WEST NOTTINGHAMSHIRE COLLEGE FINANCE, RESOURCES AND ESTATES COMMITTEE

Minutes of the meeting held on Tuesday 7th November 2017 at 4.00 pm

MEMBERS PRESENT:	Terry Dean Malcolm Hall MBE, Chair Dame Asha Khemka DBE DL Martin Rigley MBE
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Deputy Principal/Director of Finance Tom Stevens, Executive Director Capital Projects and Estates Tracy Thompson, Vice Principal Human Resources & Organisational Development

		ACTION by whom	DATE by when
1	**DECLARATION OF INTERESTS** 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 Alison Breedon, Alan Mele and David Overton (as there were no substantive estates matters scheduled for this meeting). Martin Rigley MBE was welcomed to his first meeting as a committee member.		
3	**MINUTES OF THE MEETING HELD ON 26TH SEPTEMBER 2017 AND ANY MATTERS ARISING** The minutes were reviewed and it was agreed that they were an accurate record of discussions. There were no matters arising.		
4	**ACTION PROGRESS REPORT** The Committee were happy to note the content of the update provided. It was confirmed that the Vision Business report, including an update on partner contracts, was now scheduled for 14th December 2017 at 4-5 pm. AGREED: to note the content of the update provided.		

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5 HR – PEOPLE REPORT 2016/17

The Director of HR introduced this item and confirmed that the full report had been made available to the committee via the portal. The Committee were reminded that the contents had been presented to the Board at its meeting in October 2017, and therefore this was an opportunity for the Committee to ask any particular questions they may have in terms of the detail provided. A summary was given of the main parts of the executive overview, including:

- 16/17 saw a turbulent start to the year because of a number of curriculum changes that led to low morale. This could have, with hindsigh,t been handled more effectively.
- Deputy Principal Curriculum and Quality left the organisation and Patricia Harman was recruited to return on an interim basis to prepare the College for Ofsted
- There was a senior team restructure.
- Vision Business structure changes commenced with a significant change programme to follow.
- Second change programme in the summer. Both of the change programmes were very people led in terms of the processes, they were very well managed and only one appeal was made.
- 16/17 saw some very complex HR cases for the team to manage.
- That being said, 16/17 was not an entirely negative year with a very positive Ofsted inspection in the year which saw all staff rise to the challenge and work well as a team.
- The College has seen a decline in the number of delivery staff over time, but not a similar pattern in terms of support positions. This is something to be mindful of in the future.
- Absence – the College saw a slight increase in terms of long term rather than short-term sickness. Staff who are affected are being supported.

AGREED: to note the content of the annual report provided for 16/17.

6 EMPLOYABILITY CENTRE – PROGRESSION STATISTICS & STUDENT NUMBERS

The Executive Director Capital Projects and Estates presented the report prepared by the VP Business Development. Key matters noted were:

- The Mansfield Centre continues to provide good results in relation to participation and completion of the courses.
- Efforts continue to be made to ensure positive relationships are maintained with local JCPs to promote the benefits of the Mansfield Centre for their client group and to work with them to generate sufficient starts for the courses. The JCP are integral in assessment days and are regularly invited to the centre to see the courses in action.

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- There have been 4 cohorts. Cohort 4 is the latest course which have just finished and unfortunately data is not yet available in terms of outcomes. There was a notable dip in terms of the number of starts on the cohort 4 course, this may be due to the timing of the course selection process during the main summer period this will be closely monitored.
- The next cohort for the centre is due to commence on 13th November. So far there are 6 students confirmed. This builds upon the downward trend in terms of starts on the course and therefore there may be a sustainability issue in terms of throughput from the job centre. In terms of cohort 5, it may be that the time of year has had a negative impact, with potential recruits securing short term temporary Christmas positions.
- The percentage number of participants who go 'in to employment', whilst acceptable and in line with expectations for a new centre, requires some additional work to ensure that cohorts are revisited to ensure all positive destinations are captured. Currently this figure is provided by the JCP and the team are instigating their own internal processes to undertake additional follow up.
- The real issue for the provision is building up the job centre relationships, the view expressed was that this could be more proactive.

In terms of observations the Committee challenged the senior team and indicated that they would want to know whether employment gained is sustained. They would also like to see more quantifiable targets in terms of employment rather than 'as many as possible'. They felt it was important for staff and participants to have a clear target to aim for.

AGREED: to note the content of the update provided.

7 **2016/17 DRAFT MEMBERS REPORT AND FINANCIAL STATEMENTS**

The Deputy Principal introduced this item and confirmed that the statements were very much considered as 'draft' at this stage. There are still some issues to resolve, particularly in relation to the Amber Train investigation. These accounts make no provision at all in relation to the outcome of this investigation.

He confirmed that the accounts have been through the first phase of audit and, putting Amber Train aside, there are no significant issues.

He drew members attention to the documentation provided and confirmed that it was provided in a familiar layout. Key matters noted were:

- Page 4 – strategic report setting out nature, objectives and strategies.
- Page 5 – sets out implementation of the business plan
- Page 6 – sets out financial objectives

- Page 7 – sets out the financial position and financial results
- Page 10 – there is still some outstanding data highlighted in yellow, this relates to final student achievement
- Page 11 – details principle risks and uncertainties
- Page 15 – sets out the Colleges position in relation to equality and diversity
- Page 16 – this is the Colleges disability statement
- Pages 17-18 – set out the statement of corporate governance and internal control
- Page 18 – summarises College Governors for the period 16/17 and 17/18 to the point of signing the accounts.
- Page 21 – sets out the committees that exist
- Pages 24 and 25 – set out standard wording in terms of the Boards assurance to funding bodies
- Page 26 – auditors statement, as is page 28 in relation to regularity
- Page 30 onwards set out the financial numbers.

The Committee considered the consolidated statements of comprehensive income as set out on page 30 and a number of matters were noted/discussed:

- Total income is slightly higher than forecast because of improvements in the AEB budget and also capital grants (the sale of Acorn Way)
- Staff costs are higher than forecast due to an increase in FRS102 pension position – this is a non cash item
- Other operating costs are slightly increased and relate to partner costs.
- Depreciation – there has been an increase because of the sale of Acorn Way.
- Historic cost surplus for the year is slightly better than the prior year position but not as well as forecast, however again it was noted that these figures are before any provision relating to the Amber Train investigation

In relation to page 31 it was confirmed that there was nothing that the Deputy Principal would wish to bring to Governors attention in terms of the consolidated and College statement of changes in reserves.

The Committee then considered the balance sheet at page 32:

- There has been an increase in net current assets because of the £3 million revolving credit facility available, however this was not accessed in year because cash flow requirements did not necessitate this
- Long term debt is starting to decline
- Pension remains the big item on the balance sheet and continues to grow as a liability/deficit
- Income and expenditure account is £18,114,000 – this is net of pension liability

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- Total unrestricted reserves are £13,252,000, which is a reasonable position to be in.

In terms of the pension the Deputy Principal confirmed that the subsidiary company VBSS is working to limit the deficit pension position and that the number of active members in the scheme is starting to decline. Next triannual revaluation is due in March 2019, however the expectation is that over time the deficit will only increase.

The group requested that a supplementary paper be provided for presentation to the December Board meeting which shows the year on year trends in terms of pension costs and deficit and the positive impact that VBSS will have had in terms of seeking to mitigate the escalating position.

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- Page 33 is the cash flow. It was noted that there is a decrease in short term creditors.

The Committee acknowledged the unknown position in terms of the Amber Train investigation but agreed that, putting this issue aside, they were happy to recommend that these accounts be presented to the Board for approval.

AGREED:
a) to note the draft position and
B) to recommend (subject to the outcome of the Amber Train investigation) that the board approve the 2016/17 Members Report and Financial Statements as presented.

8 **<u>RECONCILIATION OF FINANCIAL STATEMENTS TO JULY FINANCE REPORT</u>**

The Deputy Principal introduced this item and drew committee members' attention to the table provided on page 76 of the pack. Key matters noted were:

- HC (deficit)/surplus before interest and depreciation – this is largely comparable to the budget forecast, however anticipated performance was initially downgraded at the midyear review. The yearend improvement and adjustment is as a result of the sale of Acorn Way.
- Depreciation charges are higher than forecast because of accelerated depreciation regarding Acorn Way
- HC deficit/surplus for the year after interest and depreciation - is very similar to the prior year but weaker than forecast.
- As an overview, the College shortfall has been made up by unexpected VWS surpluses, this masks the Colleges weakness in performance. The Colleges outturn was worse than planned and worse than the midyear forecast. BKSB position was in line with plan. VWS position saw an unexpected improvement.

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	The Committee were advised that VWS windfall will not happen again in 17/18. AGREED: to note the content of the update provided.		
9	**STUDENT UNION AUDITED ACCOUNTS FOR 2016/17** The Deputy Principal introduced this item and confirmed that the Student Union activity is not treated as a separate legal activity. The activities of the SU, which include the organisation of events and end of year celebrations and the provision of lunch time facilities for students are embedded within the College student support directorate. The Students Union does not exist as a separate legal entity to the College but operates within delegated budgets. The budget is ultimately delegated through to the Vice Principal Marketing, Communications and Learner Engagement up to the end of the 2016/17 financial year. The union relies on the Colleges finance department and its financial systems to administer and provide its finance and accounting services. The activities of the students union are not separately or specifically audited but form part of the overall work of the College financial statements auditors in reaching their conclusions on the Colleges financial statements. For the year ended 31st July 2017 the union generated a surplus on its operations of £6,231 (last year £1,969 deficit). This performance is stronger, primarily due to the greater volume of engagement in the student union card system compared to previous years. The College subsidy of £106,572 was however higher than the previous year when it was £93,006. The SU is expected to deliver a breakeven position and does not carry over surpluses or deficit balances from one year to the next. The committee were assured that the SU have a business plan in place with key targets and deliverables. The core aspect of the budget goes to staff costs. In terms of the future the Committee questioned and challenged whether it is possible to benchmark what other colleges contribute in terms of a subsidy. The view expressed is that they wanted to ensure that the College is getting value for money from the SU activities.	Deputy Principal	Nov. 2018
	AGREED to note the report provided.		
10	**PROCUREMENT – UPDATE AND PERFORMANCE REPORT FOR 2016/17** The Committee were reminded that the Colleges procurement function is undertaken by a team of two and they operate to a strategy which is in place from 2015 to 2019. Members attention was drawn to the report provided and key matters noted were:		

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1) Cashable savings – target 2.5%. Outturn for the year was cashable savings of £112,728 representing a 2.27%. This is the first year where the College has not quite hit the target. All of the 'low hanging fruit' in terms of savings have now been achieved and the accumulated savings are significant.
2) Transaction efficiency savings target of 2.5%. Efficiency savings achieved for the year of £212,040 representing 4.27%, these are process savings.
3) Spend through collaborative strategies – target 10%. Actual achieved is 34.62%. It was noted that when writing the College procurement strategy in 2015 it was agreed that the College would set a target saving through collaborative strategies at 10% annually. As the College procurement continues to develop this has grown to exceed this target at 34.62%. This is an increase from the prior year position which was 28.56%. Consortia carry out a competitive tendering exercise in compliance with public sector procurement rules inviting tenders from all suitable suppliers. The tender sets out the specification and how the framework will be accessed by the consortiums members. Suppliers are selected based on a number of criteria, including financial status, quality and service. A further competitive tender can then be carried out by a member or institution, inviting all selected suppliers to participate. Framework agreements can sometimes be used as a means of reducing the amount of time spent carrying out an OJEU tender.

The Committee questioned whether the College has the flexibility to include a 'localism' requirement. It was explained that this is not really the case and does not really sit well with the purpose of consortia. The committee were advised that good savings have been achieved in relation to energy, furniture etc.

4) Vendor based management – active vendors currently used on the electronic procurement system are 453. In 2003/4 this was 2225 and therefore the College has seen a 79.64% vendor based reduction.
5) Tenders – the number of tenders completed in the year was 10, the largest of which was for the bus service.
6) Staff noncompliance – 3,448 noncompliant invoices out of a total 9,496 relating to electronic orders placed = 36.58%. 63 noncompliant manual orders out of 249 total placed = 25.3%. It was explained that this is still an ongoing challenge and the College needs to ensure that there is continued pressure on staff.

AGREED: to note the content of the update provided.

10 MANAGEMENT ACCOUNTS TO 30TH DECEMBER 2017

The Deputy Principal circulated the accounts and a number of key matters were noted:

- 17/18 has seen a weak start to the year
- In the period the College group performance has delivered an overall operating surplus before interest and depreciation of £279k (prior year £425k). After interest and depreciation this becomes a deficit of £131k, which is £32k behind the phased forecast (prior year was a £42k surplus). The issue lies within College delivery against forecast.
- The underlying performance in the first 2 months of the year continues in a similar vein with a strong performance by BKSB and a weak performance by the College. Progress on income within Work Related Training has come at a very high cost with it incurring a loss of £160k for the first two months of the year (this is Vision Business as now rebranded). Clearly the College needs to take action as the position is not sustainable.
- Across the component parts of the group the College was well below budget with a surplus before interest and depreciation of £16k (corresponding month last year £146k) against a target of £50k. After interest and depreciation the College position is a £394k deficit (prior year a £290k deficit) against a forecast of £358k deficit.
- BKSB continues to deliver strong results with an operating surplus of £259k (forecast £256k, corresponding month last year £278k) with invoice sales for the year to date £75k below last year.
- Overall group income of £6.963 million for the year to date is £1.346 million below forecast. This is largely due to underperformance in relation to apprenticeships and AEB. This is a concerning position, however it was acknowledged that the statistics at this time are very sensitive as it is very early in the year. Overall pay costs are below forecast by £90k but are £47k above last year.
- Group reserves have reduced to £9.477 million (excluding pension liability) from £9.606 million at yearend remaining close to the bank covenant level of £9 million. Any significant adverse event could therefore trigger a breach of this bank covenant.

In terms of BKSB the Committee questioned whether the budgets set are challenging enough as the company appears to outperform month on month and year on year. The Deputy Principal acknowledged that there is a very conservative approach to forecasting taken by the BKSB management team.

AGREED: to note the content of the September 2017 Management Accounts presented.

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11 **FINANCIAL REGULATIONS AND PROCEDURES REVIEW**

The Deputy Principal confirmed that the Financial Regulations and Procedures have been reviewed (a 50+ page document). There are no changes proposed other than the obvious administration changes (including names titles etc.). He confirmed that there were no fundamental changes proposed.

AGREED: to note the update provided.

12 **COMMITTEE WORK PLAN FOR 2018**

The Clerk presented a framework document which was approved.

AGREED: to approve the Committee work plan for 2018 as presented.

13 **AOB**

There were no items of additional business

14 **CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded separately.

15 **DATE & TIME OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting is 27th February 2018.

Meeting closed at 5.35pm.

Signed : ______________________________Chair Date: