losses arising from Vision Workforce Skills.
- The College performance has been mixed with significant shortfall on adult skills budget activity offset by a larger than budgeted income from the ESF SSW. Coupled with tight control of pay costs providing an overall positive result for the year.
- The overall operating profit for the year of £275k is better than forecast, although the performance could have been significantly better if targets for apprenticeship delivery for both adults and young people had been met.
- The result for the College before interest and depreciation of £2.623 million compares favourably to the prior year where a surplus at £1.071 million was achieved.
- Turnover for the College was slightly lower than forecast despite the ESF programme achieving £6.877 million (budget £4.956 million) at £56.686 million. An under delivery against forecast for the ASB of £3 million (£20.1 million outturn compared to a forecast of £23.1 million) is the key reason why the result wasn't significantly better than reported. It is worth noting that the contracted ASB was £23.4 million meaning that the recovery/clawback in January 2016 will be £4.2 million. The College has fully provided for this recovery.
- The impact of VWS was a key influencing factor of the 13/14 overall group result and the trading activities have now been assimilated within the College. Residual activities of exiting the remaining leasehold properties has resulted in an operating profit contribution for the year of £400k. This is in stark contrast to the operating loss of £5 million for 13/14.
- BKSB once again has delivered a record year with its profit contributions being £1.253 million (2013/14 was £1.152 million).
- Group borrowing at the balance sheet date will be £16.261 million (13/14 was £17 million) as the College has begun its repayment of its long term debts from 1st August 2014.

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A quarterly capital repayment of £185k will see the long term loan reduced to £15.52 million by the end of 15/16 financial year.

- The FRS17 pension deficit will see an increase at the balance sheet date from £13.2 million to £14.732 million at the end of July 2015. This follows a challenge to the actuary concerning the rate of inflation, this was subsequently revised leading to a much smaller increase in the rate of deficit growth. He explained that the actuarial assumptions regarding pension deficit are very volatile and therefore going forward it is important to challenge assumptions made.

In general discussion it was acknowledged that the draft position shows a very positive result with a swing of £7 million between 13/14 year-end and the current position. All agreed that this gives the College better credibility and also a stronger financial position to support development of the HE Centre.

Members were advised that Chesterfield Road will appear as a zero valuation on the books because of the lease to the Studio School.

In reviewing the information the Committee noted the increased non-pay costs for BKSB and queried why. The Director of Finance explained that significant investment had been made in the new platform which is now hosted by Amazon. Whilst a significant cost, it was believed that this was a critical investment. In addition to this there has been more spending on shows and exhibitions as the company seeks to penetrate existing and new markets.

The Committee questioned whether the senior team have fully analysed why the College undershot apprenticeship allocations so significantly. Assurance was given that this has been done and it was explained that if the College had identified the underachievement earlier in the year then it could have approached new quality partners. The lesson learned is for the College to make these decisions much earlier in the academic year. The Committee were reminded that a conscious decision was made in 14/15 to focus on quality and outcomes. As a result the success rates have improved significantly, however with hindsight the College could have positioned itself better to deliver contractual values.

AGREED: to note the update provided.

15.48 **TREASURY MANAGEMENT POLICY AND PERFORMANCE**

The Director of Finance introduced this item and confirmed that he was proposing no changes to the policy. It was noted that it was still a very low interest rate climate and that the College needs to have easy access to liquidity and therefore no significant returns on investment have been achieved or forecast.

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The total interest earned up to the end of the year is based solely on the cleared current account balances and amounts to £39,842 which is slightly better than the annual budget of £30k.

It was confirmed that the College needs access to all of its cash in the short term to support the development of the HE Centre and therefore it is unlikely that the College will be seeking to place any long term deposits.

The Committee questioned how the Finance team check credit ratings for investment opportunities. The Director of Finance confirmed that he uses Moody and Standard and Poor.

AGREED: to note the update provided.

15.49 BOARD MEMBERS EXPENSES REPORT 2014/15

The Clerk introduced this item and drew members' attention to the schedule of expenditure. All agreed that Governors expenses claimed were incredibly modest.

AGREED: to note the update provided.

15.50 ANY OTHER BUSINESS

There were no items of additional business.

15.51 DATE OF NEXT MEETING

The Clerk confirmed that the next scheduled meeting was 10th November 2015 at 4.00 pm.

15.52 CONFIDENTIAL ITEMS

It was agreed that confidential items would be recorded separately.

Signed : ____________________________Chair Date: