WEST NOTTINGHAMSHIRE COLLEGE
FINANCE, RESOURCES AND ESTATES COMMITTEE

Minutes of the Finance, Resources and Estates Committee meeting held on Thursday 8th November 2018 at 5.00 pm

GOVERNORS PRESENT:	Terry Dean Malcolm Hall MBE, Chair Martin Rigley MBE Martin Sim, Interim Principal
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Tom Stevens, Deputy Principal Business Development Gavin Peake, Director of IT, Estates and Learning Resources

		ACTION by whom	DATE by when
1	**APPOINTMENT OF THE COMMITTEE CHAIR** It was agreed that Malcolm Hall MBE would Chair the meeting but that it was envisaged that this would be an interim measure until a Chair has been identified for this Committee from the new Governors appointed. AGREED: to appoint Malcolm Hall MBE as the meeting Chair.		
2	**DECLARATION OF INTERESTS** The meeting Chair reminded those present to declare at the start of the meeting any interests that they may have in matters to be discussed. No interests were declared and standing items were noted.		
3	**APOLOGIES FOR ABSENCE** Apologies for absence were received from Alan Mele. The Clerk advised that Alison Breeden has resigned as a staff Governor because increased commitments.		
4	**MINUTES OF THE MEETING HELD ON 23RD JULY 2018** The minutes were reviewed and it was confirmed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 23rd July 2018.		

Signed : ______________________________Chair   Date:

There were 2 matters arising discussed

- Page 4 – it was confirmed that KF Training went in to liquidation on 16th August 2018.
- Page 7 – it was confirmed that the electrical testing and re-inspection work tender was undertaken in September 2018. Actions were identified but assurance was given that they are all low risk.

AGREED to note the content of the update provided.

5 **ACTION PROGRESS REPORT**

The Committee considered the table in detail and a number of updates were provided:

- Line 1 – Partner contracts is an agenda item later in the meeting;
- Line 2 – is not yet due;
- Line 3 – an Alumni report was provided in July 2018 and therefore it was agreed that the next update would be provided in February 2019. The Clerk reminded the Committee that the decision had been taken to continue with the Think Alumni relationship for the 2018/19 year but that thereafter it was the intention to assess value for money in relation to the contract;

  VP — Feb 2019
- Line 4 – is completed with a report provided in July 2018;
- Line 5 – the Committee were advised that the College has been unable to obtain any benchmarking data. The ESFA used to collect data regarding student union finances, however this is not a field that is required to be populated any more. Louise Knott has made a request to other colleges for comparable information but unfortunately none has been forthcoming. It was explained that the WNC costs include staff and admin costs and therefore it may not be possible to compare on a completely like for like basis with other institutions. The interim Finance Director confirmed that costs associated with the student union would be reviewed as part of the financial recovery plan in any event;
- Line 6 – the Interim Principal provided an update on the use of subcontractors in 2018/19. He advised that the model used by the College as at the 7th March 2018, meeting where this action arose, was fine. However, the financial notice to improve (FNI) received by the College on 24th July 2018 had implications, i.e. the FNI itself precluded the College from amending existing or commencing new contracts for however long the FNI exists. The College strategy for 2018/19 is to re-designate the focus to local delivery and part of this included two contract values which were increased and two new contracts issued (in relation to the two new contracts, one is with a company already known to the College). This change in existing values and introduction of new contracts was not in line with the funding rules given the existing FNI.

Signed : ____________________________Chair Date:

- The Interim Principal indicated that this is something that he had seen at another College and was able at that organisation to seek retrospective approval from the ESFA. The ESFA have been approached and they have indicated that they will accept the submission of a College business case regarding these changes and, if accepted, this will allow the activity to go through their audit process. He indicated that there were no guarantees at this stage regarding the success of the application. He confirmed that the business case is due to be submitted tomorrow with a response expected from the ESFA before finalisation of the financial recovery plan. The Committee were reminded that subcontract activity for the 2018/19 year is £5.3million and because of the changes to the funding rules there is currently £1.5million at risk, with £950k in relation to two contractors.

The Committee were advised that the rule change occurred in November 2017 and that the College was fully compliant up to the receipt of financial notice to improve on 24th July 2018. The Interim Principal advised that it is an oversight only and that the issue has been identified early, so that there is a hope it can be resolved with the ESFA. He explained that the oversight was in not going back to check contract values once the financial notice to improve had been received. He indicated that the impact could be clawback, which would then lead to cash flow difficulties in the new year if the ESFA does not accept the College's business case. He reminded the Committee that the other major challenge is in terms of hitting the apprenticeship targets given the potential number of out funded learners. The Committee were advised that there are still issues outstanding in relation to a number of subcontractor arrangements, these include Trackwork, SIDDHI and Capital4.

A question from the Committee was whether or not the breach of funding rules was an error or was an action taken on purpose. Assurance was given that it is very much an oversight and an error.

AGREED: to note the content of the update provided.

6 **<u>MANAGEMENT ACCOUNTS TO 30TH SEPTEMBER 2018</u>**

The Interim Finance Director presented the management accounts and as an overview indicated that the position was worse than budgeted, however he described September as always being an unsettled month with not all enrolments and staffing in place. He described the October management accounts as providing a much clearer barometer in relation to the college position.

The Committees attention was drawn to the second paragraph on page 3 where it is noted that the overall loss, after interest and depreciation, at £247k is £116k higher than the same stage last year and £221k worse than the phased budget.

Signed : _____________________________Chair Date:

He advised that very late in the day it had been discovered that there was an error on the ILR return and that there were a number of students on the system in September which were not showing correctly in terms of income. Longer term there will be no impact as the data will simply catch up in the following months, however this does mean that there is an extra £232k of income which should be showing within the September management accounts. He confirmed that £232k of the loss (calculated at £247k) is now accounted for and this position has been corrected in the October management accounts. This then means that the College is operating broadly in line with the planned budget.

The Committee considered the accounts and a question was raised in relation to non-pay costs detailed at page 4, the Committee queried why these were not in line with expectations. It was explained that costs have been paid to partners but that there is no associated income shown because of the data issue previously referred to. The interim Finance Director indicated that also the number of apprenticeship learners enrolled is not as high as envisaged. The Committee's attention was drawn to page 9 which gives greater analysis of the non-pay position.

The Committee discussed the system issues identified and the work being undertaken with Pro Achieve. It was confirmed that errors do often take place across the sector in the early months of the academic year as any system changes have to be tested by each College. A challenge for the College is to be aware of the issue and also to be aware of the fact that the system itself makes automatic changes to funding and therefore this would impact upon cash flow. This is not something that can be picked up unless the system is tested and double checked by the college. The Interim Finance Director indicated that, generally colleges have until the RO4 to make sure that all system changes have stabilised.

The Committee were advised that non-pay expenditure is less than profile as there have been a lower number of students with partners as compared to the plan.

Members' attention was drawn to page 8 and the pay cost analysis. It was pleasing to note that this is in the main in line with budget. It was confirmed that use of temporary staff is always high in September as the College awaits the outcome of enrolment before finalising staffing needs. It was confirmed that the College has incurred further costs in any event because of over achieving student numbers against target. The estimate is that the College has incurred an additional £130k costs to support and accommodate the extra student numbers (16-18, 19+ and HE).

The Committee were advised that the College's cash position is no longer critical but it should be noted that this is only because of external exceptional financial support.

Signed : ____________________________Chair Date:

The next EFS payment is expected on 16th November and will amount to £1.6million. The College has a further opportunity to submit a final request for exceptional financial support in December/January and this will be on the basis of the financial recovery plan.

The Committee's attention was drawn to page 11 which gives analysis of performance by School. The Committee were reminded that this data is still only two months into the financial year and only one month in to the academic year, however that being said the rates look low. As an overview it was acknowledged that the College's cash flow position is very much dependent upon exceptional financial support and delivering the apprenticeship targets.

Members' attention was drawn to page 10 and the KPIs therein. It was confirmed that the College currently is accessing the maximum amount permitted in relation to the revolving credit facility and also has the benefit of exceptional financial support. This means that the College is outside the financial covenant figures. Assurance was given that the bank have been provided with copies of the monthly management accounts and therefore they will be aware of this. The bank have already been made aware that the I&E reserves are not at £9million and that this in itself is a covenant breach. At July 2017 the College reserves were £9.1million, however the July 2018 position will be well below this. The Committee were advised that it is highly likely that the College will receive a reservation of rights letter from the bank, this will be the bank acknowledging the breach and indicating that they intend to reserve their rights in relation to the breach to a point to be determined in the future. The Committee were reminded that the bank has agreed a waiver in relation to the breach of representations made regarding the RCF.

The Interim Finance Director expressed the view that the College should have full access to the RCF amount until 31st March, however the bank may take a view at 31st January. It was confirmed that by 31st January the bank's position regarding RCF should in the main be irrelevant as a longer term strategy and agreement will be in place with both the ESFA and the bank.

AGREED: to note the content of the Management Accounts presented.

7 **VISION BUSINESS UPDATE INCLUDING PARTNER CONTRACTS**

The Deputy Principal introduced his written report and a number of matters were specifically noted:

- For 2018/19 the apprenticeship funding banding has been reviewed and increased from 15 to 30 funding bands.

Signed : ____________________________Chair Date:

It is not possible to assess the impact that this will have on the contribution that apprenticeship provision will provide, as the increased number of bands is being applied to new apprenticeships as they are introduced in the market place.

- In addition to this, in May 2018 the Institute of Apprenticeships announced that the banding rates of 31 popular apprenticeship standards would be reviewed. Work is still ongoing with this. To date 12 of the funding bands have been announced and published following sign off by the Education Secretary Damian Hinds. Of the 12, 7 have had their funding cut and 3 remain the same while a further 2 have had their funding rate increased. Not all of the standards are used by the College and therefore not applicable. The changes which will take effect from 1st January 2019 will be incorporated in to the profile. The Deputy Principal confirmed that the College has had to make some minor adjustments to respond to these changes.
- Of more concern are changes likely in relation to the leadership and management apprenticeship standard. He explained that it is proposed that current funding for the apprenticeship degree standard, operations/departmental manager and team leader is to be reduced. This matter is presently under discussion and the Institute of Apprenticeships has passed on a complaint that the funding band and values should not be reduced to the DfE as the Institute for Apprenticeships did not feel that it could take any action. An outcome to this complaint is anticipated in the near future. It was confirmed that if this funding band is reduced then it will have an impact on the College, albeit that there will be a lead in time regarding any reductions agreed.
- National apprenticeship starts – there is a national 25.48% overall reduction in apprenticeship starts, however this is an improvement from starts reported for the period August 2017 to March 2018 which showed a 28% reduction.
- It is worth noting that the number of apprentices starting on new high quality (level 4 and above) apprenticeship standards has increased to 119,500 from 11,000 for the same time last year. This follows the trend of some levy payers focusing on a small number of high level apprenticeships which are more expensive than those at Level 2/3. The Government is likely to fall well below the apprenticeship target of 3million in this parliament.

<u>Direct delivery apprenticeships</u>

- It has previously been reported that the direct delivery apprenticeship target for new business in 17/18 was amended significantly downwards over the year from 4,235 to an eventual year ending total of 702, which in real terms engulfed the college in to financial difficulty by the end of the year.

