WEST NOTTINGHAMSHIRE COLLEGE FINANCE, RESOURCES AND ESTATES COMMITTEE

Minutes of the meeting held on Tuesday 21st February 2017 in the Board Room, Derby Road

COMMITTEE MEMBERS PRESENT:	Terry Dean Dame Asha Khemka DBE Hari Punchihewa, Chair Alison Breeden Alan Mele
ALSO IN ATTENDANCE:	Maxine Bagshaw, Clerk to the Corporation Andrew Martin, Deputy Principal/Director: Finance Tom Stevens, Executive Director: Capital Projects and Estates Tracy Thompson, Vice Principal: Human Resources and Organisational Development David Overton, Governor attending for Estates matters only

		ACTION by whom	DATE by when
1	**DECLARATIONS OF INTEREST** The Chair reminded those present to declare at the start of the meeting any interests that they may have on items on the agenda. No specific interests were declared and standing declarations were noted.		
2	**WELCOME INTRODUCTIONS AND APOLOGIES FOR ABSENCE** Apologies for absence were received from Malcolm Hall and Lesley Roberts.		
3	**MINUTES OF THE MEETING HELD ON 8TH NOVEMBER 2016 AND ANY MATTERS ARISING** The minutes were reviewed and it was agreed that they were an accurate record of discussions. AGREED: to approve the minutes of the meeting held on 8th November 2016. There were no matters arising.		
4	**ACTION PROGRESS REPORT** Members reviewed the action progress table and were pleased with how matters were progressing. The Clerk confirmed that for the next meeting she would update and remove any items that have been completed.		

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	In terms of the final action regarding the Student Union the Deputy Principal confirmed that he has had discussions with the Executive and it has been agreed that the Student Union will prepare a business plan which will be presented to the next meeting. AGREED: to note the update provided.	Deputy Principal	May 2017
5	**<u>ESTATES REPORT</u>**		
	The Executive Director: Capital Projects and Estates introduced this item and confirmed that there were a number of matters to consider: 1) <u>Disposal Strategy</u> Members attention was drawn to page 15 of the report where a number of key matters were discussed: a) Media Centre, Thorsby Street, Mansfield – the Committee were advised that this property is reaching the end of its useful life and is difficult to sell at any price. An updated report to the Finance Committee on 21st September 2015 recommended retention until completion of the Derby Road refurbishment in September 2016, with use as decant space for teaching and exam centre. It was explained that this site is of very little value but has been an ideal exam centre, archive storage and decant facility during the Derby Road renovations. A possible option for the centre is to develop it as an Employability Centre, this would be to support the needs of the local community by converting Thorsby Street to help job seekers providing them with industry and employability skills. The BDU want to replicate the site that exists in Sheffield. This is predominantly level 1 construction training. The site in Sheffield has been positive in terms of its success and achievement of objectives. In putting forward the proposal the BDU have taken on board the view of the employment office in Mansfield and they are supportive. The business case would be owned by Lesley Roberts and her team. There is a strong well proven model in Sheffield with good success and the aspiration is to replicate in Mansfield. The key risk is the centre's relationship with the job centre. Statistics show that 72% of students who participate in study at the Sheffield Centre then come off benefits. If this can be achieved in Mansfield it is envisaged that the Job Centre will be happy to continue with ever increasing throughput. In terms of the College's strategy, this will also increase the volume of delivery locally as required by the ABR and LEP. This will give a very strong alignment with the Colleges Adult Education Strategy.		

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The refurbishment costs are expected to be a maximum of £49k to make sure it is fit for purpose although the hope is that it will be less. Learners will be funded through Adult Learner Responsive funding streams and working with the local job Centre would be organised into groups for training at the Employability Centre on a rolling programme throughout the year. It was explained that the business plan in place at the minute is for one year only and then would need to be reviewed in terms of success and outcomes. The senior team expressed the view that they were pretty confident that the Job Centre will commit to the first group of students but thereafter it will all depend on the success of the students experienced. The predicted forecast is on the basis of provision being half the size of that currently on offer in Sheffield.

In considering the proposal the Committee questioned whether there were any capital grants available to support the refurbishment. It was indicated that as capital grants are so restricted in the sector at the current time it is unlikely that this will be the case. The Committee also questioned the extent of the ground floor meterage and whether the employability centre would take up the whole space. It was explained that it would not and that it would just be a part of the ground floor. Student forecast numbers are solely based upon construction activities and replicates and hopefully builds upon the successes seen in Sheffield.

It was confirmed that the most significant risk to the project is poor delivery and lack of impact. It is highly unlikely that the job centre will continue to direct students to the programme if the outcomes are weak.

The Committee discussed the small financial risks and it was confirmed that the College would be withdrawing some funding from partners to utilise in the delivery of this initiative. All agreed that it was critical that Lesley Roberts and her team deliver well. It was confirmed that staffing for this initiative would be put in place following the Work Related Training restructure that has just been completed.

The Committee were given assurance that the oversight for the project will come from the Sheffield senior staff, who know what works well and have experienced lessons learned and as a consequence it should be the case that provision can be matched on a like for like basis.

The Committee, in reviewing the proposal, agreed that management and the Executive need to be confident that the team can deliver good quality with the cost controlled as set out in the forecasts.

The Committee questioned how long the 'useful life' of this building is and also how the initiative sits with the apparent increasing number of construction workers who are in receipt of benefits. It was explained that the student cohort anticipated for the employability centre are students on low level short courses, for example 6 weeks. There will be no element of civil engineering. It was confirmed that the College team has worked with the job centre and the provision to be offered is completely in line with their expectations.

In terms of the 'useful life' of the building it was explained that whilst there are no structural issues it was a former factory that was converted to a media centre and therefore has limited options as it currently stands with no real market interest. The only other option would be to look at demolition.

In terms of staffing it was confirmed that if the centre is a success then it will continue, but if the outcomes are not strong enough and forecast numbers not achieved then there will be a decision to be taken after full evaluation of circa one year.

The Committee were happy to support the proposal made and requested that this project be reviewed with an analysis presented to this Committee in 12 months' time.	Deputy Principal / Lesley Roberts	February 2018

Taking the project as a whole the Committee all acknowledged that there were other benefits to the College rather than simply income and finances.

b) Acorn Way - It was confirmed that the sale of Acorn Way is complete at an agreed price of £465,478, this is £470k less minor remedial works.

c) Canal Street – further to the Corporation Board meeting on 15th September 2016 it was reported that 6 months' notice of withdrawal from the lease effective from 30th June 2017 has been given to the landlord. Dilapidations will be agreed as part of the final settlement.

AGREED:

a) to note the update provided in relation to the College's disposal strategy and

b) approve the refurbishment works required to support the conversion of Thorsby Street to an Employability Centre.

2) Condition Surveys

Key points brought to members attention were:

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- The reports compiled provide a 5 year conditions survey of College owned buildings for years 1-5 and an indication of costs for years 6 to 10 (for years 2017-2027).
- The surveys are visual and exclude any mechanical and electrical installations. They do include anticipated maintenance costs within the report.
- Properties surveyed include Derby Road, Engineering Innovation Centre, Station Park Construction Centre, Rear of Chesterfield Road Campus (Ashfield House) Arts Building and Workshops.
- Sovereign House and Acorn Way are disposed of and not surveyed. Thorsby Street is listed as a site for disposal and not surveyed although under consideration for use as an Employability Centre.

Members' attention was drawn to the key summary included on page 36, paragraph 7.2. It was confirmed that the estimated maintenance costs are for the whole of the estate including the HE Centre. Members queried whether the figured provided were realistic. It was confirmed they are and are in line with benchmark.

Members' attention was drawn to page 38 which is a summary table explaining the outcomes of the survey. A small element of statutory works were identified as part of the survey and are being progressed as a matter of urgency, these are valued at circa £10k.

It was confirmed that the College has been able to limit/spend less on maintenance in recent years because of the significant refurbishment works and new buildings. The planned maintenance budget of £400k per annum will be a reduction on prior year spend but not a significant reduction, and is a reflection of the major estates update completed in recent years.

It was confirmed that the refurbishment and capital investment seen in recent years have raised the standards of the College's estate to category A/B significantly, however this will inevitably mean that the costs to maintain it at this higher level are more.

A request from the Committee was to receive an estates utilisation review and strategy, this is to be presented at the final meeting of this academic year with a view to plans being in place for 17/18 onwards.	ED CP&E	June 2017

The Committee reviewed the information provided and challenged the senior team in terms of the 17/18 planned expenditure for Relish and Station Park. It was confirmed that Station Park is due for a refresh and renew. In terms of Relish this is one building that the College has not refurbished and there needs to be a careful review, including curriculum planning, as the kitchens if refurbished would involve significant investment.

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In terms of an options analysis for Relish and the underpinning curriculum plan to support any investment it was agreed that this would be provided as a separate report to a future meeting. — ED CP&E — June 2017

In terms of the Station Park proposals it was agreed that these would be included within the 17/18 budget proposals presented to the June meeting.

AGREED: to note the update provided.

3) <u>Carbon Trust/Carbon Policy</u>

As an opening comment the Committee were reminded that the project was deferred as, in itself it is a substantial piece of work, and the decision was taken to await completion of the University Centre and Derby Road refurbishment in 2016.

A number of key matters were brought to members attention:

- To achieve the standard the College much comply with a number of criteria (appendix 1). Members' attention was drawn to page 51 where the criteria set out is an extensive list.
- The criteria includes a requirement to demonstrate an absolute reduction in carbon emissions.
- College data on energy use has been compiled for a 3 year period (2014, 2015 & 2016) and assessed using the Carbon Trust assessment tool and shows a 3.98% reduction.
- Derby Road 4.89% reduction.
- Station Park 6.55% reduction.
- Engineering Centre 24.34% increase.
- Ashfield House 10.98% reduction.

These have all been assessed in the same way as the College using the Carbon Trust assessment tool to provide baseline information.

Members' attention was drawn to pages 63 and 64 which summarise the energy consumption, this includes the historic position and also potential future benefits.

In reviewing the data the Committee questioned why Ashfield House utilised more kilowatts than the Engineering Centre. It was explained that this is a symptom of the age of the building, the old systems in place and the old boiler etc.

It was noted that as part of the carbon policy and to assist in the process of achieving the Carbon Trust standard a carbon management strategy will be developed. This will be completed in 2017 and will form part of the overall estates strategy.

The Executive Director Capital Projects and Estates put forward the proposal that a carbon reduction target of 10% be set over 2 years (2017/2018) and that this be included within the Carbon Policy.

This target is based on anticipated reductions in energy usage. The Committee questioned whether a 10% reduction is realistic. The view was expressed that it is particularly regarding developments planned for LED lighting, roof solar panels and Station Park conversion to LED lighting. In terms of the carbon reduction initiatives they will involve students and staff going forward and it is expected that the College will see incremental improvements.

The Committee questioned whether there were any sector benchmarking information and targets. It was indicated that there are no absolute figures and there were no ABR expectations, however the college has to be aware of its own need to improve finances to ensure sustainability. The College is looking to make actual year on year reductions in energy costs. Energy bills are currently £600k per year with £200k being gas and £400k electricity and therefore the focus really needs to be in terms of reducing electricity usage.

Taking discussions in the round, the Committee were happy to support the proposals made.

AGREED:

a) to note the content of the report provided; and		
b) approve the recommendation for a 10% reduction in tC02 emissions in 2 years to December 2018 as a target for the carbon policy. It was confirmed that this target would be reviewed in 2 years' time.	ED CP&E	Feb 2019

4) <u>Revised Property Strategy</u>

The Executive Director: Capital Projects and Estates drew members' attention to page 65 of his report. Key matters noted were:

- The property strategy for 2015-2020 revolves around a number of capital objectives for completion by December 2016 and then a general drive for further efficiency in operations through the 2017-2020 period with a review of strategic objectives. The document presented to the Committee for discussion is an update on the 2015-2020 strategy.
- It can be confirmed that all objectives related to capital investment through the 2015/16 period have been achieved. Members' attention was drawn to the appendices that are available on the portal, all of which have been updated. Members' attention was drawn to earlier discussions regarding Thorsby Street and the agreed development of an Employability Centre. This will be factored in to the strategy now approved.

Members' attention was drawn to page 90 and a summary of the parts of the College estate where buildings are in condition C. It was confirmed that in relation to these buildings there is a question relating to the level of investment required and/or the ongoing viability of the properties for continued use. It was accepted that there is a need to keep Ashfield House under consideration.

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Withdrawal from Ashfield College – the Committee were reminded that this was not reported as part of the 2015-2020 property strategy, however a decision was taken in May 2016 to withdraw all curriculum delivery from Ashfield College with effect from 31st July 2016. All affected students were successfully relocated to Derby Road or the Engineering Centre. The Engineering Centre required modification to the motor vehicle and engineering zones to accommodate curriculum requirements of students relocating. This was all completed successfully during the summer 2016 vacation for the return of students from summer vacation in September 2016.

He confirmed that the changes now bring the strategy up to date although there are no significant changes in terms of objectives, it is simply an update to reflect the current position. He confirmed that the sports strategy has also been updated and is on the portal. Sport England have now brought out a new strategy from their perspective and this will need to be reviewed to ensure that the College's strategy aligns.

Members' attention was drawn to page 97 where some comparables were provided. Members specifically discussed the Sheffield Centre and the risks relating to the lease in place. It was confirmed that this issue would be brought back to the Committee if a decision was required regarding longer term options, which may include purchase if this option became available.

The Committee in reviewing the updated strategy were happy that it remained fit for purpose. They did challenge the senior team and indicated that in any future strategy they would like to see some consideration of any purchase of desirable land/site options also to be included.

AGREED: to note the content of the update provided.

6 **<u>CONFIDENTIAL - ASHFIELD COLLEGE DISPOSAL</u>**

It was agreed that discussions on this matter would be recorded separately.

(David Overton left the meeting at 6pm)

7 **<u>VISION BUSINESS UPDATE</u>**

In the absence of Lesley Roberts the Deputy Principal introduced this item and drew members' attention to the employer survey results. He confirmed that to date survey results give assurance that employers are satisfied with the service provided by the College. The overall perception rate from the survey across all questions combined showed that 84% of respondents agreed with the questions asked and the standards of service provided by the College.

Year-end will see a full suite of surveys returned for learner, employer and partner satisfaction along with action taken following the feedback received. The outcomes of these surveys will be shared as part of the yearend and the self-assessment process for the BDU.	Lesley Roberts	Sept 2017
One note of caution was made in terms of the survey results and it was explained that the return count was incredibly low, less than 100 employers, so statistically the outcomes are not wholly representative. It was confirmed that the survey results are for the employer survey only and these are on an interim based upon the term 1 position.		
Members' attention was drawn to page 101 which provides the detail of the results. This, together with the yearend survey results, will identify clear areas for focus. The Committee in reviewing the information indicated that there were some weak responses set out at page 101 and it was acknowledged that these will need to be addressed. Also a key focus is to work to improve the response rate. It was confirmed that the College works with thousands of employers and therefore 100 responses was not statistically strong. The team have been asked to look at the methodology of the surveys completed to analyse and improve. It was confirmed that surveys have to date been undertaken via email, this has obviously not been successful. One suggestion made was that the team make a call to individual contacts at employers before the email goes out to improve the level of engagement.		
AGREED: to note the content of the employer survey results provided.		
<u>**PARTNERSHIPS UPDATE FOR 2016/17 CONTRACT YEAR**</u>		
Members' attention was drawn to the table at page 107 with changes highlighted in yellow. It was confirmed that there have been ongoing discussions with all partners and contracts have only been issued to March 2017 due to the uncertainty of SFA funding allocations past this point in time. New start contracts have been adjusted for certain partners that are reflected in the report. The Committee report shows all subcontract partners and identifies those with new starts and also those with only continuation funding.		
The Committee were specifically asked to note: • The College has secured a growth bid of £735k for 19+ apprenticeships and are seeking to increase starts in apprenticeships in this age category over the next quarter. A bid was made for circa £2 million however the College was awarded £735k. • Most Nordic Pioneer learners have now been aligned to Linden Management with a small and specific cohort of construction apprenticeships with Persimmon Homes in the North East being transferred to Gateshead College to support their continuing learner journey.		

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- All JB Management learners have had their progress reviewed and most have been placed with Linden Management to continue their learner journey. Linden Management have taken on a number of ex JB Management Assessor staff to support this in a streamlined and seamless way. It was confirmed that the transfers have gone relatively smoothly.
- All employers and learners effected by the transfer have been informed and given contact details so as to manage their expectations and give them assurance that they were a high priority.

The Deputy Principal took the opportunity to provide a confidential update in relation to JTJ Work Solutions. It was agreed that discussions on this would be recorded confidentially.

8 **ALUMNI UPDATE 2016 – 2019**

The Vice Principal: Communication, Engagement and Learner Experience introduced this item and confirmed that work on the development of the College's Alumni has been identified as one of the key operational objectives within the communications strategy for the College which was approved by the executive team in April 2016. A number of objectives were agreed and priorities have been planned in line with current resources within the communications team, these are set out on page 109 of the pack. She explained that work to date hasn't focused on the impact of re-enrolments but that this is now identified as an area of need.

She indicated that in the light of the introduction of the Higher Level Skills Centre the College has targeted its alumni students as potential enrolments for the new centre. In the last year two alumni campaigns were run where marketing targeted specific areas (Travel and Tourism and Hair and Beauty), with level 2 and 3 leavers for the past 4 years subject to email marketing campaigns. This has been continued in to 16/17 with two more general campaigns already launched in 16/17 and a further one planned for the end of February. The click through rate for the first two campaigns in 16/17 was 10% which is about average for a mass marketed emailer. Different and more targeted approaches will be used toward the latter part of this year in an attempt to boost this click through rating.

It is fair to say that at this present time the College has not fully capitalised on the use of alumni and rather has relied on ad hoc contact and specific campaigns rather than this effort being focused over a sustained time period. As a result the team have examined the resourcing of alumni efforts even further and a proposal was taken to the executive team for discussion in November 2016. It was agreed at Executive that resourcing to enable the College to move further forward in terms of alumni will be built in to the budgeting processes for 17/18. Full details on this are included within section three of the report.

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It was confirmed that the team are also undertaking a Facebook and LinkedIn campaign. This will be reviewed at the end of the year to assess what type and extent of external package is needed to further support. There is no general evidence of significant alumni sponsorship in FE and therefore the focus is more about boosting enrolment at this stage rather than receiving funds in.

The College is considering using an external company called Think Alumni who are a national organisation that work with over 30 Colleges to deliver alumni services. They have developed a bespoke package for the FE sector. They work with City and Islington College, Derby College, NCN and Leicester College amongst others. Feedback was sought from City and Islington College who have a relatively successful and well developed alumni association. The intention is to see what can be achieved from existing resources in 2017 and then this will be dovetailed with a reduced external financial commitment through a company like Think Alumni. The Committee were happy to note the content of the update provided and asked that a report be provided in further 12 months' time reviewing success and future requirements.

Action	Date
VP CESE	Feb 2018

AGREED: to note the content of the update provided.

9 MANAGEMENT ACCOUNTS TO 31ST DECEMBER 2016

The Deputy Principal introduced this item and presented the management accounts for the first 5 months of the year. Key matters noted were:

- Overall operating surplus before interest and depreciation of £1,484k (prior year was £1,493k). After interest and depreciation this becomes a surplus of £422k which is £78k ahead of the phase budget (prior year £507k).
- The underlying performance in the first 5 months of the year includes a strong performance by BKSB, a weak performance by the College ameliorated by one off factors and timing issues and a one off benefit from VWS.
- The period saw the conclusion of restructure of the WRT provision in order to remove excess capacity and improve apprenticeship reform readiness. The success and speed of the more difficult task of developing the team and the Vision Business brand with new customers over the next few months will determine the financial performance of the College for the second half of 16/17, the early part of 17/18 and have a significant impact on its longer term shape.
- Across the component parts of the group the College is well below budget with a surplus before interest and depreciation of £368k (corresponding month last year was £899k) against a target of £771k. After interest and depreciation the College position is a £678k deficit (prior year a £67k deficit) against a forecast of £174k deficit.

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The College will not deliver a breakeven position for the financial year as a result of the challenges in WRT.

- BKSB continues to deliver strong results with an operating surplus of £671k (budget £530k, corresponding month last year was £614k).
- Overall Group income of £21.701 million for the year to date is £844k behind budget. The largest adverse performance against budget being College delivered adult classroom based income which is £0.454 million (62.5% of phase budget).
- Overall pay costs are over budget for the year to date by £204k and are £380k above last year excluding restructuring costs, the group is £92k above budget and £280k above last year.
- The Group balance sheet shows an increase in fixed assets for yearend as the HE Centre was completed but a fall from the Autumn peak as Acorn Way was disposed of in November and a VAT refund reducing the value of the Derby Road extension processed in December.
- The current forecast will require £1.85 million of the loan facility to span the cash flow from February to May 2017. Cash balances currently remain relatively weak to £5.232 million in December but will reduce more substantially in January and February as funds are repaid to the SFA associated with a short fall against the ASB allocation for 15/16.
- Group reserves have increased to £9.202 million (excluding pension liability) as the College awaits a confirmation of the proposed reset of its banking facilities, a fall in month of £235k.

In general discussion it was confirmed that work related training is the major issue in terms of financial performance. Steps have been taken to remove a lot of overcapacity and the team have been 'right sized'. It is critical that the College now sees improvements in the second part of the year. It was specifically noted that WRT is £600k behind forecast. The Committee were advised that the costs of implementing the restructure were circa £200k and these explain why pay costs are not reducing in year. It was confirmed that some of the WRT shortfall is being offset by increased partner adult delivery but not to the level required to wipe out the total underperformance position.

It was confirmed that the cash position is recoverable. Covenants are currently being met and as long as the WRT team move forward as planned then the College will continue to meet its covenant requirements.

AGREED: to note the content of the Management Accounts to 31st December 2016.

10 MID-YEAR REVIEW AND FINANCIAL REFORECAST

The Deputy Principal introduced this item and confirmed that the report provided is the usual mid-year review process but also includes longer term forecasts which are required as part of the area based review.

Members' attention was specifically drawn to page 131 paragraph 13 where 3 key lines of income and expected changes were noted, these are:
a) 16-18 apprenticeship – College,
b) adult apprenticeship – College and
c) adult apprenticeship partners.

In terms of the 16/17 forecast and in year changes the College is circa £1 million short on its own delivery. It was explained that the Colleges own delivery shortfall goes straight to the bottom line. The improvements seen in adult partners is offsetting some of the Colleges own underperformance but this is not the case for 16-18 partner delivery.

Members' attention was drawn to the ESF line and it was explained that there will be no income received in 16/17 as the College did not win the tender submitted. In terms of ESF the bottom line impact is not significant although it does show a big income reduction.

Members' attention was drawn to the 17/18 forecast and the reductions anticipated, these include:

a) Partners 16-18 -this will be halved
b) Partner Adult – again some erosion, £3.5 million reduction which will have a 15-17% impact on the bottom line. It is critical that the College reduces its support costs to partners as a result.

(Alison Breeden left the meeting at 6.10 pm)

The Committee were reminded that there is a high level of uncertainty in the sector regarding the 17/18 position because of the changes. The College will be setting its 17/18 budget after May and the introduction of the levy and it is hoped that at this stage there will be a better idea of the landscape and the view of partners and employers. It was confirmed that the apprenticeship system will be so very new that it is hard to make confident predictions.

Members' attention was drawn to page 132 which sets out the position regarding pay costs. Of particular note are the fact that Vision Apprentices is in a wind down year and there are expected to be full year savings from the WRT restructure. As a general comment all agreed that 17/18 would be a year of uncertainty and therefore has to be flagged as a high risk.

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In terms of pay costs it was explained that savings from the WRT restructure should begin to impact on the pay expenditure rate from January 2017 whilst there will be an offsetting impact as a result of the outcome of the triannual review of the LGPS pension scheme from April 2017. This latter issue is likely to result in an annualised increase in employment costs just over £100k and so has a limited impact on the remainder of 16/17. Across the group total forecast pay levels will be around £25.85 million compared to the original budget level of £25.56 million, so a relatively prudent view.

Members attention was drawn to the table at section 34 where it was explained that:

- Line 1 – this figure is reasonably secure
- Line 2 – an assumed 1% inflationary increase is a decision for the Board
- Line 3 – staffing reduction to respond to demographic decline – it was explained that the College has been trying to manage this through natural wastage, however it will probably now need to do something more specific in terms of right sizing curriculum delivery.
- Line 4 – LGPS cost changes are now known and confirmed
- Line 5 – staffing reduction through move to 35% contribution – all schools will need to be more efficient and cost less. There is a need to be more deliberate in terms of how this will be achieved.
- Line 6 – these costs relating to Vision Apprentices are now secure
- Line 7 – BKSB staffing movements are relatively small

In general terms staff cost savings need to be found of £1.1 million. These will be a challenge to achieve and natural wastage will not be enough and some specific targeting will be required.

The Committee questioned what the historical staff turnover savings are. It was explained that in 16/17 so far these are circa £188k and therefore if extrapolated would be between £360k - £400k per annum. These are occasions where the College has not had to replace employees who are leaving. The big challenge is getting ready for 17/18 and the reductions expected. There will be a necessity to make change and more than natural wastage will be required to achieve this.

The Committee's attention was drawn to page 134 which sets out the assumptions for non-pay costs for the remainder of the year. Section 51 sets out the expected partner costs assumptions for the 17/18 forecast. There are some significant changes in partner costs with reductions required to reflect reduced partner delivery. It was explained that the biggest falls in partner costs come in 17/18 when the reduction of income of £5.4 million is followed by a reduction in partner costs by £4.297 million. In this year some growth in College delivery takes up some of the lost contribution but not to the extent that it is replaced.

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After the big impact from partners securing either direct levy or non-levy paying contracts in 17/18 there is expected to be more stability in 18/19 and beyond, although there will be further erosion as the College programme takes up more of the delivery role and partner costs lessons.

It was confirmed that in 17/18 there are no major building programmes planned and therefore the College will see its debts fall.

Members' attention was drawn to section 60 and it was explained that the long term aim for the College is to be able to hit a 4% sustainable surplus. It was confirmed that the position may strengthen further if the College achieves its assumptions regarding income and cost reduction.

The Deputy Principal explained the post August 2017 position regarding the payment profile for apprenticeships and explained how this will have an impact upon cash. He indicated that he and the team are starting to work out what this will mean in terms of cash flow.

The Committee reviewed the balance sheet and noted that there were not many debtors and therefore there is not much that can be done to convert these into cash.

The Committee also discussed the competitive market and one member questioned how the College can differentiate itself from Sixth forms. They asked whether there is any way of addressing the declining trend of demographics. It was explained that the College has been trying for a number of years to penetrate the schools market, however the challenge is the lack of independent advice and guidance. There is significant competition and the College has not found any specifically successful campaign to address the misinformation given to students at school.

It was acknowledged that there is more for the College to do in terms of its retention of 16-18 year olds who enrol and start at College but then move away. The Committee questioned whether the College has too broad a curriculum in place. It was agreed that this would need to be reviewed. One observation made was that the College could better use its alumni to recruit siblings as potential customers. It was felt that there is more that can be done regarding social media. It was agreed that this would be fed back to the communications team.

The Committee then challenged the senior team on the University Centre and it was explained that in terms of assumptions the College is one year behind the business plan. So in 16/17 it is £250k behind forecast. In 17/18 it will achieve what the College was hoping to achieve in the 16/17 academic year.

In reviewing the report the Committee all agreed that there were some significant challenges for the College both in terms of 16/17 and 17/18.

They felt that the assumptions made were realistic but did ask that any early warnings on shortfalls be brought to the attention of the Board regularly.

AGREED:
a) to note the review position and
b) recommend that the Board approve the financial reforecast for 2016/17.

11 BAD DEBT/WRITE OFFS

The Deputy Principal introduced this item and key matters brought to members attention were:

- The College makes provision for bad and doubtful debts in line with its accounting policy making full provision for debts over 90 days old and levying a 5% provision on residual sales and student ledger balances.
- For the year to 31st January 2017 the Colleges bad and doubtful debt provision stood at £425,526.71, which is higher than the corresponding balance of bad and doubtful debts at the same point last year (January 2016) when the balance was £341,735.58.
- The analysis of bad debt provision highlights that the issue with bad debt mainly relates to items within the main sales ledger with 72.2% of the total provision within this particular ledger. Within this £283k relates to specific debt provisions with the balance of £31k relating to a general provision calculated at 5%. It was explained that reasons for debt may be partners going in to liquidation etc.
- Whilst the debt provision has increased over the past 12 months by 27% the size of the outstanding debt balances has increased too mainly as a result of increased sale ledger invoicing through trailblazer apprenticeships and other commercial programmes.
- The proportion of the overall sales ledger balance represented by the bad and doubtful debt provision is 37% in 16/17 which is far lower than the proportion of 67% in 15/16.
- The ledger balances exclude amounts due through planned instalments through SFE for both HE and advanced learner loan provision.
- Within the specific sales ledger provision 2 debts remain in place against training providers who the College no longer works with. The College withheld payments on administration which will offset some of these costs.
- Two further partner providers have fully provided for debts totalling circa £48k. Both providers remain in existence and the amounts due are being pursued.

In general discussion it was agreed to write off the amount owed by Pinewood Training.

Signed : ____________________________Chair Date:

It was confirmed that this debt is fully provided for and therefore there will be no impact on the income and expenditure account.

The Committee asked for a summary of what the position is in relation to direct debit payments. It was confirmed that these are in place for the majority of individuals, this is student however employers are different and with employers the College seeks to avoid instalments and therefore looks for payment upfront. It was agreed that this would need to be carefully monitored and reviewed given the changes to payment processes for apprenticeships.

In terms of legal action taken it was confirmed that everything post 90 days is referred to legal. Up to the 90 day cut off period the College chases through its own credit control team.

AGREED: to note the update provided.

12 **FINANCIAL REGULATIONS AND PROCEDURES REVIEW**

The Committees attention was drawn to the full document available on the portal. It was confirmed that there are no substantial changes and that any changes made are cosmetic. There is nothing within the changes which would lead to altered limits on financial authorisation.

On this basis the Committee were happy to approve the update provided.

AGREED: to approve the update presented to the Financial Regulations and Procedures.

13 **COLLEGE TUITION FEE POLICY 2017/18**

The Deputy Principal drew members attention to the proposed policy with a number of key matters noted:

- Fee remission categories – all 16-18 year old and 16-24 year old LLDD learners are fully fee remitted as a blanket national policy entitlement. Employers of 16-18 apprentices and 19+ apprentices with an EHC plan or who have been in local authority care and who are with a small employer (with less than 50 employees) will not be liable to pay any fees for the programme. It was explained that this is a relatively small cohort. Other than this the fee remission categories remain relatively unchanged. It was confirmed that the policy takes account of all mandatory fee remissions required in line with national categories.

In terms of HE there are no proposed changes.

In terms of FE the College did not alter its charges in 16/17 and therefore is now suggesting a 2.5% increase (rounded up to the next £5).

Signed : ______________________________Chair Date:

It was confirmed that these changes enable the College to remain competitive and respond to the market. Assurance was given that this would not place the College out of step with competitors.

A significant change is the apprenticeship programmes and members' attention was specifically drawn to page 174. It was explained that this is very much a starting point and may need to be reviewed. Members' attention was specifically drawn to section 40 - 48 of the report. The initial view is that services are unlikely to be price sensitive for non-levy payers however this may not be case for levy payers and there may need to be a flexible way to monitor and review this so as to remain commercially competitive.

The Committee were happy to accept the proposals made and put forward the recommendation to the Board to approve.

AGREED:
a) to note the update provided; and
b) recommend that the Board approve the College Tuition Fee Policy as presented for 2017/18.

14 <u>PENSION UPDATE</u>

The Deputy Principal simply drew members attention to the letter received following the triennial actuarial valuation. The deficit position was noted and the impact on contribution levels. The annualised impact to the College is an increase of £129k per annum. All accepted that this was something that could be managed.

AGREED: to note the update provided.

15 <u>ANY OTHER BUSINESS</u>

There were no items of additional business.

16 <u>DATE OF NEXT MEETING</u>

The Clerk confirmed that the next scheduled meeting was 9th May 2017 at 4pm.

Meeting closed at 7.05 pm.

Signed : _____________________________Chair Date: