WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the Finance and Estates Committee meeting held (via Microsoft Teams) on Tuesday 29th September 2020 at 5.30pm.

GOVERNORS PRESENT:	Paul Frammingham, Chair Andrew Cropley, Principal/CEO Charles Heaton Tony Westwater
ALSO IN ATTENDANCE:	Maxine Bagshaw, Director of Governance Gavin Peake, Director of IT, Estates & Learning Resources Jon Fearon, Finance Director Mike Firth, ESFA observer Sean Lyons, Board Chairman (observer for this meeting)

		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. No specific declarations were made and 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 25TH JUNE 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 25th June 2020.		

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4 **ACTION PROGRESS REPORT**

The committee were happy to note the content of the update provided.

5 **UPDATE ON 2019/20 YEAREND**

The finance director introduced this item and drew governors' attention to the management accounts provided up to July 2020. He indicated that there were a number of variations from this point in time, and these were summarised. Included were:

- £160k adjustment regarding payback for 16-18 growth funding: the college received £425k.
- The team are trying to ensure that all potential liabilities have been identified and are included.
- ESFA notified the college that, as at period 10, there would be some recovery of growth funding, estimated to be circa £440k. He explained that this was due to a technical way of reporting/recording and that what the college has done is deferred £288k, which is considered to be a pessimistic view.
- AEB clawback – there is a risk in relation to funds received from London activity. This was estimated to be circa £120k at R14; however, it is not certain yet that it will be clawed back.
- There are also prior year adjustments, with £95k future recovery in January 2022, when the ESAF finalise reconciliations. He confirmed that funds have been put aside for this.
- He confirmed that a prudent view had been taken regarding closing the accounts.
- College was not able to pay out all DANCOP and Erasmus funds, therefore this income will be deferred and the college will carry out trips when it is possible again. He advised that it is now possible to complete online projects in Europe if trips cannot take place. The college is purchasing new IT equipment to support this. The college will be equipping a new area in the digital media department.
- In terms of costs, there are no further significant changes.
- The yearend changes will result in an EBITDA figure of £3.9 million, which is significantly above the £2.3 million planned.
- In terms of a matter which appears below the line, the pension fund actuaries have confirmed that pension accruals can be taken out of the bksb accounts as it is considered to be a college liability.
- FRS102 pension liability for the college has increased significantly in year and is +50%.

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The committee, in considering the information provided, all agreed that it had been a really good outturn for the year.

The finance director drew the committee's attention to a number of other matters that were currently being discussed with the ESFA; these are:

- In terms of AEB recovery, the ESFA are now refining their rules and there is a recovery risk; however, this has not yet been included within the accounts as it is not yet certain. On the worst case basis, this could be up to £450k. Latest guidance now indicates this is likely to be less than £200k; any liability will be identified in the final accounts and highlighted in the reconciliation to management accounts.
- In addition, there is a prior 17/18 year claim by the ESFA which could, in the worst case, amount to £664k. The college position is that it secured clearance for the change in funding and, therefore, is not liable.
- These two items together amount to £1 million, worst case scenario; however, it was acknowledged that this would still place the college at a better-than-forecast position. The finance director confirmed that these items were still under review by the ESFA and that an update would be provided to governors as soon as possible.

The committee asked when the college would have to recognise the liabilities. It was explained that this will be as soon as there is certainty, and then this would require immediate recognition. The finance director indicated that the sums in discussion were significantly more than the usual requests for clawback and, therefore, even if it is the case that the college is liable, there is a lack of clarity in terms of what would be repayable, and when. He indicated that the key issue is to resolve this by the end of October 2020 at the latest, so that there is certainty regarding the financial accounts. We are working with the ESFA to ensure liabilities can be included in the final accounts.

The finance director confirmed that accounts preparation is on track and that this is on the basis of forecast expectations. The committee made the observation that the college did a lot of work to prepare for COVID in this period, which will have paid dividends, and is now in a positive position because of this.

AGREED: to note the content of the update provided.

6 **REVIEW OF GOING CONCERN**

The finance director introduced his written report and confirmed that the new external auditors appointed have taken a very proceduralistic approach in what is an unusual year for auditing. They have asked that this paper be formally presented, with board approval minuted regarding the content and the college's own assessment of going concern.

He drew the committee's attention to the data presented, which supports the proposal that the college can confirm that it remains a going concern. This data is in appendices 1 and 2.

In terms of 2020/21, the college is doing really well in terms of students numbers and is 15% above target. The college does expect some withdrawals; however, this is a very good starting point for the year. He confirmed that work was ongoing internally to maximise retention.

He confirmed that work was ongoing in terms of testing covenants and there is confidence in relation to this, particularly in terms of the current balance between debt and cash. The finance director advised that discussions had started with the ESFA to try and agree a two tier approach, i.e. use the high level of cash to pay down debt. This is initially considered at £4 million, with 60% to the ESFA and 40% to the bank. If the college were able to secure agreement in relation to this, it would remove any risk of covenant breach. Second element of debt repayment would then be to sell bksb; however, the timing of the sale would not need to be so imminent. He advised that the sale of bksb was very dependent upon the EBITDA trend and, as a consequence, the college may need longer to achieve the sale. The finance director advised that the critical point is to be able to show auditors that the college is working to operate within covenants, and to have a strategy in place in relation to this.

In general discussion, the committee acknowledged that the college will only have one opportunity to repay this debt, therefore the sale of bksb has to be at an appropriate price and not at any price. It was confirmed that bksb is generating cash, as is the college; therefore, the group remains a going concern. It was acknowledged that the legacy debt remains; however, the cash position shows that the college can meet all of its current liabilities.

The committee briefly discussed bksb and the finance director explained that, at the moment, there is evidence that the company has lost market share in the college sector. It has, however, taken a larger share of the private training provider market. That said, the private training provider market is not as secure as the college sector, so there needs to be more work done on this.

A question and challenge from the committee was that the college needs to carefully consider whether the best strategy would be to release funds to the company so that they can invest in opportunities identified. The finance director expressed the view that there needs to be much greater clarity regarding spend and project time committed versus benefit before proposals could be presented in relation to this.

Taking the report as a whole and the data on the appendices, the committee were happy to refer the report for consideration by the Corporation Board, with the recommendation that the college can state that it continues to be a going concern as required by external auditors.

AGREED:
a) To note the content of the update provided
b) To refer the report for consideration by the Corporation Board with the recommendation that the college continues to be a going concern, as outlined by external auditors.

7 **2020/21 REVISED BUDGET**

The finance director introduced this item and confirmed that this was a really unusual time, with additional monies being made available to the sector. These were specifically noted as:

- £448k 16-18 intervention funds (these are to provide support for students who arrive with GCSE grades below a 4 and also those who arrive with a grade 4 but have been out of study for a significant period of time). He explained that this was not a margin-based activity and all will be spent on learners.
- Additional £300k provided for high value courses
- Additional £250k increase for AEB allocation. He advised that the college is able to go up to £340k additional but has taken a prudent view on this at this point in time.
- Not yet allocated but awaited is £100k for 19-year-olds.
- In addition, it is believed that there may be funding available for 16-18 growth. The college has not accounted for this at this stage but believes it may be able to meet the criteria in relation to this.
- £1.3 million grant for capital expenditure. Spend in relation to this is eligible at any point from 28th June 2020 and therefore some of the work over the summer will be included, this is estimated to be at circa £250k. This means that there will be £1.05 million available to spend in 2020/21 and there may be

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- more again from government initiatives.
- There is also work-based learning funding; however, this may lead to displacement regarding AEB, therefore the college has not provided anything in relation to this yet. This is circa £340k.

He explained that the increase in student numbers and funding available means that the college needs to spend more money on pay now, and so there needs to be an agreed revision to the budget. He acknowledged that it was unusual to revise a budget so early in the year, but explained that a failure to do so would place restrictions on pay spend that would not be in the best interests of the college.

In terms of a report to the Board, it was agreed that the finance director would prepare an appendix report to be attached to the committee chair's summary. The committee all agreed that, on this item, the Board would need to have sufficiently detailed data to be able to discuss and properly consider the committee's recommendation.

FD	Oct 2020

AGREED:

a) To note the content of the update provided
b) With the provision of an appendix report to be prepared by the finance director, to recommend that the Board approve the budget revisions as presented for 2020/21.

8 **<u>SEPTEMBER PAY REPORT</u>**

The finance director provided the pay expenditure summary for period 2 and confirmed that the college is currently £216k better than forecast. He noted that the savings in period 2 were only £40k, therefore this demonstrates the fact that the college is moving closer to the budget position. He indicated that the change in the revised budget will support the increased staffing required to respond to the extra learners. He expressed the view that, as the college moves forward, it will start to eat into the savings currently identified simply because of the higher than anticipated student numbers.

