WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the Finance and Estates Committee meeting held via Microsoft Teams on Thursday 29th April 2021 at 5.30pm.

GOVERNORS PRESENT:	Charles Heaton, Chair Andrew Cropley, Principal/CEO 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

		ACTION by whom	DATE by when
1	**DECLARATION OF INTERESTS** The chair reminded everyone present to declare any interests that they may have on agenda items for discussion. No declarations were made and standing declarations were noted.		
2	**APOLOGIES FOR ABSENCE** Apologies for absence were received from David Gillies.		
3	**MINUTES OF THE MEETING HELD ON 1ST FEBRUARY 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 1st February 2021. There were no matters arising.		
4	**ACTION PROGRESS REPORT** The committee considered the update provided, and there was discussion on a number of items:		

Signed : _ ________Chair Date: 23/06/2021

- In relation to the exceptions report, all agreed that the focus for reporting needs to be contribution analysis rather than class size and staff utilisation. The principal indicated that, as long as the departments are delivering the target contribution, it is a matter for them how they manage this. He confirmed that to engender a culture of empowerment requires a level of trust being placed in staff. In discussion, it was agreed that it would be useful to report on room utilisation in future updates, it being the case that the college does now have a challenge as space is at a premium. The principal indicated that it is important to be sure that the college is not building in any efficiencies, e.g. timetabling. The director of IT, estates and learning resources indicated that, currently, the college does look at frequency of use through registers and that this is indicating that buildings are more and more occupied. The college has created seven additional classrooms for September to accommodate the growth. The committee were advised that the college is also reviewing the matrix and consistency to ensure a college-wide approach to ensure maximum efficiency. The principal indicated that, whilst student numbers for September are very positive, this also does come with potential challenges.

The committee were advised that room occupation throughout the day is a key figure and that this is a report usually presented to this committee in October, as this is at a point of maximum occupation. The principal indicated that it may be possible to undertake a theoretical model based on timetabling but that this really has to be worth the effort required. In his mind, it has to satisfy the 'so what' measure. The committee were advised that the college will never be able to get to 100% utilisation and that this is because of part-time staffing, class sizes, etc. but that the theoretical model may be able to show where it is possible to squeeze further efficiencies. The principal indicated that he would like to see more consistency and even usage across the week.	Director IT & Estates	Oct. 2021

AGREED: to note the content of the update provided.

5 **BALANCED SCORECARD REPORTING – PROGRESS WITH ESTATES WORKS**

The director of IT, estates and learning resources introduced his written report. Key matters noted were:

- This area is now RAG-rated as green.
- The college is on track to spend all of the funds provided and could spend more if it had it.
- £1m of the £1.3m has been committed.
- Works involve lots of small items and it has taken some time to get quotes in some areas but the college does remain on track.

- There are two large projects, including:
  a) Complete rewire and change of WiFi
  b) New roof on the Relish/Refined building.
- The remaining funds are committed to Chesterfield Road to undertake a revamp and modernisation, including science labs, LED lighting, and new suspended ceilings. Derby Road toilets will also be refurbished.
- Any works not dealt with this year will be rolled forward into 21/22 and beyond.
- The college will look to undertake a further conditions survey; this is usually updated every five years.
- All works required are planned within a tight timescale, but there is confidence that the works can be completed before 1st September.
- The college has had some supply/contractor challenges but the position is improving. The college has had to extend its pool of approved suppliers.

In general discussion, it was acknowledged that the funds provided to the sector were economic stimulus during COVID; however, they may be a continuing feature to ensure regular maintenance and prevent condition deterioration, which has been seen in the sector in the past.

AGREED: to note the content of the update provided.

6 **HEALTH AND SAFETY - EXCEPTIONS REPORT**

The director of IT, estates and learning resources presented this item and confirmed that the update is largely focused on COVID and that the college has a great story to tell in relation to this. Key matters noted were:

- 3,500 tests undertaken internally and the same number of home tests taken away.
- Uptake regarding home testing is slowing and communications are going out to students and staff in relation to this.
- There have been zero COVID cases in the last two weeks.
- 200 cases in total with only three of these having an association with college.
- The college is now almost 100% back on site and everyone agrees that it still feels a safe environment.
- Health and Safety Executive and Public Health England acknowledge that the college's tracking system is better than the national one in place.
- It is testament to the health and safety team that there have been so few cases.
- There have been regular communications and drop-in sessions for students and staff, which have been very popular. These take place three or four times a week for staff and two or three

times a week for students.

