



**WEST NOTTINGHAMSHIRE COLLEGE  
FINANCE, RESOURCES & ESTATES COMMITTEE**

**Minutes of the meeting held at Breadsall Priory on Friday 24<sup>th</sup> June 2016 at 1.00pm.**

**BOARD MEMBERS PRESENT:** Terry Dean, (Acting Chair)  
Dame Asha Khemka DBE  
Colin Sawers  
Malcolm Hall

**ALSO IN ATTENDANCE:** Maxine Bagshaw, Clerk to the Corporation  
Andrew Martin, Deputy Principal/Director Finance  
Tom Stevens, Executive Director Capital Projects and Estates

	ACTION by whom	DATE by when
<p><b>16.32      <u>APPOINTMENT OF THE MEETING CHAIR</u></b></p> <p>In the absence of Hari Punchihewa it was agreed that Terry Dean would be appointed as the acting Chair for this meeting.</p> <p>AGREED: to appoint Terry Dean as the meeting Chair.</p>		
<p><b>16.33      <u>DECLARATION OF INTEREST</u></b></p> <p>The Acting 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.</p>		
<p><b>16.34      <u>WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></b></p> <p>Apologies for absence were received from Hari Punchihewa and Alan Mele. It was acknowledged that this meeting had been convened at short notice because the planned date of 28<sup>th</sup> June 2016 could not go ahead as it was inquorate.</p>		
<p><b>16.35      <u>MINUTES OF THE MEETING HELD ON 10<sup>TH</sup> MAY 2016 &amp; MATTERS ARISING</u></b></p> <p>The minutes were reviewed and it was agreed they are an accurate record of discussions.</p> <p>AGREED: to approve the minutes of the meeting held on 10<sup>th</sup> May 2016.</p> <p>There were no matters arising.</p>		

Signed : \_\_\_\_\_ Chair

Date:

**16.36 ACTION PROGRESS REPORT**

Members reviewed the update provided.

**16.37 DRAFT BUDGET 2016/17 & FINANCIAL FORECAST TO 17/18**

The Deputy Principal introduced this item and confirmed that the draft budget, including the key assumptions, picks up themes discussed as part of the residential strategy event. In terms of business planning, the team have looked at the likely impact of apprenticeship reforms and have also looked closely at previous performance. Key matters brought to members attention were:

- Across the course of the planning period income will increase in 16/17 to £55.2million. This is driven by apprenticeships growth (+ £2.375million) and an assumption of delivery within the new ESF programme (+ £1.499million) and fall away in 17/18 to £52million as a result of subcontract apprenticeship reductions (-£4.222million) offset by some increase within the College delivered WRT programme (+ £0.416million).
- Members' attention was drawn to the table at paragraph 18 which summarises the income assumptions. The 16-18 Further Education funding allocation utilised in the budget is £10.877million.
- Realistically in 16/17 the College is looking at a breakeven budget. Members noted the significant contribution from BKS B.
- In terms of the 16-18 Further Education allocation the actual funded position in 15/16 is £11.4million, this is reduced in 16/17 to £10.877million, however there is the expectation that the apprenticeship provision will grow to offset some of this reduction.

In general discussion the Committee questioned what will now happen regarding ESF projects given the outcome of the UK Referendum. The Deputy Principal provided assurance that even if ESF funding is no longer available then the margin on the contracts is low and therefore there will be mitigated impact. He confirmed that there are contingencies within the budget, however all agreed that there was a need to closely monitor this.

- Page 20 provides detail regarding strategies for growth for apprenticeships and more detail is provided in the business plan which will be going to Board for approval at the July meeting.
- Page 21 – pay costs in 16/17 should be stable. Proposals (if any) regarding a pay award will be presented to the Board for discussion at the October 2016 meeting.

Principal

July 2016

Deputy  
Principal

Oct 2016

Signed : \_\_\_\_\_ Chair

Date:

The Committee discussed a 'bonus pot' for staff and asked that part of the proposals put forward in October look at some type of bonus scheme. The Principal indicated that, as a general rule, performance related pay or bonuses come with a lot of complications and are not favoured by the unions. If the College is to introduce some kind of bonus scheme then it will need to be a very simple way of consistently rewarding all staff, for example if the College were to obtain an Ofsted grade 1 then a bonus could be considered, this would be the same amount for each member of staff and would be based upon affordability. The Principal indicated that if the College is able to exceed its annual targets then it could look at providing a simple consistent award as a means of recognition.

- Page 22, section 50 sets out the requirements that the Board has to consider when setting the annual budget. These include;
  - a) A summary of the Colleges key strategic objectives.
  - b) A description of how the financial plan is consistent with the Colleges strategic objectives.
  - c) Explanation of major movements between plan periods for statement of comprehensive income and balance sheet headings.
  - d) Explanation of major variances between the latest outturn estimate for the current year and the original budget.
  - e) The contribution made by different areas of activity.
  - f) The Colleges self-assessment of its financial health and an explanation of any variance from the computed financial health grade.
- Section 62 provides a summary in terms of segmental contribution. Members' attention was drawn to annex 2 which sets out the respective contributions for the College and its subsidiaries for the budget in 16/17 and the forecast for 17/18. This sets out contributions at EBITDA and bottom line. The College is the biggest EBITDA contributor but then has the highest levels of depreciation and interest. BKSB continues to provide the biggest bottom line contribution to the College group result and will continue to grow in to 16/17 and 17/18.
- Within the Colleges business the budget for the franchise programme will see gross income for the College of £19.289million, of this £16.078million is apprenticeships and £3.211million traineeships and classroom provision. This will provide a gross contribution of £4.365million. From this gross contribution the allocation costing model for the direct and indirect costs of generating this activity would indicate that costs of £2.64million are relevant in the contribution analysis. This would mean that the partner programme would provide a net contribution of around £1.72million in 16/17 with the rest of the College programme making a similar deficit contribution.

Signed : \_\_\_\_\_ Chair

Date:

- Page 26 sets out the new financial health assessment calculations. The new assessment grades will allow the College to get to the 'good' category much quicker. All acknowledged that this will positively impact upon how the College is externally judged.
- Page 27 sets out the key risks and challenges.
- Page 29 sets out the group position.
- Page 52 splits out performance for the component parts of the group.
- Page 53 provides the detail behind the assumptions made.

In reviewing the budget the Committee questioned what the growth target is for BKSb. It was explained that targets set are relatively prudent. It was explained that achievable targets are set and these are used as a tool to motivate the team. Assurance was given that the team has always exceeded the targets set for them. BKSb provides a 50% bottom line contribution.

Members reviewed the budget planning assumptions and agreed that in a challenging and fluctuating time the assumptions appeared reasonable and on best known facts/evidence to at this point in time. The Committee were happy that they were in a position to recommend the draft budget for 2016/17 and financial forecast to 17/18 for approval by the Board at its meeting in July.

AGREED: to recommend that the Board approve the draft budget presented for 2016/17 and the financial forecast to 17/18.

### **16.38 PARTNERSHIP CONTRACTS 2016/17**

The Deputy Principal introduced this item on behalf of the Head of Service and explained that the contracts list, the planned subcontractor arrangements for apprenticeships, and adult education budget. In relation to the latter the priority will be the D2N2 geographical area. Members' attention was drawn to page 55 where it sets out the contract planning process. Page 58 sets out continuing contracts and page 59 sets out carry over commitments.

Members reviewed the plans in place and noted that the reduced overall SFA allocations in both non priority and priority apprenticeship delivery and a continued increase in transactional management for the SFA have driven much of the decision making process for 16/17 allocations. There is a desire for consolidation of current partnerships and driving up quality which has led to a rationalisation and re-profiling of contracts across all partnerships together with review of the quality outcomes. As the direction of travel for the new titled Adult Education Budget (previously Adult Learner Responsive and Work Related Training NVQ funding) is to prioritise spending of this fund strand within the local LEP area.

Signed : \_\_\_\_\_ Chair

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The focus has therefore been on partners who can engage with employers in the D2N2 area and within the sectors they have identified as a priority. This has resulted in a reduction of allocation and therefore reduced contracts for a number of partners who have previously enjoyed relatively large allocations in this area.

The Committee considered the strategy and agreed that it was appropriate. They were happy to recommend that the Board approve the contract allocations proposed.

AGREED: to recommend that the Board approve partnership contracts presented for 2016/17.

#### **16.39 BAD DEBT/WRITE OFFS**

The Deputy Principal introduced this item and drew members' attention to paragraph 5 which sets out the various different ledgers. All agreed that securing payment of debt will become increasingly important given the broadening of loans in the sector. It was noted that there was not a significant increase in the total opening and closing balances. Analysis of the bad debt provision highlights that the issue with bad debt mainly relates to specifics and not the general provision. The general provision is calculated at 5% of the remaining debt after the specific debts have been calculated in full.

Members' attention was drawn to paragraph 7 which sets out specific debtors. These are fully provided for in the income and expenditure accounts. He provided assurance to the Committee that there were no significant risks in terms of the management of the debt process.

AGREED: to note the content of the report provided.

#### **16.40 RESERVES POLICY**

The Deputy Principal introduced this item and explained that the College has a number of specific requirements placed upon it since entering in to long term borrowing agreements to finance its building programme. These include specific targets for maintaining reserve levels at specific amounts and are included as a key part of the Colleges current financial objectives. It will be an important consideration in the Colleges reserves policy to properly reflect these requirements as an integral part of any agreed policy.

To respond to FRS102 changes the College needs to have a more considered reserves policy. In broad terms the College will seek to add around £1.5million to its reserves in each of the next 2 years moving from £9.7million to £11.2million to £13million over the planning period. The College does not hold a specific target for restricted reserves but does hold a number of properties which are likely to be disposed of in the medium term.

Signed : \_\_\_\_\_ Chair

Date:

To this end it would be appropriate to specifically hold any disposable proceeds from the sale of College properties to be applied to improving and maintaining the estate.

His proposal is that the Colleges reserves policy be 'the College policy is to carry forward a prudent level of reserves designed to meet the medium and long term requirements of operating the College and achieving the strategic objective whilst protecting against any unforeseen events and risks. The College will aim to hold income and expenditure reserves including FRS17 provision of £13million by the end of the 17/18 financial year and will monitor the progress towards meeting this target annually. Any reserves created through the disposal of property will be held in a restricted reserve and applied to future property improvement and maintenance. The College Board will review the reserves policy annually.'

The Board were happy that the terminology proposed was appropriate and were happy to recommend that the Colleges Reserves Policy presented be approved and the same be included with the 2015/16 financial statements.

As a general point it was noted that discussions on reserves tend to get wrapped up in conversations regarding bank covenants.

AGREED:

- a) to note the content of the report provided; and
- b) recommend that the Board approve the proposed Reserves Policy which will be included within the 2015/16 Financial Statements.

#### **16.41 WHISTLEBLOWING POLICY**

The Clerk introduced this item and indicated that until recently the Colleges Whistleblowing Policy was incorporated within the Colleges Financial Regulations. The latter has been streamlined and as a consequence distinct policies have been separated out. The College has taken the opportunity to obtain legal advice on the content of the policy and Eversheds have recommended certain wording. This represents best practice in the sector. The Policy has been shared with the unions.

AGREED: to recommend that the Board approve the Whistleblowing Policy presented.

#### **16.42 COMMITTEE REVIEW**

The Committee took the opportunity to consider their performance and felt that they had achieved the objectives set out in the terms of reference. They felt that the terms of reference remained fit for purpose and therefore did not wish to make any recommendations for change to the Board.

Signed : \_\_\_\_\_ Chair

Date:

In terms of membership this was noted as; Terry Dean, Malcolm Hall, Dame Asha Khemka, Hari Punchihewa, Alan Mele, Colin Sawers (until the conclusion of his term of office on 11<sup>th</sup> October 2016) and David Overton (for estates matters only). Given the challenge of quorum the Committee felt that there was merit in having one more additional Governor sit on this Committee.

AGREED: to note the content of discussions.

One comment made was that, as historically the Committee has struggled to secure quorum at the June meeting, the proposal was made to tag on the June meeting to the date of the residential event in 2017 rather than having it as a standalone meeting. The Clerk confirmed that she would check availability with the Committee Chair and clarify the position in relation to this at the earliest opportunity.

Clerk

July 2016

**16.43 MANAGEMENT ACCOUNTS TO APRIL 2016**

The content of the accounts was noted.

**16.44 2015/16 PROJECTED YEAREND POSITION**

The content of the report was noted.

**16.45 PROPERTY STRATEGY UPDATE**

The content of the report was noted.

**16.46 LONG TERM MAINTENANE REPORT**

The Executive Director introduced this item and drew members' attention to section 2.1 of his report which confirms that a budget of £500k was allocated for reactive maintenance and planned projects as part of the College financial budget for 15/16. This budget was adjusted at midyear forecast and reduced to £415k based on anticipated in year expenditure. The main project undertaken in year was the LRC refurbishment.

Members' attention was drawn to section 5 which summarises the reactive maintenance and planned project budgets for 16/17, total budget is £436,800 of which over £100k is capitalised. Members were asked to specifically note that £64.6k is provisionally allocated to redecoration and carpets at Station Park. Tenders in relation to this will be obtained early in the new calendar year.

Also drawn to members' attention was section 7.7 of the report and the tender process for renewing the fire alarm at Ashfield House. He explained that Vision Studio School have deferred making a decision on their own tender outcome until final position of the College is known.

Signed : \_\_\_\_\_ Chair

Date:

He expressed confidence that the figure will come in under the expected £50k.

AGREED:

- a) to note the content of the report;
- b) approve the reactive and planned maintenance budget of £436,800 for 16/17 (to be included in the 16/17 budget);
- c) capitalised cost of blended learning refurbishment at Derby Road, Station Park and Engineering Centre at a cost of £50,234;
- d) capitalisation cost of new fire alarm system at Ashfield House Chesterfield Road estimated at £50k inclusive of VAT; and
- e) to obtain quotations for a complete redecoration of Station Park, internal and external, and partial carpeting to be undertaken in 2017 as the priority project for planned maintenance. £64,600 has provisionally been allocated to this project.

**16.47**     **AOB**

There were no items of additional business.

**16.48**     **DATE OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was 27<sup>th</sup> September 2016 at 4pm.

Meeting closed at 2.00pm.

Signed : \_\_\_\_\_ Chair

Date: