WEST NOTTINGHAMSHIRE COLLEGE
FINANCE, RESOURCES AND ESTATES COMMITTEE

Minutes of the meeting held on Wednesday 7th June 2017 in the Board Room, Derby Road

COMMITTEE MEMBERS PRESENT:	Hari Punchihewa, Chair Terry Dean Alan Mele
ALSO IN ATTENDANCE:	Andrew Martin, Deputy Principal/Director: Finance Tom Stevens, Executive Director: Capital Projects and Estates Tracy Thompson, Vice Principal: Human Resources and Organisational Development David Overton, Governor attending for Estates matters only Rachel Bates, Note Taker

		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 specific interests were declared and standing declarations were noted.		
2	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE** Apologies for absence were received from Malcolm Hall MBE, Dame Asha Khemka DBE DL, Alison Breedon, Lesley Roberts and Maxine Bagshaw.		
3	**MINUTES OF THE MEETING HELD ON 21st FEBRUARY 2017 AND ANY MATTERS ARISING** 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 21st February 2017. There were no matters arising.		
4	**ACTION PROGRESS REPORT** A request from the Committee was to receive an estates utilisation review and strategy, it was noted that the college is mid-way through making changes to timetabling for next year including the relocation of some administration staff.		

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	This will not be complete until the end of June therefore the report will be presented to the next Committee in September. The Executive Director advised that in order to improve utilisation of space, evening classes would be reallocated to specific nights of the week.	Executive Director	September 2017
	In terms of an options analysis for Relish, as this is linked to the curriculum plan the college will need to wait until Septmeber and provide a report to the Committee later in the year. It was noted that any investment will have additional costs therefore consideration needs to be made of student numbers and long term viability. An update will be provided within a future Estates Update.	Executive Director	November 2017
	AGREED: to note the update provided.		
5	<u>**PROPERTY STRATEGY UPDATE**</u>		
	The Executive Director provided for Members an update on the college's Property Strategy.		
	Employability Centre Mansfield Following approval by the Committee in February 2017, the college has retained the property located at Thoresby Street which has now been converted into an employability centre mirroring activity at the Sheffield Construction Centre and operating in conjunction with Mansfield Job Centre Plus.		
	The ground floor of the centre has been converted into a construction training facility and the first floor an exam centre. Expenditure to date is £36,170.84. On-going use will require a limited amount of further capital.		
	To date the usage of the centre has been positive with 17 learners commencing on an initial 6 week course. A second course is planned later in June with early indications showing it will be fully subscribed. The Executive Director referred members to the project income and expenditure at Appendix 1 based on one year's activity.		
	Canal Street The college has now withdrawn from this property this is no longer part of the college's portfolio.		
	Ashfield College It was noted that this was discussed as a confidential item at the last Committee. As requested at that meeting alternative options for disposal have been explored with Innes England who have confirmed that the best option would be to sell. Planning options are also being explored with Ashfield District Council. Updates will be provided to future meetings.	Executive Director	September 2017

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Sheffield Construction Centre
The lease for Sheffield Construction Centre is due to expire on 31st August. A new 5 year lease has been negotiated until 1st August 2022 at £161,350 + VAT. Members were advised that the Construction Centre runs efficiently and sustainably and therefore it was recommended that this provision continue. The Committee agreed:

AGREED: To recommend the continuation of a new 5 year lease for Sheffield Construction Centre from 01 August 2017 at a total cost of £161,350 + VAT.

6 STATION PARK

As considered by the Committee last academic year, it was agreed that the next building to receive a general refresh and refurbishment would be Station Park. The building opened in 2008 but has not received any refurbishment work since that time. A condition survey report commissioned in December 2016 found that the general condition of the building was still good. The main areas for refurbishment have been identified as general redecoration, re-carpeting, some furniture upgrades and the installation of LED lighting.

The Executive Director's report presented three Options for the Committee to consider. It was noted that any works agreed would take place in August in order to be ready for opening in September.

Option 1: A complete internal refurbishment of all classroom, corridor and social areas. £247,828 + VAT
Option 2: Replacement carpets and all classroom and social area furniture. £184,669 + VAT
Option 3: Replacement of 50% carpets (mezzanine area) and 50% classroom furniture (mezzanine area) with good furniture in mezzanine used to infill damaged/worn furniture in other classrooms. £129,692 + VAT

It was further noted that a refurbishment of the toilets at Derby Road was now needed and that quotations were being obtained for this which would be presented for consideration.

The Committee queried whether students could undertake the redecoration work identified, the Executive Director advised that this had been investigated as an option but would prove difficult due to levels of staffing and the timescales involved. In house redecoration was therefore not an option.