- One remaining problem to resolve is that, in a very small number of rooms, there are temperature issues and the college is having to review the ventilation situation.
- An external health and safety advisor has been engaged who continues to carry out audits, and everything is now completed as required.
- The college is starting to undertake training again.
- A historic claim by an employee who broke their ankle in the car park has had their case proceed to hearing. Insurers rejected the claim and agreed to defend the case. Following court appearance, the claim was dismissed as it was found to be the case that all risk assessments had been undertaken and that there were good practices in place (i.e. this was simply an accident).
- Staff seem comfortable with the environment and safety. Some staff have returned to site for the first time in over a year.

AGREED: to note the content of the update provided.

7 **D2N2 PROJECT UPDATES**

The finance director provided a report at the meeting and confirmed that there are two projects that have benefitted from LEP investment. These are:

1) 2016 university centre – key matters noted were:

- Investment originally based on HE education outputs.
- The college did not hit any of the targets set.
- With the transfer of HE provision to NTU, this gave rise to a risk and the targets were therefore renegotiated.
- The college is able to show growth in FE numbers and it would not have been possible to do this without the HE centre space.
- The college is 1,156 against a target of 1,205. There are 529 more anticipated; therefore, the college believes that the target will be met.
- Once this target is met, the college will be able to sign off the outputs of this project as complete. The college will then be able to draw a line under the project as fully delivered.
- LEP investment was £2.6 million.
- The college continues to provide a quarterly return to the LEP.
- There is no risk of financial recovery.

2) Automotive – key matters noted were:

- Funding provided was £675k.
- The college has met the project output in full regarding funding.
- The number of learners and employees has been delayed

- because of COVID, particularly apprentices; however, the college does expect to catch up as it rolls forward year-on-year.
- Sensible recruitment targets were set and agreed.
- Learners are starting to come through now.

The committee all agreed that they had found the report useful and it was confirmed that an annual summary would be provided in March each year; therefore, the next report is due March 2022.

Finance Director

March 2022

AGREED: to note the content of the update provided.

8 RISK REPORT

The finance director introduced this item and confirmed that there had been real positive movements in relation to the risks identified and that this had been influenced by a number of key matters, including:

- ESFA support for 16-18 funding. The college received an additional £1.3m for in-year growth as well as other strands of COVID support.
- AEB support at 10% equates to £640k although this is not as much protection as the prior year. Because of the confirmed position by the ESFA, the college has been able to recognise this additional 10% in the Management Accounts.

Risks now are:

- Change in subcontracting rules. The college has been bringing the level of subcontracting down; however, it cannot allocate more than £1.4m going forward. This forces the college to undertake more in-house delivery quickly. The college has good plans in place and has started activity. There are a lot of different approaches and initiatives, some of which are not yet tried and tested. Rules will mean a £2m shift into direct delivery.
- A key target for the college is not to lose any part of the AEB allocation for the area.

In general discussion, one member of the committee raised a question in terms of the information provided at F6, row 10 and indicated that the column D figure doesn't match column N data. The FD advised that there are two thirds of activity that the college cannot now do with subcontractors; therefore, there is a need to pull back £350k. £125k was the planned reduction; however, this now needs to be significantly more. It was agreed that the finance director would review the numbers provided just to ensure that they all align and are accurate.

FD

May 2021

AGREED: to note the content of the update provided.

9 MONTHLY MANAGEMENT ACCOUNTS – MARCH 2021

The finance director presented the accounts and updates were provided in a number of areas:

- The accounts now pick out the building condition funding separately as it was masking the actual position regarding non-pay.
- The college is £196k ahead of EBITDA, even on a prudent forecast basis.
- There is a strong possibility of hitting the £3.1m target.
- £262k 16-18 supportwill be clawed back by the ESFA next yeartherefore, the college will reverse the revenue in 20/21 removing any negative impact in 21/22. If the college does not do this, it would distort the position for next year.
- The bksb sale has now concluded and the college will report on how the funds have been dispersed. The settlement means that the college now owes nothing to the ESFA and the £5.6m short-term loan has been repaid. By next week, the amount outstanding to the bank will be £1.9m.
- By August 2021, the debt position will be down to approximately £1.5m and this should be compared with the £26m debt that existed at the start of the intervention process; therefore, the college is in a great position.
- The financial health calculation will be ‘good’ and may be ‘outstanding’. This means that it may be possible to move out of financial intervention.

In considering the information provided, a challenge from the committee was that the yearend accounts will need a very clear narrative regarding the yearend position, underlying performance, and strength going forward.

- 21/22 will be a much stronger position and include:
  a) £2.5-£2.8m EBITDA
  b) Low debt repayment
  c) +£2m to invest per annum.

The committee indicated that the realisation of profit will be significantly and quite startlingly good; therefore, it will need detailed explanation within the accounts to clearly show the normal trading position and the college’s standalone strength. All agreed that the college was now looking to be in a much-improved position.

The committee discussed the options for treatment of the bksb disposal in the Management Accounts and also balance sheet at college and group level. There is discussion with auditors on this but it is likely that it will show £1.8m in college accounts as working capital/gift aid.

AGREED: to note the content of the update provided.

	The finance director indicated that he had not been able, as planned, to present the April pay report and debtor report; therefore, it was agreed to defer these to the next meeting. In terms of debtors, the intention is to show Siddhi on a separate line. AGREED: to note the content of the update provided.	FD	June 2021
10	**SUBCONTRACTING UPDATE**		
	The finance director presented the detailed report on AEB subcontracting values with the performance shown for each contractor. These were considered on an individual basis and updates provided: • ATTFE – this is a good local organisation but has not delivered any activity to date. Conversations with them seem to suggest that activity will come but, if not, this will impact upon next year's contract. The college has the option to consider some progression arrangements with them as an alternative. For now, there are strategic reasons to keep them engaged but it is disappointing that this is the second year running where they have not delivered. For now, the proposal is to continue with them but at a lower contract amount. • Chameleon – they are doing very well and have responded positively despite COVID. The college is seeking to protect them as a provider. The proposal is to increase their allocation for this year, which will give them encouragement to continue to recruit and will remove any artificial barriers. The college would like to be proactive and award 21/22 contracts early. Despite the subcontracting cap next academic year, the £300k proposal is very generous for them. • Deere – they have done virtually nothing for the year. They have an East Midlands focus but not around the college's heartland and, in fact, would be competition if they were. The college has reduced the contract down. They are very dependent on referrals from the Job Centre, which is a challenge for them, and they have limited routes to access learners. • Inspire and Achieve – COVID has negatively impacted upon their activity. The college has started to see some activity come through but it will not catch up to target. Provision has been impacted by learners' lack of confidence as it is mainly face-to-face and group work. They offer 12-week intense activity programmes. Allocation has been reduced for 20/21 but it is important to continue the relationship as they do good work. The Prince's Trust is an important offer locally. The college would like to take more control and ownership of the provision and relationship with the Prince's Trust, but this would be a significant decision for Inspire and Achieve. If they do agree to		

the proposal, it would take the activity with them outside subcontracting. The college would like to see more of its own teaching approaches and work collaboratively and would seek a direct relationship with the Prince's Trust. Inspire and Achieve are very reliant upon subcontracting with WNC, Nottingham College and Futures. They are not an organisation that is likely to win direct contracts and, therefore, this is an opportunity. WNC could offer a longer-term plan and give stability to their operations. If they are amenable to the proposal being discussed, this would give the college more flexibility regarding other subcontracts.

- One to One – they have really struggled this year. They are a significant employer in the care sector but the majority is not on our patch. They have seen very little activity. They undertook a restructure and furloughed a high number of staff and, therefore, there is some lack of confidence in the staff remaining. The proposal is not to contract with them next year.
- Qualitrain – they are a company who deal with and rely on volume. They work with large companies such as Bombardier. The drop in workforce has been significant and has negatively impacted activity. Activity could come through at the end of this year but there is no certainty; therefore, the college is proposing a reduction in allocation. Not all of this is Mansfield and Ashfield activity.
- Trackwork – they have had a COVID blip but activity is now starting to pick up; however, allocation for next year is reduced because the level of activity in Yorkshire will be impacted by the devolved authority in South Yorkshire.
- White Rose – they have delivered well but there will be less Yorkshire activity next year.

In general discussion, the committee were reminded that the college will be losing 60% of subcontract allocation next year and that this has led to a challenge in picking who to remain with.

The finance director summarised the report and presented for approval:

a) 20/21 in-year changes
b) Proposals for 21/22, which are an initial half contract allocation.

The committee all agreed that the explanation and rationale for the position as reported was clear and that, on this basis, they were happy to agree Board approval as presented.

AGREED:

a) To note the content of the update provided
b) Recommend that the Board approve 20/21 in-year changes as

proposed

c) Recommend that the Board approve 21/22 proposals on the basis of an initial half contract allocation as presented.

The committee then received an update in relation to Finance and Management Business School (FMBS). The finance director explained the model and approval of a contract up to management-level authority. He indicated that to increase the contract further would need Board approval and that the college is seeking to grant a further £300k contract. He explained that this would allow the college to protect a large part of AEB into next year. FMBS are very skilled in building programmes and working with employers – in reality better than the college, which gives an opportunity. Margin contribution is 35%.

The committee were happy to recommend the contract increase as suggested.

AGREED: to recommend that the Board approve a further contract of £300k to Finance and Management Business School (FMBS).

11 **UPDATED FINANCIAL FORECAST 2020/21**

The finance director introduced this item and key matters noted were:

- Original EBITDA forecast of £2.6 million.
- The college has received additional 16-18 growth funding of £1.3m; however, this is likely to reduce to £1.1m.
- There has been really good work with the local authority in relation to ALS/high needs, which has led to +£145k.
- There has been a high demand this year for agency staffing which typically costs 38% more; this has led to costs being nearly £300k more than originally envisaged in this area.
- There are non-pay savings in relation to 16-18 activity.
- This leaves the college £1.4m better off than planned.
- £476k anticipated new AEB activity.
- No significant impact of reduced subcontracting; however, the college has lost some of its own anticipated (old) activity, which leads to an overall neutral position.
- In relation to apprenticeships, there has been a significant reduction in income and activity is only starting to move up since February.
- There is lost opportunity in some areas, e.g. construction.
- Apprenticeship delivery should see a significant comeback next year, but this is significantly impacting upon the business.
- Pension top-up confirmed for the whole of 21/22.
- Tuition fees are down and part of this was an error, i.e. mispricing, that said this was on quite a small contract.
- Catering income is down but is starting to pick up.

- Neutral position recognises £750k on capital improvements. These are minor repairs and, therefore, are not being capitalised. In effect, it is cash in and cash out.
- The summary table shows where the college is winning and losing.
- Core 16-18 provision is strong.
- Apprenticeship delivery is expected to get back to normal next year.
- In relation to AEB, there are some really exciting initiatives that focus on strategic priorities.

	The committee discussed the format of the waterfall presented and the finance director confirmed that it could be improved. It was agreed that this would be updated and then included within the Management Accounts to pull everything together. All agreed that this would then make it easier to understand the significant changes.	Finance Director	May 2021

AGREED: to note the content of the update provided.

12 **2021/22 BUDGET ASSUMPTIONS**

The finance director introduced this item and a number of aspects were brought to the committee's attention regarding the key budget assumptions:

- Good early indication of 21/22 allocations. The college will adjust for the distortion discussed earlier in the meeting.
- Tuition/catch-up funding – the college is assuming this will be at the same level, but it may be more.
- The college has submitted a business case for a revision of £128k and should know the outcome by mid May.
- The college is anticipating in-year growth in 21/22. There will be more year 2 learners, and recruitment for year 1 learners is also very positive. The college is seeing a really strong response to the development of the sixth form college and could be 150-200 up on A-Level numbers. That said, there is a challenge for the college as A-Level students can accept multiple offers. The college is taking a 3-point touch approach and is working hard to ensure those who are registered do eventually enrol. An increase of 250 learners would be equal to £600k. The college is pricing it on the ESFA model and will roll it into next year.

The committee discussed the approach taken to A-Level growth and it was acknowledged that, if the college does not plan for it, it will not be able to resource it. It is not usual to have a guaranteed model from the ESFA but this has been provided and, therefore, gives greater confidence. The committee were advised that, if growth does not materialise, there are mitigating actions that can be taken to redeploy staff. The finance director indicated that the growth risk this year is

	lower than previous years, which is why the recommendation is to provide for it in the budget. Resource here is really skewed to the sixth form centre and it is important that the college is able to deliver on expectations and marketing promises. The finance director indicated that, because the college has to resource the centre, it will have to recognise the income, albeit cautiously. The principal indicated that there is a lot of positive word of mouth out in the Ashfield and Mansfield areas given the quality COVID experience the college has delivered to students this year.		
	A challenge from the committee was to ensure that the assumptions made are backed up with more evidence at the point of budget approval, including data and sensitivity analysis. The committee indicated that it is important to amend or add a separate line in the risk register regarding growth for 2021/22. This will require a summary of the mitigating controls and actions.	Finance Director	May 2021
	The committee were advised that the curriculum planning process is coming to a conclusion in the next two weeks, which will give all of the information required to underpin the budget assumptions.		
	AGREED: to note the content of the update provided.		
13	**<u>EXPENSES POLICY</u>**		
	The finance director confirmed that this was still with the trade unions for feedback and that there had been some delay. The committee were given assurance that the policy that does exist and is workable without any changes and, therefore, risks in relation to this are minimal. It was agreed to defer this to the next meeting.	FD	June 2021
14	**<u>BKSB INDIA</u>**		
	The finance director provided a verbal update and confirmed that bksb India has been retained by the college group. The company will be directly owned by WNC as the purchaser did not want to take this as part of the sale. The company ceased trading in March 2021 and staff have been made redundant. It is believed that the company has sufficient funds to close down operations and will move to a dormant status. Following two years of dormant status, the company will then be struck off. The team is reviewing the balance sheet to clean off any debtors.		
	The finance director indicated that, as a subsidiary, it is important to monitor the position; therefore the management accounts will include a reference to it going forward and the group accounts will reflect its ownership. Net asset value is only £25k. All agreed that there was a need to ensure transparency in relation to this company.		

Signed : _ ________Chair Date: 23/06/2021

AGREED: to note the content of the update provided.

15 COMMUNITY RENEWAL FUND (CRF)

The principal introduced this item and drew governors' attention to his detailed written report. Key matters noted were:

- The college submitted a bid, as did many others.
- The bid submission has helped with some really positive conversations, e.g. with Futures; so much so that the decision has been taken to merge the two bids together and give an integrated approach.
- There are 20 organisations within the partnership and it is expected that this number will increase.
- The college is in dialogue regarding who will take the lead on the project.
- WNC's focus will be employers and the conversations with them.

The committee asked whether there were any risks associated with the bid/project. The principal indicated that there is a really tight spend window, i.e. seven months. Because of the number of partners involved, it would be easy to underestimate the work required to coordinate. That said, if the project is light on outputs, this would de-risk the position so as to avoid the potential for any clawback. Focus of the bid will be on building relationships rather than 'bums on seats'.

The committee asked whether there is the resource in place to deliver the project. The principal advised that there is a two-stage bidding process and that the college will know the outcome of phase one by June 2021. The college is planning to do the employer engagement work in any event, and this is the same for another two colleges in the partnership, which does offer the opportunity to join forces and resources. Within the bid, there is an expectation that WNC will have an additional member of staff (potentially two), which will allow the college to hit the ground running. The risk is the timetable, it being so tight, but this is an opportunity to do something really creative.

AGREED: to note the content of the update provided.

16 AOB

There were no items of additional business.

17 DATE AND TIME OF NEXT MEETING

This was confirmed as Wednesday 23rd June 2021 at 5.30pm.

Signed : _ ________Chair Date: 23/06/2021

18 **CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded on a separate basis.

(Gavin Peake left the meeting at 7.50pm)

Meeting closed at 8.15pm.

Signed : _ ________Chair Date: 23/06/2021