Signed : ____________________________Chair Date:

- The past 12 months has demonstrated how difficult it is to forecast apprenticeship income. A market related economy has been truly created and this is an environment that college staff are not used to. It is also a market with no track record of statistics to fall back on and provide guidance. In such a market the College needs to be very conservative around any potential growth.
- In total the apprenticeship programme is presently anticipated to fall from just over £7 million to just over £6 million (-14% between the 18/19 and 19/20 financial years). Growth from direct delivery apprenticeships will at best match the drop off in other areas, although the more likely outcome is that it will fall short and show no growth at all.

An update to the College's current position was circulated at the meeting, although the Deputy Principal advised that it needs further verification at this stage, however it looks like the College might just meet its apprenticeship numbers and he is optimistic that the college will be 'there or thereabouts'. He confirmed that CITB learners are now coming on stream after a sector issue led to a delay.

The Committee questioned whether there are any challenges that exist in terms of identifying quality candidates. The Deputy Principal confirmed that this does remain the case, particularly in relation to SME positions.

The Committee questioned whether the College has had any success in terms of 'mopping up' 3 AAA learners. The Deputy Principal indicated that the College has not been tremendously successful regarding the transfer or new apprenticeships who were with or may have gone with 3 AAA. He confirmed that there is a lot of competition within the sector, but gave assurance that the College is being as proactive as possible.

- In terms of the profile for 2018/19 the target income is £1,483,052 – this will be mostly from schools and local areas.
- National employers (key accounts) that could drive higher numbers for Vision Business are estimated as part of a second profile. Target income is £635,700. This profile has been adjusted down to take in to account employer trends. It is uncertain what impact administered status will have on the college in terms of incoming business over the next few months and this is being reviewed as part of the financial recovery plan. The revised 18/19 and 19/20 financial budget will take these in to account.
- Strategically the college must find ways of addressing shortfalls on the profiled apprenticeship starts. An element of caution must be noted as business is very much dependent upon the College having a successful strategy to source new business.

Subcontracting of apprenticeships to partners

- The subcontracting business of the College is significant but winding down over forthcoming months with 18/19 seeing much reduced activity. An update report on partner activity for 18/19 was presented to the Corporation Board on 13th September. Schedules identify £1,448,683 of anticipated activity in 18/19, less £515,911 for the withdrawal of London Hair activity, leaving £932,772 with carry forward income of around £7,018,190 in 17/18.
- An updated schedule identifying subcontractor apprenticeship completions and achievement for 17/18 was provided at appendix 6. This shows actual income of £5,483,255 against a target of £6,751,240.

As an overview observation the interim Principal indicated that all subcontract activity is down against plan and Capital 4 and SIDDHI are of particular concern.

Adult Education Budget 2017/18

- The AEB is significant but mainly distributed to contractors who specialise in AEB delivery, with the College retaining a 20-30% margin for oversight and quality control.
- A total sum of £6,806,609 AEB is allocated for 17/18 of which around £1.446 million (21%) is undertaken by the College and £5,360,609 is subcontracted.
- Appendix 7 shows an updated report for AEB outturn in 17/18. This shows overall expenditure of £6,666,800 against a budget allocation of £6,806,609, which is within the 3% clawback figure of £6,602,411.

Adult Education Budget 2018/19

- The AEB allocations are confirmed to be the same as 17/18 allocation of £6.8 million for the college. A strategy for the allocation of AEB in 18/19 was presented for consideration to Corporation Board on 23rd July 2018. Proposed budgetary allocations to subcontractors was presented on 13th September 2018 for approval, with a strategy for reallocating provision to a limited number of subcontractor areas working close to the college and in regions not in a proposed mayoral combined authority. The allocations for subcontractor AEB commitment were included at appendix 8 and were presented to the corporation Board on 14th September. Contracts have been issued to the approved subcontractors and a number have signed the documents and returned it to the College for signature. The Committee were reminded again that the ESFA are reviewing what contracts are permitted at the current time given the financial notice to improve. This is the business case which was referred to earlier in the meeting.

Signed : ____________________________Chair Date:

- The receipt of EFS is technically viewed as placing the College's finances into an 'inadequate' position. This triggers a position where AEB contracts cannot be grown, which relates to the overall £6.8 million budget and as part of recent new ESFA ruling it also applies to individual contracts allocated to subcontractors. Potentially this could negatively impact upon the contract values of AEB that can be allocated to individual contractors on the colleges approved list and working within region. The ESFA have been asked for clarity on the question of what the College can contract.
- The Committee were reminded of the mayoral combined authorities confirmed as devolved for 19/20 by the ESFA. In addition North Tyne and Sheffield are under consideration for devolution. The Committee were reminded that the College has provision in Sheffield which could be impacted.

2018/19 funding allocation

- For 18/19 it is proposed to subcontract AEB delivery to a more restrictive number of contractors who will deliver AEB in non-devolved areas.
- 10 subcontractors are proposed for the allocation of funding from AEB for 18/19. Contracts are allocated on the subcontractors' quality assurance track record and their ability to support delivery within non-devolved areas as much as possible in the D2N2 area.

AGREED: to note the content of the update provided.

8 BOARD MEMBERS EXPENSES REPORT 2017/18

The Clerk provided a verbal update and confirmed that the amount of expenses claimed by Governors in 17/18 was £51.60.

AGREED to note the content of the report provided.

9 ESTATES UPDATE

The Director for IT, Estates and Learning Resources provided an update in a number of areas:

- Thorsby Street has been closed and mothballed;
- Chesterfield Road has now also been closed and mothballed;
- A significant number of staff have moved over the summer (2018) in order to:
  a) Accommodate all the staff previously at Chesterfield Road and allow the closure of the Chesterfield Road site; and
  b) Create a more logical access to student support functions in high traffic areas of the College;

Signed : ____________________________Chair Date:

- An increase in 16-18 students has been accommodated in existing available rooms at Derby Road, Station Park and the Engineering and Innovation Centre;
- Planned maintenance budgets and service contracts for all sites have been provided. IT expenditure was listed. There is no planned capital IT replacement in 18/19, however a contingency budget is provided in case of large class sizes;
- Statutory fixed wiring testing has been tendered for all active sites and will be undertaken in term 2 of 2018/19.

The Committee asked for an update in relation to Vision Studio School and the outstanding lease. The Committee were advised that the ESFA are seeking to intervene with the Secretary of State regarding a decision. Currently the DFE are a block in terms of options regarding the Chesterfield Road site and the ESFA have agreed to speak directly to the DFE to reach a conclusion and final outcome.

AGREED: to note the content of the update provided.

10 **INSURANCE AND RISK 2018/19**

The interim Finance Director confirmed that no payments have been made to Zurich in 2018/19 as no premium figure has been received, however assurance was given that Zurich have provided confirmation by email that the College and its subsidiary companies are covered. There was some concern expressed by the committee that the College may have a significant risk if insurance policies have not been issued. During the meeting the Director: IT, Estates and Learning Resources was able to locate insurance certificates for 2018/19 which provided some assurance. It was agreed that copies of these would be circulated outside of the meeting to committee members. — Director IT & Estates — Nov. 2018

AGREED: to note the content of the update provided.

11 **ANY OTHER BUSINESS**

There were no items of additional business.

12 **DATE AND TIME OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was 13th February 2019. It was agreed that this meeting would be retained in the diary with the intention of this being a joint meeting with the Audit Committee to solely focus upon the 17/18 yearend accounts. The committee requested that there be an extra meeting scheduled in January, in the week prior to the Board meeting planned on 31st January. The Clerk confirmed that she would check Governor availability outside the meeting.

Signed : ______________________________Chair Date:

13 CONFIDENTIAL ITEMS

It was agreed that confidential matters would be recorded separately.

(Gavin Peake left the meeting at 7.35 pm)

Signed : ____________________________Chair Date: