WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the Finance and Estates Committee meeting held via Microsoft Teams on Wednesday 6th October 2021 at 5.30pm

GOVERNORS PRESENT:	Charles Heaton, Chair Andrew Cropley, Principal/CEO Tony Westwater David Gillies
ALSO IN ATTENDANCE:	Maxine Bagshaw, Director of Governance Gavin Peake, Director: IT, Estates & Learning Resources Jon Fearon, Finance Director

		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 scheduled for discussion. No declarations were made and standing declarations were noted.		
2	**APOLOGIES FOR ABSENCE** There were no apologies for absence, with all committee members present.		
3	**MINUTES OF THE MEETING HELD ON 23RD JUNE 2021** 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 23rd June 2021. There were no matters arising.		
4	**ACTION PROGRESS REPORT** The committee noted the update provided and, in relation to:		

Signed : __________ __________________Chair Date: 25/11/2021

- Line 3 – the finance director confirmed that the requested deferred income breakdown would be included in the first set of management accounts for 21/22, which would be available at the next meeting.
- Line 5 – this was completed.

AGREED: to note the content of the update provided.

5 **BALANCED SCORECARD ITEMS PROPOSED FOR 2021/22**

The CEO introduced this item and drew the committee's attention to the summary outcomes for 2020/21. Key matters highlighted were:

- A good outturn for the year
- Apprenticeship and AEB income were below expectations because of COVID
- The college ended the year where expected, which was a good position given the challenges of the year.

The committee's attention was then drawn to the 2021/22 proposals. Key matters highlighted were:

- The senior team are aiming to present proposals to the Board later this month for discussion and agreement.
- Dynamic measures are broadly the same as the prior year; however, debt items have been removed given that the position in relation to this is now resolved and improved.
- Proposed annual measures are the same.
- There are two new strategic items proposed; these relate to:
  a) capital plans
  b) carbon reduction
- The suggestion is to report on the subjective measures at each meeting, although the committee were advised that carbon reduction is likely to be a 'slow burn' and will certainly take more than one year to address and progress.
- Each item will be RAG-rated and the committee will be invited to discuss and approve the RAG rating before subsequent presentation to Board.

One member of the committee made an observation in relation to cash balances and queried whether there is anything that the college should be doing to maximise the return as a measure (i.e., investment). The finance director confirmed that his team were currently reviewing the cash flow position in terms of the capital bids being submitted; therefore, it may be the case that the college is required to incur advanced spend in some areas. He suggested that the college could obtain a premium rate of interest from the Mansfield Building Society and highlighted the fact that the college is required to retain £1 million with Lloyds to access free banking. He indicated that, the last time investment was considered, there were no real, better opportunities

	on the market; however, now would be an appropriate time to look again.		
	It was agreed that the finance director would undertake some market research and would prepare a report to the next meeting, it being acknowledged that the college is not now as constrained by terms and conditions with Lloyds. A challenge from the committee was to carefully consider the risk versus reward. It was acknowledged that placing funds with Mansfield Building Society would support the local economy.	Finance Director	Nov. 2021
	Following general discussion, the committee all agreed that they would be happy to support and endorse the balanced scorecard items proposed for 2021/22.		
	AGREED: a) To note the content of the update provided b) To recommend the balance score card items for 2021/22 as presented to board for approval.		
6	**RISK REPORT**		
	The finance director introduced this item and confirmed that, as this is the beginning of the new academic year, all risks have been reviewed. The most significant risks highlighted are: • The college's inability to franchise as much activity as in previous years, which means a need to increase direct delivery (from £1.9 million to £4.2 million). This will be a challenge and it has been made clear to the sector that there will be no COVID protection. The college has to hit 97% of allocation or the amount of funding available will be reduced for the next year. There are some initiatives underway to bridge the increase required, and the college is resourcing this area of provision differently. • The college increased the level of staffing in anticipation of growth in 16-18 numbers. Expectation now is only for a small amount of growth but not enough that would warrant an in-year increased payment. He explained that there were a number of reasons for the lower-than-expected growth, including more students staying on at school sixth forms because of higher GCSE grades given as a result of the TAG process. That said, WNC has a high proportion of first-choice applicants. NEET are a group that is being pursued, and it is envisaged that there will be some enrolments in relation to this cohort. It is also the case that some 16-18-year-olds will have gone into lower-paid employment positions as there are lots of opportunities currently available locally. Not all will maintain their employment and, therefore, the college is looking to		

provide opportunities for enrolment at any point in the year. The committee were advised that the college is being very cautious in terms of expenditure; however, assurance was given that resources required to support quality are not being constrained.

In relation to pay, the finance director advised that there is a year-to-date saving but that a continuing cautious approach is being adopted.

In general discussion, the finance director provided assurance that the college knows why students have not converted when applied and, therefore, does have accurate data. He expressed the view that schools will be taking a risk on the students who will potentially be studying A Levels with inflated grades. He indicated that some students may start to realise that A Levels are not the right progression pathway for them and, if they eventually do come to college, there will unfortunately be a two-year lag in funding (if schools retain them up to day 42). He confirmed that the college will provide for these students so that they are not disadvantaged as a consequence of grade inflation.

- Cyber risk – the college is significantly risk averse in this area, but the environment was described as hugely challenging. An example given was that, over the summer, the college (along with many other organisations) had a printing issue because of a Microsoft attack. The finance director advised that the college has increased the level of insurance cover with Zurich in relation to this and is spending to protect as much as possible.

AGREED: to note the content of the update provided.

7 **<u>JULY 2021 MONTHLY MANAGEMENT ACCOUNTS & SEPTEMBER 2021 PAY REPORT</u>**

The committee's attention was drawn to the detailed documents circulated and key matters noted were:

- The July 2021 accounts are broadly in line with prior accounts.
- There have been a couple of changes made in relation to grants received – i.e., they have been capitalised rather than appearing as revenue. There is no impact on the bottom line, however.
- There has been a change to the amount of surplus and loss on asset disposals (i.e., £3.6 million change). This relates to premises leased to NTU. Auditors have required that the premises be revalued and treated as an asset. This will strengthen the balance sheet. The committee were advised that there is a second phase of rents in the current academic year; therefore, this will need to be included in the 21/22 accounts.

Signed : __________ ________________Chair Date: 25/11/2021

- The previous figure included the surplus on sale of bksb. The break costs imposed by Lloyds have been included in the sale costs; however, auditors may not agree with this treatment.

A question from the committee was in relation to the decline/decrease in income and EBITDA shown. The finance director explained that there were a number of reasons, including:

- Negative 'other income' in month of -£619k. This was due to £673k being taken from income and non-pay costs, reflecting assets that had been capitalised. The grant will now be released as a deferred grant. Excluding this transaction, other income was on target.

- Non-pay overall was shown as £165k, removing the impact of grant costs being removed (per above). Non-pay was £838k, £508k above budget.

- This is more in line with normal monthly spend; however, the variance is significant as there was a budget saving in the month of £367k in admin and central, which should have been phased over the year.

- The key variances which impacted the EBITDA in month were
  - -£64k teaching materials, overspent in the month as departments resourced for 2021/22, but underspent all year.
  - -£12k teaching support in month but underspent all year.
  - -£99k learner support, retrospective payment of work placement support, but underspent all year.
  - -£15k franchise provision, reflecting increased activity in July, but underspent all year.

A challenge from the committee was to, when presenting to the Board, better articulate the additional expenditure so that it is clear why there is a negative variance against forecast/budget. The analysis above has been added to show the key variances.

The finance director indicated that there was also an issue regarding budget phasing for the end of the year. Some savings were forecast in the final month – e.g., admin and central expenditure – but this £372k should have been spread across the year. He advised that the college had achieved a small saving in month on central admin but not the savings envisaged for July 2021. He provided assurance that this is something that would not happen in 21/22 as this expenditure has been phased across the year to avoid high expectations in the final month.

The finance director indicated that there was also an issue regarding budget phasing for the end of the year. Some savings were forecast in the final month – e.g., admin and central expenditure – but this £372k should have been spread across the year. He advised that the college was not able to achieve the savings envisaged for July 2021 and, in fact, spent more than anticipated. He provided assurance that this is something that would not happen in 21/22 as this expenditure has been phased across the year to avoid high expectations in the final month.

The finance director confirmed that the college is taking a very prudent view in relation to AEB income figures and explained that, because of timing, there is £150k income rolled into 21/22 and that this does negatively impact upon the July 2021 management accounts. The committee made the observation that the balance sheet now appears much tidier given that the debt has been removed. All agreed that debt was now at a very sustainable level. The finance director indicated that new banking arrangements with Lloyds are envisaged to be in place by December 2021 and the expectation is that covenants will be minimal; however, they may require a cash level to be held with them. In addition, the college may need circa £1 million to support current capital plans. This, however, does leave at least between £1 and £2 million which could be invested. The committee all agreed that the yearend position for 2020/21 was a very good result.

The committee were then asked to consider the September 2021 pay report and the finance director confirmed that, as at 25th September 2021, there was a £261k saving. The college has included an increased national insurance cost; however, this will only now be from April 2022 and, therefore, there are increased employer costs anticipated.

The committee were advised that staffing issues for construction provision remain, given significant market demand, and, as a consequence, the college is having to use agency cover at very high rates. The plan is to increase the base rate of salaries offered to try and be more competitive; however, this will increase budgeted staffing costs. The committee were advised that the college is currently at risk of requiring nine members of staff for this area via agency, which is a significant cost.

The committee asked whether this is a temporary issue or would exist longer term. The committee were advised that recruitment specifically in this area tends to be subject to a bidding war between colleges. WNC does offer market supplements; however, there does not appear to be much staff loyalty in this area. External advice is being sought and is expected tomorrow in terms of recruitment strategies and initiatives to try and help. A question and challenge from one member of the committee was to potentially consider increasing the finder's fee/commission options with recruitment consultants, as this is often a more cost-effective way to secure the best candidates. The finance director indicated that recruitment will put a strain on costs no matter how it is secured.

AGREED: to note the content of the update provided.

8 **2021/22 YEAREND ACCOUNTS – DRAFT**

The finance director introduced this item and confirmed that his report was broken down into a number of areas, including:

1) Key messages to be included – these were highlighted as:
- A positive narrative regarding financial health movement
- The college is setting itself up strongly for the future
- Decision taken to talk less about the past and more about the future
- The college has essentially realigned its business
- The college is in a position for continued expansion and investment.

Committee agreed that the balance was right in terms of a very good sentiment without going into too much detail. It was agreed that, if committee members had any further comments or observations, they would email them directly to the finance director.

Governors

Oct. 2021

2) Review of going concern – key matters noted were:
- The college is now in a much more positive position, and historical caveats have been removed
- The statement of going concern needs to be approved by the board and minuted
- The college no longer has any going concern issues
- In terms of the statement provided, one member of the committee asked why it only goes up to July 2023, as this would suggest an issue from that date. The finance director explained that auditors only require a two-year position; however, it was agreed to make it clear in the going concern statement that it goes up to July 2023 'and beyond'.

Finance Director

Oct. 2021

The finance director advised that there were ongoing discussions with external auditors regarding how 'discontinuance' is recorded at group level. There has been some dialogue in relation to their recommendation versus actually what is required/mandatory. The finance director indicated that it is important to be mindful of commercial confidentiality obligations and was pleased to advise that an agreed format has been finalised with minimal disclosures in relation to the bksb sale. What the college will provide is the minimum required under the accounting standards.

3) Accounting timetable – key matters noted were:

- A five-day interim audit commenced on 26th July with no issues identified
- Trial balance provided to auditors on 17th September
- Audit commenced on 29th September
- Field work will finish on 8th October (all will be undertaken remotely)
- The deadline to finalise the yearend accounts is 17th November, so that they can be provided seven days in advance of the next meeting.

The finance director confirmed that the college is ahead of the prior year position and, therefore, this is a positive.

In terms of matters outstanding, these are:

- When the actuarial pension review was undertaken, there were some unhelpful bksb assumptions. Actuaries have been asked to review and it is taking a little while to finalise.
- Mazars are auditing bksb accounts on behalf of the purchaser and are keen to resolve the pension position. This required more information, which has now been provided to the actuaries. This is a balance sheet issue but the aim is to try to get the liability as accurate as possible in the accounts.
- Auditors may comment on the late provision of FRS 102.
- College pension scheme liability has risen by £5 million, mainly due to a change in discount rate assumptions.

AGREED: to note the content of the information provided.

9 ESTATES REPORT

The director of IT, estates & learning resources introduced this item and a number of aspects were considered.

1) Estates Strategy

The committee were advised that the former estates strategy had primarily been written for the bank and had focused on efficiencies and 'right sizing'. This means that the strategy now needs to be reviewed so that it can support capital bid submissions. The college has gradually been working to improve efficiency over recent years and has made some good progress, including space leased to NTU and removal of unused social space in the Create area. It was confirmed that these efficiencies will help to support the bids.

The committee were advised that the model used suggests that the college is short on space – but only in some areas – and that there is a need to reduce space, particularly in relation to the dining areas and sports facilities. The college needs to create greater utilisation. The college believes that there are three areas in particular where efficiencies can be made. These are:

- Arts & media
- Hair
- Catering.

The ESFA require a calculation based upon the teaching hours delivered, as set out in section 2. The college has taken the 2020/21 yearend position, which shows on-site activity of 2.5 million hours; however, this was impacted by COVID. The college is looking to get the model to 2.7 million, which will improve efficiency. In terms of future space requirements, the big driver is a change in the demographics, which shows that student numbers will potentially increase by 10.2% over the lifetime of the strategy. The ESFA assume that colleges will retain their market share based against the 2020/21 position. The college is seeing significant demand for apprenticeship provision in construction and engineering and this, when included within the model, gets to 2.9 million (forecast for 24/25 as set out in section 4.1).

The committee were advised that the ESFA expect 80% standard teaching and 20% vocational specialist areas; however, WNC is biased towards vocational provision and this, therefore, presents a challenge in terms of model assumptions. The college has calculated that it needs 17.3 metres of space for each workspace but, at the end of the project, what will actually be in place is 15.82 metres. The ESFA's assumption is no more than 14.5 metres. The college cannot get to this figure but will need to show efficiencies. The intention is to move some of the office and admin type areas.

The committee were advised that the sports space efficiency needed is a challenge and the college simply does not have the funds available to address this. The college is currently looking to rebalance a number of areas and is assessing what can be taken out of Station Park and moved to Derby Road. The committee were advised that the college has a shortfall in terms of construction space required and has had to purchase a very large external tent to house some of the trades. Whilst not ideal, this does give students a real environmental experience.

In terms of the model provided it was explained that the college will now be able to import teaching data every year and that this will easily assess space requirements. The college has previously used the room booking system to calculate efficiency/utilisation; however, this has weaknesses that are now becoming evident.

The committee were advised that the college is now creating multi-use spaces which are more efficient, and it was noted that the college does have some historic 'vanity projects' which negatively impact upon efficiency.

One member of the committee asked whether it is possible to use digital/blended delivery to improve teaching hours and efficiencies. It was confirmed that this is possible but that students are very keen to be on site, and Ofsted have made their expectations clear in terms of face-to-face delivery and teaching.

There are ways in which the college can improve efficiency, including multi-use space and flex-size space. That said, the college is in some ways constrained by the 'day' as this is based upon student transport requirements. The committee were given assurance that the college has a priority list of areas that can be targeted and that, for some, it will involve a culture change, particularly in relation to staff 'offices'. Committee were advised that, without the space leased to NTU, the college would not have hit any of the bid criteria. COVID has meant increased mobility in terms of IT facilities and improved Wi-Fi; therefore, it is possible that staff and students can now be more flexible and efficient. The college believes that it is over-resourced in terms of office accommodation by circa 50%.

The committee were advised that the modelling completed to date is at whole college level and that the next step is to drill down by department.

The finance director confirmed the intention that the model will be reviewed and a report provided to governors annually in the autumn term.

AGREED:

a) To note the content of the update provided
b) To recommend that the Board approve the Estates Strategy as presented.

2) Conditions survey

The committee were advised that the college is currently collating the data required by the DfE. It was explained that, having spent the condition improvement funds, this now has to be justified to the DFE. The college is confident that its submission will meet the criteria. The deadline date for provision of the information is the end of the month.

3) Summer works

The director of IT, estates & learning resources screenshared a tour of the buildings. Key matters noted were:

a) Chesterfield Road

- Works have been completed inside and out, including new ceilings, new carpeting, LED lighting, and refurbishment of the outside railings.
- New quiet study areas and an LRC have been created.

- Upstairs has a number of drop-in areas where students can choose to go for independent study.
- Dining facilities have been improved, including a new kitchen.
- Additional labs have been created, either by adapting existing or installing brand new.
- At the back of the building, the area has been refurbished to provide space for construction provision. The works have been handed over to curriculum areas to complete real life projects, including carpentry, painting and decorating, and plastering.

b) Derby Road – works included:

- Creation of more multipurpose areas
- Larger spaces for practical lessons
- A performance area adapted to become a classroom
- Part of an aeroplane has been purchased, which is being converted into a full working classroom
- Roofs have been replaced over a 16-week period
- Kitchens have been cladded
- Ramps have been installed
- A hospital ward, including electronic dummies, has been introduced.

He confirmed that the estates teams have worked incredibly hard to make all of this happen ready for the start of the academic year.

The committee discussed the aeroplane purchased and it was explained that it was specifically intended for travel and tourism and public services students; however, it can be used by anyone. All agreed that this gives the college a USP.

AGREED: to note the content of the update provided.

10 **EMERGING OPPORTUNITIES**

The CEO introduced this item and explained that it was intended to be a conversation piece at this stage as there are a number of opportunities emerging that the college is involved in, and it is now getting to the point where the college is being asked for a commitment. He indicated that he was interested to receive the view of committee members as these, in a number of cases, link to the property strategy.

CEO summarised the new options which are:

1) ADMC space – he indicated that the question is whether or not the college wants to deliver some of its provision in the ADMC space. The expectation is that the site will be close to Oddicroft, which is currently very challenged for space. The model with Ashfield local authority is that the college would

meet running costs and only pay a peppercorn rent. The attraction for the local authority is the commercial rents that could be obtained from the areas surrounding the site as businesses move in.

The college is in dialogue with NTU regarding engineering provision and, if plans come to fruition, it is highly likely that numbers will grow. It is expected that the offer at the site will draw interest from wider than the Ashfield area. This provides an opportunity for the college to increase the level of high-value activity and will help with capacity.

One member of the committee asked whether the intention would be to move college robotic equipment into the site. The CEO indicated that, instinctively, it feels like the appropriate thing to do. He confirmed that there is also the potential for sponsorship and/or investment externally through partnerships. It would present an opportunity for suppliers to showcase the world's best kit and equipment in the UK.

In terms of risks, he indicated that one is broadening the span of control across more campuses and that the college would need to be confident in terms of student numbers and the ability to have dedicated leadership on site.

The committee, when considering the proposal, agreed that it links with the strategic areas of focus. The committee asked what the current numbers are for automation, and the CEO advised that there are full level 2 and level 3 courses running this.

The committee were generally excited and supportive of the project, and the CEO agreed that he would develop further to present to Board.	CEO	Oct. 2021

2) Mansfield Connect – key matters highlighted were:

- This project is part of the plan to use Levelling Up Fund monies.
- The aim is to bring the town council back into the centre.
- The aspiration is to co-locate with the NHS, DWP, the college, and NTU, etc.
- It provides an option for a number of areas of college provision to move into the centre of town, where there is greater footfall (e.g., the restaurant, beauty, and hairdressing).
- The aim is to also use this as an e-sports venue, but this would not be led by the college.

The risks are that this may only become a 9-5 centre and could be a magnet for the 'needy', given those who are considering co-locating.

Another option being considered is business school integration with NTU and also the notion of a 'physically prescribing offer'. The risk is that this could become a complex centre with lots of people in small spaces.

The committee asked how significant the concern is regarding multiple sites and the span of management. They asked whether it is an issue of leadership capacity. The CEO expressed the view that the issue, really, is the dilution of management capacity. A question and challenge from the committee was in terms of whether or not this becomes a distraction. The CEO expressed the view that participating in this initiative would move the college in the right direction in terms of the government skills agenda – i.e., collaboration – and, in his view, commercial partners to this project would be key.

When considering the projects discussed thus far, a challenge from the committee was to engage in them for the right reasons and not simply because they are exciting. That said, they acknowledged that they could be transformational and would develop strong economic partnerships.

3) Seven Trent Water project – the CEO advised that this was actively being explored as it really aligns with college thinking.

AGREED: to note the content of the update provided.

11 <u>STRATEGIC DEVELOPMENT FUND – SPEND PLAN</u>

The CEO drew the committee's attention to the detailed report and confirmed that the funding agreement has now been received and signed. The college will receive £1.12 million in stages. The aim of this funding is to allow the college to take the robotics and automation offer out and share it with as many people as possible. Funding is for an original six-month period; however, the department is working hard to extend this longer-term. This is a possibility if the college can demonstrate success in the first months.

The committee's attention was drawn to the expected spend and payment profiles.

AGREED: to note the content of the update provided.

12 <u>SUBCONTRACTOR REPORT – 2020/21 YEAREND</u>

The finance director introduced this item. Key matters highlighted were:

- The college delivered £2.2 million. Of this, just over £2 million was AEB and £181k 16-18 provision.
- The college set out to deliver £3.61 million through subcontractors, but it was difficult to deliver this last year.
- College direct delivery was £1.9 million.

For 2021/22, the committee were advised that:

- The college has reduced all contracts and allocations to subcontractors.
- There is potential for £1.4 million AEB subcontracting. The college is currently contracted at £1.2 million and this, therefore, gives a little flexibility.
- Qualitrain is still not delivering as expected; therefore, there may be a need to review this contract. They are very much dependent on a relationship with Bombardier, and it doesn't appear that they are doing much in the Derby area.
- White Rose delivered in full.

AGREED: to note the content of the update provided.

13 **BAD DEBT/WRITE-OFFS**

The finance director confirmed that there were none requiring committee/board approval.

14 **PROCUREMENT – ESPO GAS FRAMEWORK RENEWAL**

The committee's attention was drawn to the documentation provided, and key matters highlighted were:

- The college is taking a risk averse approach in this area.
- Gas provision was originally with Nottinghamshire County Council, who then moved into ESPO.
- ESPO is the largest energy consortium in the UK and is very knowledgeable and professional.
- The college is currently contracting with Total.
- ESPO has a range of influence with energy providers and, therefore, constantly gets the best rates.
- Colleges really have to forward plan in this area.
- ESPO uses competitive bidding processes to secure the best rates.
- The fee to ESPO is only a few thousand pound per annum, and the college is looking for committee support to continue to work with them.
- ESPO has very transparent arrangements.
- By remaining with ESPO, the college would be committed to the competitive tender processes that they go through.

The committee considered the proposal presented and acknowledged that ESPO is the procurement expert; therefore, they could see no reason to do other than continue with the relationship.

AGREED: to recommend Board approval of the ESPO gas framework renewal for 1st April 2023 to 31st March 2027, as presented.

Signed : __________ ________________Chair Date: 25/11/2021

15 **GOVERNOR AND EXECUTIVE EXPENSES FOR 2020/21**

The director of governance introduced this item and drew the committee's attention to the small expenses paid during the 2020/21 academic year.

AGREED: to note the content of the update provided.

16 **AOB**

The finance director raised one matter of additional business in relation to developing partnerships regarding AEB. He indicated that the contracts with Stainsby and FMBS are currently subject to review and it may be that the college seeks to extend the agreements; however, the values are not yet known. The committee agreed that this was a matter that could be presented directly to the October board meeting, given the timings of meetings.

17 **DATE AND TIME OF NEXT MEETING.**

This was confirmed as Thursday 25th November 2021 at 6pm. It was noted that there is a joint meeting with the Audit Committee preceding this.

18 **CONFIDENTIAL MINUTES OF THE MEETING HELD ON 23RD JUNE 2021**

The minutes were reviewed and it was agreed that they were an accurate record of discussions.

AGREED: to approve the confidential minutes of the meeting held on 23rd June 2021.

There were no matters arising.

Meeting closed at 7.45pm.

Signed : __________ ________________Chair Date: 25/11/2021