The preferred proposed was identified as option 3 which would be part funded through revenue as an element of the 2017/18 budget for estates maintenance.

After due consideration the Committee:

AGREED: To recommend the implementation of Option 3 as the preferred option at an estimated cost of £129,692 + VAT. To be approved as part of the 2017/18 budget and the appointment of C Shooter for the installation of LED lighting at a cost of £36,240 + VAT in advance of approvals for the main scheme.

David Overton left the meeting at 17.07

7 **DRAFT BUDGET 2017/18**

The Director of Finance confirmed that as the meeting scheduled for 23rd June had been postponed, he was not in a position to share the final draft budget at this stage in the month. This would instead be presented to the full Board at its meeting in July when an accurate picture would be available. Members were referred to the budget and financial forecast context that was circulated as part of the 19th May 2017 papers.

The Director of Finance advised that the budget was more complicated this year than in previous years as there had been major changes in the way provision is funded mainly t

In summary from 1st May 2017 contracts and budget for apprenticeships will include a number of elements. There will be a carry in contract for all activity enrolled and remaining on programme from prior to 1st May 2017, a contract for new start activity with non-levy paying employers and a contract to access funding paid into the apprenticeship levy by levy-paying employers.

Different systems will be utilised for levy and non-levy paying activity as the digital apprenticeship service comes on line for levy only employers whilst non-levy activity will remain allocated and paid as the current position up until December 2017. A co-investment contribution will be required from non-levy paying employers of 10% which will be subject to specific evidence. Some remission will be provided largely to employers with an evidenced average headcount of less than 50 employees. Incentives will be paid to providers and employer for 16-18 apprentices.

It was noted that sub-contractor activity will be substantially less than previous years with college direct apprenticeship delivery increasing from £3million to £10 million in 2017/18.

The demographic decline of learners at 16-18 will continue in 2017/18 therefore funding income will £130k lower next year. The Director of Finance assured the Committee that a restructure process was currently underway to remove excess staffing leading to capacity and more efficient running within some of the Schools of Learning.

The Adult Education Budget for 2016/17 was a grant of £6.98million inclusive of community provision and adult learner support.

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For 2017/18 this will be a £6.82million allocation with the reduction in funding transferred to support EFA funded learners who extend beyond the age of 18. Plans remain in place to focus adult provision on local skills priorities, informed by the LEP and councils and in line with the identified eligibility rules for the funding agency.

In terms of tuition fees, the policy agreed for 2017/18 has set fees at a level of 5% greater than in 2016/17 following a number of years with no change.

The operation of VBSS continues to alleviate some cost pressures on the budget and is expected to continue to grow.

Members confirmed that they understood the difficulties around setting the budget for 2017/18 and the challenges faced in terms of its apprenticeship targets moving forwards. They noted that for the reasons explained by the Director of Finance the budget could not be presented to the Committee and would therefore go directly to the Board.

8 **PARTNER CONTRACTS**

The Head of Service: Partnerships presented for members the variations in partnership contracts to be considered for approval. The Adult Education Budget underspend identified within Vision Business has been allocated to 8 subcontract partners as contained within the attached spreadsheet at Appendix 1.

Members were advised confidentially of an investigation taking place with Amber Train following the identification of alleged fraudulent activity.

Management Focus have had their subcontract terminated due to levels of concern and losing their CMI centre approval. Vision Business will undertake delivery to affected apprentices which will open up additional opportunities.

The Committee questioned whether the leadership team had confidence that the Adult Education Budget provision would be delivered effectively through the partnerships proposed. The Head of Service confirmed that he did have confidence that this would be delivered.

The Committee:

AGREED: the variation of the partnership contracts as proposed and noted the points raised in relation to Ambertrain and Management Focus.

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9	**COMMITTEE REVIEW**		
	The Director of Finance presented to members the papers prepared and circulated by the Clerk in her absence. These included the self-assessment of the Committee and it was agreed that this item be postponed until the next meeting when the Clerk would be present.	Clerk	September 2017
	The terms of reference for the committee were proposed to remain unchanged for the next academic year.		
	AGREED: To approved the Terms of Reference for 2017/18 in line with those of 2016/17.		
	In terms of membership, the Committee are seeking to appoint a new Chair and asked for members' thoughts. Terry Dean confirmed that his term on the Board was scheduled to finish in October however, he would be interested in continuing if this was an option. Members agreed that there was some work to be done in the recruitment of Board Members and in particular Co-optees onto the Committee as quite often the Committee struggled for a quorum. All agreed that the Committee could not afford to reschedule or miss meetings.	Clerk	September 2017
10	**MANAGEMENT ACCOUNTS APRIL 2017**		
	The Management Accounts for April 2017 were presented to the Committee.		
	Key points to note were highlighted as: • The college Group performance delivered an overall operating surplus before interest and depreciation of £2,302k (prior year: £2,559k). After interest and depreciation a surplus of £354k, £22k ahead of the phased forecast (prior year: £808k). • The underlying performance in the first nine months of the year continues with a strong performance by bksb and a weaker performance by the College. • The College was below budget with a surplus before interest and depreciation of £608k (corresponding month last year: £1,433k) against a target of £1,088k. After Interest and Depreciation the College position is a £1,313k deficit (prior year: a £289k deficit) against a forecast of a £832k deficit. • BKSB delivered an operating surplus of £1,260k (Forecast: £1,187k, co-responding month last year: £1,152k), albeit increasingly driven by strong cost control, rather than invoiced sales. • Overall group income of £38.361 million for the year to date is £1,173k below forecast. • Overall pay costs are below forecast by £118k but are £216k above last year. Excluding restructuring costs the group is £121k above last year. • The group balance sheet shows fixed assets declining gradually through depreciation. Receivables fell in month as accrued		

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income decreased as a result of a relatively higher payment from the EFA. Cash including the revolving credit facility was £3,671k, net of the revolving credit facility £2,021k, an increase of £1,541k in month. The revolving credit facility was repaid in May.

- Group reserves have increased to £9.114 million (excluding pension liability), a rise in month of £28k, remaining close to the bank covenant level of £9.0 million. As at the end of April 2017, the key performance measures as set out in the table above show that currently all targets are being met. The College shares financial information on a monthly basis with its bankers to sufficiently monitor this position.
- The College group income and expenditure reserves are now £9.114 million up from the £8.798 million reported at the end of last financial year, as a result of the financial performance for the year to date. The poor performance by college has resulted in this remaining close to the £ 9 million level despite positive one-off factors.
- The Skills Finding Agency revised financial health assessment methodology is now being used to measure College financial health against the scoring framework. The College remains as 'satisfactory' rated for the period under review with the scoring of 130, an improvement on the result from March 2017.

The Committee noted the contents of this report.

11 <u>END OF YEAR BUDGET PROJECTIONS</u>

The Director of Finance presented this report showing the anticipated end of year financial out turn following the original approval of the budget in July 2016 and the mid-year forecast in March 2017.

The current expectations for the end of year result indicate that the outcome for the year will be short of both the budget and mid-year forecast. This is primarily caused by the College part of the group not achieving the volumes of activity targeted in year for apprenticeship programmes and the large under delivery across all aspects of the Adult Education Budget and some shortfalls within HE. Whilst actions have been taken to rectify, the evidence of improvement is slow to show through and will be critical in delivering the budget for 2017/18.

bksb will deliver an improved performance once again in 2016/17 achieving an operating profit greater than £1.6million for the first time in its history.

Before interest and depreciation, the College will generate a surplus of around £1.0million which is around 2% of income. The costs of interest and depreciation are driven by the investment in College buildings and financed or at least serviced in a large part through the performance of bksb.

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For the group, an operating surplus before interest and depreciation of £3.119million will represent around 5.89% of income and falls just short of the 6.0% targeted.

The Committee ntoed the contents of the report.

12 **FE INSOLVENCY REGIME**

The Director of Finance presented an update on the proposed FE Insolvency Regime to the Committee. He highlighted for members the key proposals for 2018/19. The purpose of the proposals is to apply the principles of insolvency to Further Education. Overlaying the traditional insolvency regime is the ability for the education secretary to apply to court for an education administration order where:

- a FE body is unable, or likely to become unable, to pay its debts within the meaning of section 123 of the Insolvency Act; or
- a FE body's creditors, or the body itself, are petitioning for another type of insolvency regime under the Insolvency Act.

This will mean it will be more difficult to secure funding from banks and when secured it will be more expensive. The regulations of insolvency will also impact on governors accountability in a similar way to those of company directors.

The Committee thanked the Director of Finance for this update.

13 **ANY OTHER BUSINESS**

As the meeting was his last, the Chair thanked the Committee Members for their support and the Executive team for their detailed and concise papers.

The Committee in turn thanked the Chair for his contribution.

14 **DATE OF NEXT MEETING**

The next scheduled meeting was 26th September 2017 at 4.00 pm.

Meeting closed at 7.00 pm.

Signed : ______________________________Chair Date: