WEST NOTTINGHAMSHIRE COLLEGE
FINANCE, RESOURCES AND ESTATES COMMITTEE

Notes of the discussions which took place on Monday 12th May 2015 in the Board Room at Derby Road site

BOARD MEMBERS PRESENT:	Dame Asha Khemka Hari Punchihewa, Chair Colin Sawers
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Deputy Principal/Director Finance Tom Stevens, Executive Director: Capital Project and Estates Tracy Thompson, Director Human Resources

The Clerk explained that unfortunately the meeting was unable to progress as it is inquorate. The Board members present acknowledged the fact that a formal meeting could not be convened but agreed to take the opportunity to discuss matters presented on the agenda for 'information' purposes only. It was agreed that any matter requiring formal committee approval would be deferred to the next meeting on Monday 29th June 2015 at 5.00 pm.

		ACTION by whom	DATE by when
1	**DECLARATIONS OF INTEREST**		
	The Chair reminded those present to declare at the start of the meeting any interests that they may have on items on the agenda. No declarations were made.		
2	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE**		
	Apologies for absence were received from Kate Allsop, Terry Dean, Malcolm Hall and David Overton (for Estates matters only).		
3	**MINUTES OF THE MEETING HELD ON 24TH FEBRUARY 2015 AND ANY MATTERS ARISING**		
	It was agreed that consideration and approval of these minutes would be deferred to the next meeting.	Chair	29.06.15
4	**ACTION PROGRESS REPORT**		
	Members reviewed the action progress table and all agreed that in relation to:		

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	• Item 1 - the target date should be amended. The Executive Director Capital Projects and Estates confirmed that full post evaluation of the new build was completed in September 2015. Separate evaluations are to be prepared in relation to the Engineering Centre and Visual Arts. He confirmed that the evaluation date planned is December 2015, this will be after they have been in operation for a 12 month period.	ED:CPE	Dec 2015
	• Item 2 - it was noted that details of tenders would be provided as and when appropriate.		
	• Item 3 - the Estates Strategy 2015-2020 is to be presented to this Committee in September 2015 following detailed discussions planned for the June strategy residential.	ED:CPE	Sept 2015
	• Item 4 – employer responsive update to be planned for the June 2015 meeting.		
	• Item 5 – estates plans at the June meeting - the Executive Director Capital Projects and Estates will provide a summary of intentions and a picture of planned expenditure. The final strategy document will be presented to the September Committee meeting.	ED:CPE	June 2015
	• Item 6 – commercial income generation strategy – this is to be presented in September 2015	Principal	Sept 2015
	• Item 7 – procurement – this is to be presented to the June meeting.	Dep Prin	June 2015
	AGREED: to note the update provided.		
5	**PROPERTY UPDATE**		
	The Executive Director Capital Projects and Estates drew members' attention to his detailed summary provided on page 22. Key points noted:		
	• The college has successfully sold Sovereign House and monies have now been received.		
	• In relation to Acorn Way the prospective buyer has decided not to proceed.		
	• VWS – the company now effectively has 3 leases left. Of the 3 remaining Newcastle is the most challenging.		
	• Clay Street Sheffield – it has been agreed to pursue a 2 year extension to the lease based on present and future business demands. During this time the college will need to consider whether or not the lease is extended further, if it is then some capital investment would be required.		
	• Vision Studio School Condition Improvement Fund – the Studio School has secured £594k (£414k grant + SALIX loan) this is to replace the school heating system. It was confirmed that the successful outcome in relation to this bid has been published on the EFA website. The school continues to work through the roofing issues.		

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It was explained that if the EFA confirm that the roof does need full replacement then it gives the school good grounds for future capital bids.

- 900 Block – it was explained that the solution in this area would form part of the University Centre development.

Q Governors questioned the timescale for development of the University Centre. It was explained that if planning permission is obtained then the building will be available for September 2016. If the planning application submitted is successful in early June then construction will take place up to 3rd September 2016 which would mean that the facility would be ready for occupation in mid-September. It was explained that grant monies/expenditure needs to be committed/spent by March 2016.

Members discussed the timetabling for the University building and were advised that it will be timetabled from 9-5, Monday to Friday. All acknowledged that this would not be a 'full' position and there was significant opportunity to improve room utilisation.

CH The Executive Director Capital Projects and Estates confirmed that the college is looking to try plan the timetable so that the college can manage without the 900 Block. All agreed that it was critically important to well manage the 'no shows' and any variation to the timetable needs to be signed off by the heads of school. It was explained that centralisation of the timetable is probably the answer but it was accepted that this would not popular and is something to be considered as part of the 5 year plan.

AGREED: to note the update provided.

6 **<u>CONTEXT FOR THE BUDGET AND FINANCIAL FORECAST 2015/16</u>**

A combined paper from the Director of Finance and the Director of HR was presented. It was explained that the paper sets the context for the budget for the next academic year and also seeks to identify the challenges to be addressed. Key points brought to members attention:

- Colleges will continue to be funded in much the same way in 15/16 as has been the case in 14/15, with priority areas of provision becoming more focused and reductions in public investment being targeted towards lower priority areas.
- The publication of the skills funding letter by the Chief Executive of the Agency in February 2015 sets out the core policy and spending priorities at a national level for adult skills support. Full details of the national priorities and spending influences were detailed at paragraph 3.2.
- National funding allocation comparisons have not been published for the agency for 15/16, meaning that direct comparisons to current spending levels are problematic, however an overall reduction of 17% has been quoted by the SFA for adult skills provision resulting in a challenging settlement.

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All agreed that this was a significant reduction and sets the tone for moving forward.

- Curriculum planning – the planning process has now completed its first initial pass and is in the process of review through a traffic lighting system which provides for balanced decisions to be taken.

Key areas of change:

- Income - 16-18 Further Education – the college's current allocation of £11,400k represents an increase in participation funding of around £28k compared to the current year (14/15) forecast outturn and is largely as a result of the size of learner programmes increasing whilst volumes and the cohort have declined. Learner support funds for the 16-18 classroom cohort will see a likely reduction in funding of £171k to around £3,914k. This is driven by the statistical indicators for deprivation and incidents of maths A*-C at GCSE on entry, both of which have turned against the college resulting in a lower funding allocation. It was explained that this is a formulaic approach and not something that can be challenged. Across the 16-18 classroom programme funding income will reduce by £142k which will be a direct bottom line financial impact.
- Income - Adult Skills Budget (including 16-18 apprentices). The allocation given represents a reduction of £2,137k although the college is unlikely to achieve such an outturn. Through the way in which the college delivers its programmes the response to this reduction would be to reduce the amount of subcontracted provision which would lead to an impact at the margin for the college's financial position. At a margin of 30% this would lead to a bottom line impact of £641k. Contract allocations for 16-18 apprentices have now been reset back to the current activity level based upon performance at the quarter two review in the 2014/15 financial year. The contract allocation for 15/16 of £5,086k is somewhat lower than the current forecast of £5,548k in 14/15 but levels of actual activities delivered are usually funded in this priority area and so there is unlikely to be any specific impact on the budgeted financial outturn.
- Income - college tuition fees – the college tuition fee policy for 15/16 accounts for a 2% increase in the majority of FE fees with the HE programme increase in part time fees from £3000 to £3150. The college will work hard to take advantage of the opportunities available to develop a more focused advanced learning loan provision where there is significant opportunity through the access to loans for the college of up to £2,882k in 15/16 as part of the £498 million available nationally. It was explained that only £190k was delivered through tuition fees in 13/14 so there is a huge opportunity to increase here.

- Income - Higher Education – the overall income levels anticipated from the college HE programmes in 15/16 is likely to be comparable to the current financial year. Public funding from the agency (HEFCE) has been provided for 15/16 and is £482k and around the value as received in the current financial year of £479k.
- Pay costs 15/16 will see an increase in the employer contribution to the Teachers' Pension Scheme. The impact of this change in 15/16 will be £238k, this will increase to £260k for 16/17. The second major change to impact upon the staffing cost budget will be the change to the rebate available to the employers' national insurance contributions for contracted out pension schemes. The impact of this change in 15/16 will be £105k and will increase to £315k in 16/17. All agreed that there was a need to plan now as these two factors will significantly increase the pay bill going forward.

Members' attention was drawn to section 10 of the report which summarises the key changes in financial terms. The impact on the college operating position of £1,126k presents a significant challenge and is equivalent to the removal of 1.97% across all current college costs.

To address this position the college will need to either take £1.1 million out of its costs base or increase income by about £3 million. It was agreed that as the latter is unlikely that there is a need to carefully review costs. The Director of Human Resources explained that there were a number of ways to reduce costs and that there are a series of initiatives to be discussed with the trade unions and staff.

Members attention was drawn to the options to be considered, these are:

a) a review of contracted teaching hours;
b) non replacement of non-delivery staff;
c) relocate college back office functions;
d) investigate the delivery of business support services through a subsidiary undertaking;
e) consider the delivery cost of facilities services under commercial arrangements;
f) consideration of suspending automatic pay increments.

In terms of the initiatives to be investigated all acknowledged that there were some risks associated with the proposals and that it is important to now work with staff to enable them to achieve greater flexibility. All agreed that the review will be challenging but that there is a need for staff to have a better understanding of the reality of the sector.

The Director of Human Resources explained that task groups have been set up for each strand of the review. She confirmed that she meets with the Trade Unions on a fortnightly basis to discuss and keep them up to date.

	The Committee agreed that there is a need to work with staff to help them understand what are the priorities and part and parcel of this will be the management of workloads both at teaching and support level.		
CH	The Committee asked that careful consideration be made to avoid having support staff absorbing more and more. It was confirmed that managers are being asked to look at different processes to avoid this situation happening. The Director of Human Resources confirmed that the college currently has a joint approach to problem solving with the Trade Unions and that this is really important.	Dir HR	Sept 2015
	The Committee asked that the senior team connect these discussions and issues with the college risk register. The Director of HR explained that discussions were currently on a confidential basis with the trade unions as there were no firm proposals put forward at this time.		
	The Director of HR confirmed that the possibility of relocating college back office functions has been shared with staff and a working group is already in place to try and develop this.		
	Governors discussed the potential delivery of business support services through a subsidiary undertaking. It was acknowledged that in the first year there would not be considerable savings however these would become significant year on year. The Director of Finance confirmed that the college has started to take some legal advice and the initial view is that it is feasible but that it is important to look at the best model. He explained that if changes were made then the college would be looking at secondment rather than TUPE. As a general point it was acknowledged that the sector seems to be looking at changing this model for the provision of teaching services, albeit that it is in the developmental phase. It was agreed that it was important for the college to be able to offer a 'package' to staff and each package to be responsive to individual's lifestyle choices.		
	It was confirmed that the potential to deliver facility services under commercial agreements is very similar to the review of the delivery of business support services, however this change would be more aggressive. It is likely to be unpopular with staff and therefore something that needs careful consideration over time.		
	Governors agreed that now was the right time to look at outsourcing generally and realistically identify where the best value for money solutions are.		
	Governors then considered the proposal to suspend automatic pay increments. It was explained that this is not related to performance and would affect approximately 400 staff. In the short term the college is hoping that this can be avoided but it is certainly something that needs to be considered in the future.		

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Members' attention was drawn to page 38 which sets out how the changes, if implemented, could lead to cost savings. It was acknowledged that this is a continual process as the savings are needed year on year as the increases continue to rise.

Q/CH Governors discussed procurement and questioned whether there was any benefit in tapping in to some consortia. The Director of Finance confirmed that the college does use a consortium and feels that savings identified in this area are well advanced.

Q Governors discussed the financial stability indicators summarised at page 39. One Governor present questioned whether 15 cash days was sufficient and suggested that the target should be 30 as long as this does not place the college in difficulties. The Director of Finance confirmed that this was a well-rehearsed measure in the FE sector and should be

Q sufficient. The Committee questioned whether there would be any impact to financial stability following introduction of the public procurement rules which now require payment within 30 days. The Director of Finance provided assurance that the college's business model should support this without any difficulties.

The Committee discussed the 16-18 apprenticeship model and the use of subcontractors. They questioned whether there is any more that can be done to develop this. It was explained that efficiencies and contributions all really depend upon class sizes and the frameworks in place e.g. IT.

AGREED: to note the update provided.

7 **<u>MANAGEMENT ACCOUNTS TO 31ST MARCH 2015</u>**

The Director of Finance introduced this item and confirmed that the surplus position remains positive at £767k. He confirmed that the accounts follow a similar pattern as reported throughout the year. Across the component parts of the group the college performance is below forecast with a surplus before interest and depreciation of £1,344k against a target of £1,788k. This is due to an in month adjustment to the ILR income recognition policy associated with achievement funding which is expected to even out over the remainder of the financial year. Overall pay costs are now below the forecast position. It was explained that for the full year some income will be clawed back although it is expected that the year-end will see a healthy surplus.

AGREED: to note the update provided.

8 **<u>FINAL FUNDING ALLOCATIONS FOR 2015/16</u>**

The Director of Finance introduced this paper and confirmed that full details had been discussed as part of the context for the budget assumptions.

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He confirmed that what was presented was a simple statement of fact and explains the need for action to be agreed to identify savings.

He confirmed that final contracts are expected in June 2015 and therefore up until that particular point in time allocations could change but that there is a level of certainty expected and this is what has been used for the 15/16 budget planning.

Governors took the opportunity to discuss IT and were advised that currently the college has a 3 year depreciation policy. There is to be some review work in this area and it could be that this is changed to reflect the reality of a 5-7 year period. It was confirmed that if this change is made then it will affect the balance sheet but not the operating position. The Director of Finance confirmed that a review of the depreciation policy is intended and planned.

Governors were advised that a cash flow forecast will be included in the budget for 2015/16 which is to be presented at the next meeting.

Q Governors questioned whether there was any possibility of an assessment being undertaken regarding taking the Heads of School out of the current academic contracts. It was felt that a differing contract may motivate individuals more particularly if the contracts reward with a bonus following successful recruitment in terms of student numbers. The Director of Finance confirmed that the college had looked at this a number of years ago but at that time there was no real appetite for change, although it was acknowledged that the FE sector is in a different place now.

CH Governors questioned whether staff, and in particular Heads of School, have been challenged sufficiently in the past to recruit and hit targets. It was confirmed that for this year they have been given additional facilities which will support this. Governors all agreed that there needs to be a mechanism in place to challenge the contribution levels. Governors questioned whether the college should seek to incentivise strong performance, it was agreed that this ought to be the case.

Governors discussed national trends and all agreed that it was important to retain market share. Governors commented that a solution to the problem was not always a reduction in costs and that there is a need to use the college's facilities more effectively and commercially. Governors asked that the senior team take forward, as an action, the need to increase commercial drive. They felt that more research needed to be done on market needs and demands and that this then be utilised to drive the business forward.

In terms of contribution levels all agreed that 40% ought to be a minimum expectation.

AGREED to note the update provided.

Signed : _____________________________Chair Date:

9 **CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded separately.

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