WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the Finance and Estates Committee meeting held (via Microsoft Teams) on Thursday 30th April 2020 at 5.30pm.

GOVERNORS PRESENT:	Paul Frammingham, Chair Andrew Cropley, Principal/CEO Charles Heaton Tony Westwater
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Gavin Peake, Director of IT, Estates and Learning Resources Jon Fearon, Finance Director Mike Firth, ESFA observer

		ACTION by whom	DATE by when
1	**DECLARATIONS OF INTEREST**		
	The Chair reminded everyone present to declare any interests that they may have on agenda items planned for discussion. Standing declarations were noted.		
2	**WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE**		
	There were no apologies for absence, with all members of the Committee present.		
3	**MINUTES OF THE MEETING HELD ON 26TH MARCH 2020**		
	The minutes were reviewed and it was agreed that they were an accurate record of discussions.		
	AGREED: to approve the minutes of the meeting held on 26th March 2020.		
	There were no matters arising.		

P Frammingham

Signed : ____ ____________Chair Date: 08.12.2020

4 **ACTION PROGRESS REPORT**

The Committee considered the update provided. They discussed line 4 in particular, and the note that current cash flow reflects a £1.8m repayment to the ESFA in April. However, this is currently on hold given the COVID-19 circumstances; therefore, the forecast will need to be revised again. The Finance Director confirmed that he has approached Lloyds Bank for consent to pay this and there doesn't appear to be much resistance, although the ESFA has agreed to put the repayment on hold until such time as it becomes a priority again.

The Finance Director indicated that he had spoken with the relationship manager at Lloyd's on Tuesday and she is looking to progress two distinct elements, i.e.:

- Permissions in relation to the lease terms and conditions with NTU, and
- In July, she has an opportunity to ask for formal credit committee review. She will ask for a two-year extension regarding the EBITDA covenants, which would then reduce the risks associated with a delay in the bksb sale. At the same time, she will also put forward the proposal to the credit committee that the cash days measure be amended; this would then remove the need for the college to maintain the revolving credit facility.

In terms of the documentation with NTU, he advised that solicitors are close to finalising the lease arrangements and these will then be forwarded to Lloyds. He described the bank as generally being supportive, however, they may push for an additional repayment because of the benefits to the college of retaining bksb for a longer period of time. He expressed the view that this was not an unreasonable request.

The committee then discussed the Thoresby Street sale and queried whether the sale was subject to planning. The Finance Director confirmed that it is subject to planning, but explained that things seem to be moving at pace in terms of the legalities. He expressed the view that it was highly unlikely that planning permission would not be granted, given that the proposal is to clear derelict land so as to make space for social housing.

AGREED: to note the content of the update provided.

P Fleming [signature]

Signed : ____ _____________Chair Date: 08.12.2020

5 **MONTHLY MANAGEMENT ACCOUNTS – MARCH 2020**

The Finance Director drew the committee's attention to the detail provided; key summary points made were:

- The college has had a really strong performance this month.
- The team has updated the forecast for the year end, and the expectation is £3.3m EBITDA, which is +£1.3m on the previous forecast.
- There is a small increase in 16-18 revenue.
- The college is still taking a prudent approach regarding funding to support work placements, with an element being rolled over into next year because of the delays caused by COVID-19.
- AEB funding is secure.
- The college is taking a negative view regarding app income with forecast being circa £1m down; the college has not yet seen this negative impact, but it is believed that there is a time lag.
- The college has not seen a significant number of apprenticeship withdrawals at this time; however, it is believed this could be as a result of a data lag. There is an option to defer some income as there is still activity outstanding.
- Pay position is on budget and there may be a small saving by yearend.
- The most significant variance is in relation to non-pay. Subcontracting payments are down, with a £900k benefit. In addition to this, there are then some small areas of savings plus savings associated with exam fees.
- Savings in total equal £1.3m, which gives a significant improvement in EBITDA.
- The team will now revise the cash flow forecast to show the stronger position. The college is expecting to be +£500k for the yearend.
- Bksb is trading as planned. The key period to review is in June/July, when customers start to renew license arrangements. However, because the costs associated with bksb are not significant for any one customer, it is anticipated that any non-continuation will be relatively small.

As an overview, it was confirmed that EBITDA is well ahead of plan, and the cash position is strong. All agreed that this was a really positive position, given the current circumstances.

A question from one member of the committee was whether or not there are any risks associated with debtor payments. The Finance

Director explained that the largest part of debt is student loans. The college has only had a couple of HE students ask for a credit. The vast majority of HE learners are ongoing and in learning, therefore the college does not believe there are any significant risks in relation to this.

The committee's attention was then drawn to appendix 1, which gives a view on apprenticeship future income. He explained that it looks at earning going forward on the basis of known pipeline activity and forecast. He confirmed that the position was really strong and that the information provided does not yet show any significant level of withdrawals. Given the position, the college is not very reliant on new activity as there is a significant amount already secured for next year, i.e. 75.1%.

In terms of budgeting, the college will take a prudent approach with the expectation that 20/21 will be flat. However, on the basis of forecast, the college is looking at circa £1m growth, which is a 20% increase.

He confirmed that the activity tracker shows really good indications and a good strong number to start the new academic year with. There is £2.6m already within the system.

In general discussion, the committee agreed that they would find it useful to see this information in the form of a tracking graph; the Finance Director confirmed that this would be available for the next update on this.

The Finance Director indicated that, within the papers provided today, he had not included an AEB tracker. This is because the ESFA has provided the sector with security in relation to this, and there will be no clawback, even if the college fails to hit the allocation.

He advised that the ESFA are expecting the college to maintain online learning and, through this, make a positive economic impact. To support this, the college is providing e-learning free of charge and the list of courses available should be finalised next week. The cost to the college of developing and providing the e-learning offer is £24k.

The committee's attention was then drawn to appendix 2, which puts forward proposals in relation to subcontracted activity.

It was agreed that discussions on this item would be recorded on a confidential basis.

P Frommy

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6 **APRIL PAY REPORT**

The Finance Director drew the committee's attention to the information provided. He explained that, while the position is slightly over budget, the expectation is that things will come back in line by year end. The committee were assured that pay costs are well controlled and are expected to be in line with forecast. The Finance Director confirmed that there was a good trajectory, particularly within the context of more direct delivery this academic year.

AGREED: to note the content of the update provided.

7 **RISK REPORT**

The Finance Director introduced this item and, in terms of the risk analysis, explained that he had taken an extract from the management accounts and overlaid this with where he believes the risk areas are. Key matters brought to the committee's attention were:

- Reasonable and prudent assumptions have been made throughout.
- The college could see a £1.5m adverse position in relation to income; however, because of known positives, including savings, the position is likely to be neutral overall.
- Line 3, in relation to apprenticeship provision, shows a minus £500k position; however, a completely pessimistic view would be minus £800k.
- Line 7 relates to additional learner support. He explained that the local authority was being very supportive as this relates to a key group of vulnerable students. He indicated that, where students are home-working, the college has been able to provide support and also regular contact with staff to support any issues that may arise.
- The upsides relate to non-pay, particularly a reduction in franchise costs. He again reiterated that, in relation to apprenticeship provision, a very prudent approach has been taken.
- The college has seen the business benefit of its own internal activity, which has really helped to mitigate risks.
- The college is well supported by the ESFA in terms of the two most significant funding streams, which are 16-18 and AEB.

The committee considered the updated risk register presented and were happy to note the anticipated neutral position, despite known variances to income and cost.

AGREED: to note the content of the update provided.

P Fromm

Signed : ____ _____________Chair Date: 08.12.2020

8 **EXCEPTIONS REPORT**

The Finance Director provided a verbal update and explained that this agenda item is scheduled to bring to governors' attention any areas of concern or matters requiring further focus. He advise that the college's approach to curriculum planning this year had been completely diff and therefore has been a learning curve for many members of staff. The senior team are applying the fundamentals regarding costings, which has not always been the basis for planning and therefore in most areas has had to be "back to basics". A consequence of this is that there will be changes made to some historic assumptions. He explained that, whilst the curriculum planning process is not yet completely finished, it does identify areas of concern. The process involves giving feedback to managers with information provided using a number of aspects of pre-population, as this enables a much more objective, rather than subjective, view.

As an overview, he indicated that some areas of provision are performing better/worse in terms of contribution targets. The system allows staff to really see comparisons and trends. He provided some specific examples and explained how historic assumptions ha not accurately shown the true position. He confirmed that head count control is now in place and there is a robust process to secure establishment approval.

In terms of the curriculum planning and costing process, he highlighted some particular areas that required more review. These included:

- Fabrication and welding
- Foundation studies

He confirmed that there is now a finessing process in place, which will analyse both costs and income at a granular level to ensure a fair and accurate process is in place regarding curriculum planning and costing. He advised that there was still further work to do in relation to apprenticeship data and analysis, and that this area has been made more complicated by the impact of COVID-19.

The committee questioned when the costed curriculum plan will be fully operational and used by the Executive. They also asked what the committee would see in terms of the plan. The Finance Director indicated that the first level of sign-off is between himself and the Vice Principal: Curriculum and Quality. Once agreed, this would be presented to the Executive. He and the Vice Principal: Curriculum and Quality are now in the final two-week review period and the absolute deadline established is the end of May 2020.

As an overview, he confirmed that the curriculum plan is showing some

P Flemming

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significant growth in 16-18 and apprenticeship provision. Work is now underway to ensure that it aligns with the strategic priorities for the college. He explained that the college has completely reshaped some of the offer so as to provide 60% academic engagement and 40% practical.

One member of the committee asked what governors would see in terms of the "so what". It was confirmed that the curriculum plan would be presented as a summary once finalised.

The committee were reminded that the college will see an 8% revenue boost in 2021 for the same level of activity, therefore it is important to protect quality. The CEO indicated that there needs to be complete clarity in terms of the college valuing the people employed and the great job that they do.

In general discussion, governors all acknowledged that the curriculum planning process undertaken this year was a really powerful tool. One member of the board confirmed that he had been involved in a project planning meeting earlier in the day and was able to take strong assurance from the processes evident. It was confirmed that the fully costed curriculum document would be shared at the meeting scheduled for 25th June 2020.

Finance Director | June 2020

AGREED: to note the content of the update provided.

9 **<u>2020 UPDATED FINANCIAL NOTICE TO IMPROVE – ACTIONS TRACKER</u>**

The Finance Director introduced this item and drew the committee's attention to the RAG-ratings. The amber lines were considered:

- Line 3 – timing of the bksb sale still remain an issue, however all three parties involved (college, bank and ESFA) want to ensure that the right price is obtained.
- Line 4 – in relation to historic apprenticeship clawback, the committee were reminded that the college is still awaiting finalisation of the ESFA's investigation in this area. In terms of EFS repayment, the college has been given time to finalise expectations in terms of the bksb sale date. It as acknowledged that COVID-19 will have impacted the ability to sell bksb for the price anticipated, and the clear advice from Deloitte is that now is not the time to go out to the market.

As an overview, the Finance Director confirmed that the college was well ahead in terms of the recovery plan in place.

AGREED: to note the content of the update provided.

10 **2021 BUDGET ASSUMPTIONS**

The Finance Director provided a verbal update and confirmed that the college was ahead in terms of planning, given that it produced a fairly accurate prediction in February 2020. There are, however, a number of aspects that have led to a changing landscape, including:

- Apprenticeship provision – the curriculum plan is for growth, however, financial assumptions and budgeting will be on the basis of no growth. This is a prudent approach, and this is because any opportunities are anticipated in terms of value as opposed to volume as the college moves from Frameworks to Standards.
- AEB budget has now been finalised and there is anticipated to be growth of circa £375k.

The Finance Director expressed the view that the values in the budget are sensible, however, the college does not know at this stage how long and how deep the recession will be and, specifically, the impact this will have on apprenticeship numbers. The college could see some further opportunities regarding AEB, which may offset anticipated apprenticeship decline. Alongside this, there is strong and secure growth in relation to 16-18.

The committee then discussed the anticipated return to face to face teaching, and the Finance Director explained that social distancing could have an impact on delivery and the costs associated with this. Some of the return to face to face teaching costs will need to be considered and the budget may need to include a contingency in relation to this. The Finance Director advised that his team would now start work to model the EBITDA and potential covenant implications.

It was confirmed that the budget proposals would be presented to this committee at their June meeting.	Finance Director	25th June 2020

AGREED: to note the content of the update provided.

11 **AOB**

As a matter of additional business, the Director of IT, Estates and Learning Resources provided an update in relation to Chesterfield Road. He confirmed that:

- The lease release documentation from the Sec of State was received on Tue his week
- A copy of this has now been sent to the electricity board so that services can be reconnected.

- Generally, the locality is currently short of builders to undertake the works required, although only minor works are needed to bring the site fully back on line.

The committee all agreed that this was good news in terms of preparation for the space being available for September 2020.

12 **DATE AND TIME OF NEXT MEETING**

Given the positive position reported at this meeting, it was confirmed that the next scheduled meeting on 1st June was not necessary; therefore, the next date that the committee will meet is 25th June 2020. It was agreed that any further decisions in relation to payments to subcontractors would be dealt with by email outside of the meeting.

Meeting closed at 7.10pm.

P Fanning

Signed : ____ _____________Chair Date: 08.12.2020