The committee were advised that intervention funds are monies to be dispersed and will not be profit generating.

AGREED: to note the content of the update provided.

9 **<u>LLOYDS BANK UPDATE</u>**

The finance director confirmed that discussions with the bank continue and that the October position is looking good. The college now has to

	move forward on a timely basis so that there are no issues in January 2021. He confirmed that discussions are ongoing with the bank and the ESFA regarding the options available in relation to this. AGREED: to note the content of the update provided.		
10	**<u>SUBCONTRACTING – VARIATIONS AND RATIONALE</u>**		
	The finance director introduced his written report and particularly drew attention to appendix 1, which is the Subcontractor Rationale and Supply Chain Fees and Charges Policy. He explained that this seeks to tighten up on the criteria for awarding subcontracts and, specifically, the fact that the rationale has to be clear and published – as set out in section 2 of the report. In general discussion, the committee asked whether there was a need to be more explicit regarding accountability and the consequences should the college suffer any funding withdrawal. The finance director confirmed that the college subscribes to an advice service with Eversheds and that part of this is an annual review of subcontracting contracts (which run to 50 pages and include extensive rights written in favour of the college). In terms of a change in sector policy, the rationale is now intended to focus on minimum use in the sector rather than broadening out into other areas.		
	The committee acknowledged that there were contract provisions regarding accountability but felt that, as this is a published document on the college website, there ought to be an accountability paragraph included within the policy. The finance director confirmed that he would add and then would circulate and, on this basis, the committee were happy to put forward the recommendation (with the addition requested) to the Board for approval.	FD	Oct 2020
	AGREED: a) To note the content of the update provided, and b) (with the additional paragraph requested) recommend that the Board approve the updated Subcontractor Rationale and Supply Chain Fees and Charges Policy 2020/21. The committee were then asked to consider proposals regarding contract variations, and key matters noted were: • Removal of the allocation to Linden Management. It was agreed that discussions regarding this item would be recorded on a confidential basis.		

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The finance director indicated that there were also some additional changes proposed to maximise opportunities in relation to sector work-based academy funding. As a strategy, he confirmed that the college would want to support and provide increases, which would mean contract variations to:

- One2One – with an increase of £20k
- Qualitrain – with an increase of £175k
- Trackwork – with them being restored to prior year contract allocation of £350k.

The finance director confirmed that the overall position is a reduction in subcontracting levels and provided assurance that there was clear strategic alignment with the proposals presented.

AGREED:

a) To note the content of the update provided
b) Recommend that the Board approve the subcontract variations as presented.

(Sean Lyons left the meeting at 6.25pm)

11 **PAY AND BENEFITS REVIEW – PRINCIPLES**

Suzanna Smith joined the meeting and it was agreed that discussions on this would be recorded on a confidential basis.

12 **RISK REPORT**

The finance director introduced this item and confirmed that the risks are reflected in the accounts and the budgets, and that what is presented is just a rework of the wording.

He advised that one of the significant areas of risk relates to the college's provision of electrical apprenticeships. He advised that there have been some historic issues which have impacted on a failure in data. He advised that it has been, and continues to be, virtually impossible to ensure secure staffing in this area, which leads to a poor learner experience. As a consequence, the college has been looking at possible solutions, and it is proposed that the college transfers its apprenticeship delivery in this particular area to another provider who is a sector leader: JTL.

He advised that arrangements with JTL would be on a collaborative basis and the confirmed position is that there is no competition in the area of plumbing, which both the college and JTL offer. He confirmed

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that JTL have the resources in place to give a really good experience to learners and that the college has to acknowledge that this is in the learners' best interests. He indicated that the college is very good at the teaching and learning aspects but not the assessments that need to take place in the workplace. He described the geographical spread of work placement activity and indicated that the college simply does not have the expertise and resources to support this properly.

He confirmed that the transfer to JTL will mean a small financial detriment; however, he expressed the view that it is required for quality reasons and that not to transfer would place the college at risk in terms of the next Ofsted inspection. All agreed that there was a need to avoid a grade 4, as this would mean risk for all apprenticeship provision and could lead to a grade 4 across the college.

One member of the committee asked what the impact would be on any other building provision. The finance director confirmed that the two organisations are seeking not to be competitors, and that this is something that will be clear in the heads of terms and will include specific cross-referral. He confirmed that JTL have a tried and tested model which is successful, and that they are unusual as they are a 'not for profit' business. The intention is to use college for day release and then they will focus on the employer side of activity.

The committee considered the proposals and all agreed that the rationale for the transfer was clear and put the learners first and, on this basis, they were happy to recommend the transfer to the Board.

AGREED: to recommend that the college withdraws from electrical apprenticeship delivery, transferring learners to JTL and acting as a subcontractor to JTL for classroom-based delivery, ensuring that local delivery is still in place for employers and learners.

13 **PROCUREMENT REPORT**

The finance director introduced this item and confirmed that this information will now be provided on an annual basis; he confirmed that it was also discussed at Audit Committee. Key matters noted were:

- Over 50% of spend is outside normal purchasing processes, e.g. exams.
- The college uses frameworks where possible, but it does look to support local providers if they can provide more competitive prices.
- Appendix 1 identifies the larger suppliers or those occasions where procurement has operated outside the norm. In relation to the latter, he explained that the majority were because of

COVID. He explained that it was difficult to market test from April 2020 onwards, given the COVID situation. He confirmed the intention to review any contracts allocated outside the norm, it being acknowledged that it is important to understand the why and the operational reasons for this.

A question and challenge from the committee was in terms of who signs off the single tenders as part of the process. The finance director confirmed that the team has now created a really easy-to-use form, which will sit on the eBIS system. Any contract awarded over £1,000 would need a review and anything over £2.5k includes a system stop until it is considered. He provided assurance that the college has enhanced its internal controls.

AGREED: to note the content of the update provided.

14 EXCEPTIONS REPORT

The finance director confirmed that these had been included within discussions earlier in the meeting and include:

- Potential prior year 17/18 clawback of £664k by the ESFA
- Linden Management investigation.

15 ESTATES UPDATE

The director of IT, estates and learning resources introduced this item and a number of matters were discussed.

- Chesterfield Road – he explained that the building is now operational.
- The high number of 16-18 year olds enrolled is causing some challenges. Whilst Derby Road is coping, there are some issues at Station Park.
- In relation to Thoresby Street, the college did receive an offer for purchase but now needs the space. He confirmed that retaining Thoresby Street was not part of the longer term strategy; however, space is required in the short term, particularly for level 1 construction learners. There is an amount of work to do over the next two weeks and then students will be able to start to utilise the site. The proposal is to sign a contract to sell in two years, or sooner if the space is not required.
- Condition surveys – he indicated that the capital funds received are limited to condition status. The last condition survey was completed in 2019 and all essential works were done immediately; however, there is a remaining list of works to be

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done. He confirmed that detailed quotes have not yet been received for the works anticipated, therefore the college is currently formulating plans based upon estimates. These will include:

1) Some 'finishing off' aspects for Chesterfield Road, including modern ceilings and new lighting, flooring and carpeting. He indicated that there was a need to make it feel like a modern vibrant building so as to attract A-level students to the centre.
2) Wi-Fi structure update – this is part of the college's COVID response and the intention is to provide something fit for the future for many years, i.e. 6-8 years' capability.
3) Broader and more ambitious laptop scheme.

When discussing the Wi-Fi structure update proposed, a challenge from one member of the committee was to be very clear regarding Wi-Fi security.

In relation to Thoresby Street, it was explained that there was been a delay to the sale in any event, as it was conditional upon the purchaser obtaining planning consent, which they have now secured. Following discussions, July 2022 is the backstop date for them and it is envisaged that they will remain committed for this period. When reviewing the report, it was noted that reference has been made to asbestos at Thoresby Street, and the committee asked whether it was safer to encapsulate rather than remove. The committee were advised that removal will only take place if it is connected to walls that are to be changed. The committee, in discussing the proposals, all agreed that they were sensible and in line with the college's strategy.

AGREED: to note the content of the update provided.

16 **<u>DATA PROTECTION UPDATE</u>**

The director of IT, estates and learning resources introduced this item. He reminded the committee that the college uses an external data protection company, which provides two days on site per month and is then available to answer emails, calls etc. as required. What is presented today is their annual report, and key aspects brought to the committee's attention were:

- The college has slightly fallen back in terms of its paperwork this year, given other operational challenges; however, it intends to catch up in the coming months.
- Risk reviews are completed annually and are to be done by December 2020.
- Risk highlighted regarding data outside the EU.

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- The college's annual data purge will take place slightly later than usual.
- Special category data is as safe as it can possibly be.
- Training and awareness – current position is 92.3% rather than 100%, and the college will take steps to continually strive to get to 100%, although it was acknowledged that this is a rolling statistic.
- Confidential waste – this has been dealt with externally now for 18 months and will be extended to all sites.
- Data access requests – college has received some regarding assessed grades for GCSEs and A levels.
- Ten data breaches in the year, of which nine were completely trivial and self-reported. There were no breaches that were determined to be reportable to the ICO.

The director of IT, estates and learning resources confirmed that, generally, the college feels it is making reasonable progress. Systems in place are good and the paperwork just needs to catch up in the next few months.

A question from one member of the committee was whether there is robust password protection in place. It was confirmed that this would be discussed in more detail on the next agenda item. It was confirmed that DPIA is part of the change control process.

The committee discussed the use of SharePoint and questioned whether there were any 'people weaknesses', particularly relating to training and security. The director of IT, estates, and learning resources confirmed that there is mandatory training in place that covers these aspects.	Dir IT MIS & Estates	Oct 2020
An observation made by committee members was that governor compliance with GDPR could be more formal, and it was agreed that this would be reviewed as part of the induction arrangements.	Dir IT MIS & Estates	Oct 2020

The committee all agreed that it was important for the college to follow up on any use of Dropbox, as this does not have any virus protection.

AGREED: to note the content of the update provided.

17 IT UPDATE AND INFORMATION RISKS

The director of IT, estates and learning resources introduced his detailed written report and confirmed that this is a post-lockdown view of IT and a direction of travel for the future. He indicated that the college, from an IT perspective, is very successful and that, in 2020/21, students will in the main be working on a 50% on site and 50% remote timetable. He confirmed that the college has been able to double its IT services to support students, and this includes:

- Entirely digital enrolment – this was highly successful and it is not the intention to revert back to other mechanisms; instead, this will be rolled forward into future years.
- Classroom adaptations – the college can now stream lessons live. There was a lot of testing undertaken in relation to this to ensure that what is in place offers what both students and staff want.

He expressed the view that it was still a little early yet to change the IT and ICT strategy, and that the college is still digesting what is in place and fully considering the lessons learned.

He confirmed that staff are now looking at how the college can really get to a place of digital learning and online safety. The proposal is to put a laptop in front of every learner – this is a direction of travel and, to be achieved, would mean loaning laptops to students. That said, it is not believed that now is the right time to roll out, but it is an aspiration for the future. This would mean gradually phasing out the IT suites on site. He confirmed that, to support this, there would need to be really robust Wi-Fi throughout the college. This would be to a new standard and not just an incremental increase. He confirmed that there have been some real opportunities that have arisen in terms of changes to teaching and learning.

The committee were then asked to note the update provided in relation to information risks; key matters noted were:

- New risks highlighted by JISC. This is to both college and universities, as they are specifically targeted.
- Home working creates risks.
- The college feels it is in a good place but there is always more that can be done.
- Good backup is a mitigation to ransomware, and it was explained that there are different levels of backup. Critical data is kept off site and kept on tapes; however, it would take a long time to reinsert onto the system: this would be weeks and not days.
- Recommendations by JISC are all being considered.
- Weak spots tend to be humans and/or weak passwords.

The committee asked how often backups are tested. It was explained that critical data is tested once a month and fast backup is tested weekly.

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The committee questioned how much of the college's data can be cloud enabled. It was explained that this is being reviewed system by system and that there is some data that has to be on site, e.g. media data. He indicated that it would not be cost effective to move everything to the cloud now, but that this is reviewed on a rolling basis. He confirmed that there are automated updates to college kit, including laptops.

In terms of loaning laptops to students, the committee questioned whether there would be any liability for undesirable material that may be downloaded. The committee were advised that, on return, all laptops would be wiped and staff would not have the capacity to look at what is on there.

The Director of IT, estates and learning resources was thanked for his very comprehensive and informative report.

AGREED: to note the content of the update provided.

18 **ANNUAL REVIEW OF STANDING ORDERS**

The director of governance introduced this item and drew the committee's attention to the proposed changes highlighted in red. The committee all agreed that the proposals were sensible, and were happy to recommend Board approval.

AGREED:
a) To note the content of the update provided
b) Recommend that the Board approve the proposed amendments highlighted in red.

19 **AOB**

There were no items of additional business.

20 **DATE AND TIME OF NEXT MEETING**

This was confirmed as Thursday 26th November 2020 at 6pm. It was noted that this follows an earlier joint meeting with the Audit Committee to discuss the yearend financial statements.

Meeting closed at 8.10pm.

Signed : ____ ____________Chair Date: 08.12.2020