

Minutes of the Finance and Estates Committee meeting held on Monday 29th April 2019 at 5.30pm.

GOVERNORS PRESENT: Paul Frammingham, Chair
Tony Westwater
Martin Sim, interim Principal and CEO
Kate Truscott
Adam Mussert (joining by conference call)

ALSO IN ATTENDANCE: Maxine Bagshaw, Clerk to the Corporation
John Owen, interim Finance Director
Gavin Peake, Director of IT and Estates
Julia Brooks, ESFA observer

ACTION by whom	DATE by when

1 DECLARATIONS OF INTERESTS

The Chair reminded everyone present to declare any interests that they may have. Standing declarations were noted.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Neil Shaw. The Clerk advised that Jeremy Dunn, an external Committee Co-optee, has resigned because of work commitments. The Committee all asked that their appreciation for his contributions this academic year be sent to him on their behalf.

3 MINUTES OF THE MEETING HELD ON 28TH MARCH 2019

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 28th March 2019.

4 ACTION PROGRESS REPORT

Signed :  Chair

Date:

The Committee considered the detailed update provided and a number of matters were noted and discussed:

- Cash flow forecasts are now included within the monthly management accounts.
- Financial Risks Register – this is included within the meeting pack.
- Changes requested in relation to the College Fee Policy for 19/20 have been completed; this was prior to presentation to the Board for approval.
- Level 3 Animal Management – the Clerk provided an update from Sue Martin and confirmed that, predominantly, this course will open up employment opportunities in addition to further study opportunities. The course could lead to a number of careers including Animal Care Assistant, Kennel and Cattery Worker/Supervisor, Pet Store Assistant/Supervisor, Wildlife Assistant, Dog Grooming Assistant, Animal Feed Sales Rep, Pet Sitter or Dog Walker, Trainee Zookeeper or Aquarist, Trainee Animal Husbandry Technician. For higher level studies, students can either follow a Level 4 apprenticeship as an Animal Trainer or study for a degree in Zoology. She confirmed that this course particularly leads in to a STEM based degree. The interim Principal advised that there are currently 19 learners completing Level 2 with the expectation of progressing to Level 3 next year. In addition to this, the College is seeing applications for new students coming straight in at Level 3. A question from the Committee was why this course has not been offered before. The interim Principal was unable to provide clarity in relation to this and explained that in other colleges it has always been a very popular course and that WNC already has facilities in place, therefore it would have made an obvious course to offer. He indicated that there is an option for the College to partner with a University in terms of providing a veterinary assistant offer.
- In relation to line 3 and the detail required in relation to 'retrospective authorisation of purchases' the interim Finance Director confirmed that the College is now able to produce a systems generated report and he confirmed that the first such report would be presented to this Committee at the next meeting.

Interim FD 30.05.19

In relation to the last line on the tracker it was noted that an update on 'interims and consultants' has been provided on the portal and it was agreed to discuss this as part of confidential items later in the meeting.

AGREED: to note the content of the update provided.

5 **LLOYDS BANK**

Signed : _____ Chair

Date:

The interim Finance Director provided a verbal update and explained that progress in relation to finalising the position with the bank has stalled somewhat. He explained that the Bank and the TU have raised a number of questions on the IBR report prepared by BDO. BDO Directors have been on annual leave over Easter and this has led to a delay in their response. He advised that informal feedback from the bank is that there are no 'issues' but that they cannot press ahead to finalise the paperwork until the final BDO report is released.

He confirmed that the rolling credit facility is in place until 31st May and, because of cash received from the ESFA in April, the College has not had to access the facility although it did rollover and remains available.

The Committee were pleased to note that there are no expected issues but did challenge that BDO need to be pressed to finalise their report. The interim Finance Director expressed some frustrations with the service provided by BDO, particularly in terms of late queries to the College. He explained that for both reviews undertaken there have been late questions which have led to a delay and in his view could have been avoided. He indicated that he was hopeful that the final BDO report will be issued shortly and thereafter all Lloyds Bank paperwork can be finalised ready for presentation to this Committee on 30th May. On this basis it was agreed to defer consideration of this agenda item to the next meeting.

Interim FD 30.05.19

6 MONTHLY MANAGEMENT ACCOUNTS – MARCH 2019

The interim Finance Director presented his detailed report and a number of matters were specifically brought to the Committees attention:

- Income and expenditure – whilst both income and expenditure is up against forecast this is largely 'money in and money out' which offset each other.
- In terms of section 4, which is the income analysis, apprenticeship funding is a concern. He confirmed that the senior team are monitoring apprenticeship activity closely as it is still tracking behind the mid-year review, which was considered to be a conservative approach.
- The run out of pre-May 2017 apprenticeships is now accurately modelled in the MYF. The monitoring of achievement funding this month shows that the college apprenticeships generated £37k of income, which is a £3k favourable. This has been offset, however, by an adjustment to remove partner activity of £43k for one of the partners for which compliance is uncertain, leaving partner delivery with a loss in month of £14k.
- As at 31st March, there were 587 new apprenticeship starts for the first 7 months of the financial year compared to a target of 680 (86.3%). There are, however, 83 apprentices pending an

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induction request on the customer relationship manager (CRM), of which 68 relate to P1-8. If all of these were converted in April, the total number of apprenticeship starts would be 655 which would still represent a shortfall of 25 against the March target. If this start rate persists for the remainder of the year, there is a risk that income will be significantly adverse at the yearend. The Committee questioned and challenged in relation to this and asked for more information. The interim Principal expressed a view that there is evidence that these are genuine students and he provided assurance that he is reviewing this. A question was posed in terms of whether or not this is a system or a compliance issue. The interim Principal indicated that it is likely to be a mix and therefore it needs to be reviewed in more detail. There appear to be missing pieces of evidence which are preventing the students from being placed on the ILR. At this stage he believes it is a 'housekeeping issue' to address. In terms of the indication that 'income could be significantly adverse at the yearend' the Committee asked for further clarification on what this actually means i.e. how significant and how material. They challenged and indicated that for the next meeting they would like a report to show the best and worst case position. They asked for greater analysis and an explanation of the risks associated with apprenticeship numbers and financial implications and it was agreed that this would be reported at the next meeting.

Interim FD 30.05.19

The interim Finance Director indicated that HE is also a concern as there have been quite a few credit notes issued in month. He explained that this relates to student withdrawals and aligns with what student loans will and will not pay.

In terms of income the Committee questioned whether there were any other concerns or worries. The interim Finance Director indicated that the college needs to keep a close track of AEB as the college is reliant upon subcontractor activity. In relation to this, the college cannot afford to go over or under allocation.

The Committee asked what the level of confidence is in relation to the data which supports income recognition. The interim Finance Director advised that he has no issues regarding AEB and the current ILR, however the position in relation to historic withdrawals is still a concern. In terms of AEB he advised that the College will not hit the 97% target as it is limited to last year's allocation, however he provided assurance that expected clawback has been factored in to the forecasts.

The Committee's attention was then drawn to page 9, and they were advised that pay costs are tracking mostly in line with the reforecast position. An observation made by the Committee was that there seems to be quite a bit of pressure in relation to temporary staff costs and

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they asked how worried governors should be in relation to this. The interim Finance Director explained that these costs mostly relate to teaching staff or nursery staff who had to be engaged once permanent staff were notified of the intention to close the nursery and found alternative work. He indicated that he was not unduly concerned and, in fact, the later the college moves into the academic year, the less reliant it will be on sessional staff. In terms of spend on temporary staff costs, it was noted that these are £214k and are approaching the MYF of £219k and will need to be monitored for the remainder of the year. There is £80k for sessional staff remaining for the year which should be sufficient with April having only two weeks and very little expected in June and July.

In terms of the restructuring costs detailed, he explained that there were still a small number of individuals from phase 1 who have not yet received their redundancy, however, it is expected that everyone will have been paid by April 2019.

The Committee considered page 10 which sets out the non-pay cost analysis. It was explained that, whilst there are some variances, the total is £81k less than forecast. He provided assurance that staff continue to exercise control in this area and that the trend of underspend is anticipated to continue.

The Committee considered page 12, which sets out the short-term cash flow position until 31st July 2019. It was acknowledged that this has not changed significantly from the prior month's report. Page 14 provides the longer term cash flow to 2020 and it was explained that this is based upon the CFADs model and, because of this, it only reports by quarters and the College cannot currently show the March 2020 position which is known to be the lowest point in the year. He indicated that, at this point it is not a concern, however the Committee all agreed that senior staff and Governors need to be able to see this. The Interim FD confirmed that he intends to amend the schedule to show monthly balances. In terms of the CFADs model, he explained that the next update is in May which will cover the period up to the end of April 2019. He is not expecting the forecast to change significantly.

Interim FD Monthly

A challenge from the committee, as stated in previous meetings, is that they want to see better visibility regarding longer term cash flow forecasts. The interim Finance Director provided assurance that he is confident that there are no issues regarding the March 2020 position.

In reviewing the cash flow forecast, it was noted that there was a significant salary increase expected in July 2019 and it was explained that this is in relation to phase 2 redundancy payments. The senior team envisage that the maximum costs associated with this will be £1.2 million.

In terms of the March/April 2020 position, the interim Finance Director

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indicated that, as things currently stand, he has confidence that there are no issues for the Board to be concerned about.

The Committee then went on to consider page 15 which sets out the analysis of debtors. They were advised that gross debtors decreased from the end of January to £625k. The debtor analysis includes HE fees that are invoiced at the start of the year to make the net position more meaningful. In comparison to February 2018, net trade debts are £179k higher. The Committee indicated that whilst the 90+ days position is reducing, there is still a significant amount outstanding and this really needs to be addressed. The interim Finance Director confirmed that he was currently working through a write-off exercise as it is clear that some debts go back many years and will not be recovered.

In terms of the analysis of creditors, the Committee's attention was specifically drawn to the line 'ESFA prior year apps clawback'. He confirmed that, as requested by the ESFA, this is now given more prominence in terms of financial reporting.

The Committee considered the segmental performance analysis provided on page 11 and questioned whether there was an issue in terms of the VBSS contribution. It was confirmed that there is a concern and that this will be a drain for the current year, however thereafter it will improve. It was explained that apprenticeship delivery costs are now within each of the schools which gives greater clarity. London apprenticeship activity was provided through VBSS which is now concluded. In real terms VBSS is a recruitment service and therefore should be treated as an overhead cost and, going forward there will be no separate income attributed to it.

The interim Principal advised that the college has started the process of recovering funds from a number of subcontractors. He confirmed that any monies received will be ring-fenced to offset any clawback to the ESFA or bank repayment, the position in relation to this is to be agreed in August 2020.

The Committee Chairman noted that a question had been raised at the recent Board meeting regarding accrued expenses detailed on the balance sheet on page 4 and he questioned why the figure is so volatile. The interim Finance Director explained that he has undertaken an exercise to 'tidy up' the balance sheet to make sure that items are treated correctly and are compared on a like for like basis. These include:

- a) Partner payments - it was explained that these have reduced as subcontract activity has diminished;
- b) How the loan from BKSB is treated. He believes that there were incorrect allocations between loans and accrued expenses.

He confirmed that, following the exercise completed, it should be the case that this line does not now significantly fluctuate and that the college will be comparing a like-for-like position.

Signed : _____ Chair

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The Committee asked for a headline overview and were advised by the interim Finance Director that:

- The college is on track in most areas;
- There are a couple of areas of concern, particularly apprenticeship income and sessional pay;
- There are opportunities across a lot of small areas including savings, an extra month of pay savings in June if staff choose to leave early, and the maths pilot.

AGREED: to note the content of the March 2019 Monthly Management Accounts presented.

7 FINANCIAL RISKS REPORT (STANDING ITEM)

The interim Finance Director presented this report and apologised for the fact that it was an incomplete report with only three risks being presented. It was confirmed that, at the last meeting of the Audit Committee they had requested that more risks than this would be reviewed by the F&E Committee. It was agreed that a full report and update would be placed on to the portal this week. In addition, a full and detailed report to the next meeting. A question and challenge from the Committee was how up to date this report and register is, for example, they questioned whether the BDO risks had been transferred onto the register as it would not appear to be the case. The interim Finance Director confirmed that the risk register is now reviewed on a weekly basis by the executive and that this then provides an opportunity to update the register much more frequently than has been the case in the past. A challenge from the Committee was to ensure that the next iteration of the risk report is up to date, complete, and includes all of the risks identified by BDO.

Interim Finance Director 03.05.19
30.05.19

In considering the BDO report, which is subject to confidential discussions later in the meeting, it was acknowledged that there is an emerging risk, i.e. the College cannot assume any growth regarding non levy apprenticeship activity. The interim Principal confirmed that the college's recovery plan and future strategy is based upon increasing local activity in Mansfield and Ashfield and that this policy decision regarding a cap on non-levy growth will limit opportunities and does not give the college sufficient flexibility. A challenge from the Committee was that the college really needs to get an accurate view on this by the end of the academic year and it was therefore agreed that this would form part of substantive discussions for the strategy review day planned for 20th June 2019. They requested that at the strategy review date details be provided on the split of levy and non-levy work and how limitations on non-levy growth could particularly impact upon the strategy for recovery.

Interim FD / Principal 20.06.19

AGREED: to note the content of the update provided.

Signed : _____ Chair

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ESTATES STRATEGY

The Director of IT and Estates presented his written report and also provided a summary position. It was specifically noted:

- Page 2 sets out a summary of the college's current estate and sits alongside slide 3 which is a map showing the geographical spread.
- Updates were provided in relation to the construction and engineering facilities at Station Park and Oddicroft Lane. A suggestion made was that governors would benefit from site tours at an appropriate point.
- An update was provided in relation to Thoresby Street (it was agreed that discussions on this item would be recorded separately).
- Chesterfield Road (it was agreed that discussions on this would be recorded on a confidential basis).
- BKS B – the company leases one large office space in a modern building and there are no plans to change this.
- London Office – this is leased and is closing in June 2019.
- Sheffield Construction Centre is leased until 2022 and staff are currently participating in restructure consultation in relation to this. The contract with Job Centre Plus has ended and there are no further students anticipated. It was confirmed that the college is looking at alternatives regarding the lease, including early negotiated departure or sublease arrangements (with the permission of the landlord).
- In terms of alternative use valuations, it was explained that the college does not have final red book valuations but that these are expected shortly.
- In terms of condition, the terrace restaurant is the only building that the college owns which is category C, everything else is in category A and B.

The Committee were advised that a recent conditions survey has been completed, with 23 category 1 items identified. He confirmed that all 23 have been addressed with no health and safety concerns existing. The Director of IT and Estates confirmed that he is confident that there are no category 1 items remaining in any one of the buildings. He explained that, of the 23 items identified, 12 related to existing contracts that took place during the Easter break and the remaining 11 have all been investigated. He provided assurance that sufficient capital budget has been allocated to address all category 2 and 3 items over the next five years. In terms of capital spend, the Committee were advised that £200k is proposed for the next 2 years and thereafter it will be £100k per annum plus funds for a cycle of equipment replacement. He confirmed the intention to bring painting in house and this will significantly reduce expected costs.

As an overview he confirmed that the strategy gives a summary and a stocktake but also looks at options going forward. There is still a piece

Signed : _____ Chair

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of work to do in terms of space utilisation with a 5 to 10 year prediction required on the basis of the college's curriculum planning process.

AGREED: to note the content of the update provided.

9 SUBSIDIARY COMPANY REPORT

The report presented by the interim Finance Director was reviewed and a number of matters were particularly noted:

- Vision Business Support Services – the Clerk advised that Kate Truscott has now joined this Board. The Committee were reminded that this company employs college support staff and has no external customers. The College charges 2% to the company. There are a number of benefits to the college and the largest of which is the fact that VBSS employees are not offered LGPS pension and therefore there is a 5% pension cost to the company rather than a 13.8% contribution required by LGPS for College staff.
- BKS B – it was noted Jamie Fryatt has now resigned and Martin Sim has joined the Board as a Director.
- There are 4 dormant companies which are: Safety Plus Construction Limited, Safety Plus Consultancy Limited, Vision Apprentices Limited and Vision Workforce Skills. It was explained that in the vast majority of cases the major creditor is the college and therefore the proposal is to liquidate the four companies. Of the four, three are insolvent and therefore options need to be considered in terms of a creditors' voluntary liquidation. As the College is the main creditor it is therefore likely to agree. The interim Finance Director confirmed that he is obtaining external advice on what needs to be done to liquidate and the options surrounding this. Two firms are being considered. It was noted that most of the liabilities are intercompany.

In relation to creditors noted for VWS, the Committee questioned whether the external amount of £168,190 could be a liability to the College. It was explained that this would only be the case if a parent company guarantee had been sought and provided. The Committee were advised that a further update will be provided once external advice has been received.

AGREED: to note the content of the update provided.

10 FINANCIAL POLICIES AND PROCEDURES

The interim Finance Director presented this report in line with the Audit Committee's request that each Committee consider relevant college policies and procedures to obtain assurance regarding review arrangements and monitoring. The Committee's attention was drawn

Signed : _____ Chair

Date:

to the list of five significant policies that Governors are required to consider. Of the five detailed, only one remains due for review; this is the anti-bribery policy. He explained that it has been agreed with the unions that this will be reviewed once the redundancy programme has concluded, as they have insufficient time to consider this whilst the process is ongoing. It was noted that all other policies have been reviewed and updated in the last few months. It was specifically noted that the college's Gifts and Hospitality Policy is included within the Financial Regulations.

The Committee's attention was then drawn to the finance procedures log and it was acknowledged that there are a substantial number of operating policies and procedures in place. Whilst acknowledging that it was a comprehensive list, the interim Finance Director expressed a view that consideration of rationalisation ought to be something for his successor to consider. The Committee were able to take assurance that operating procedures do exist and they agreed that it was not a matter for Governors to delve any deeper in to these. It was acknowledged that potentially internal auditors can test against these and in particular compliance, if management have any areas of concern.

AGREED: to note the content of the updates provided.

11 **COMMITTEE WORK PLAN**

The Clerk presented a proposed work plan and confirmed that this is intended to be a framework only with additional items added as required and particularly requested by the Committee. The Committee were happy to take it as a starting point and the only question raised was in relation to the timing of reporting on bank covenants. The interim Finance Director suggested that it would be more appropriate to consider them in January of each year rather than in June.

AGREED: to approve the Committee work plan as noted.

12 **AOB**

There were no additional items of business.

13 **DATE AND TIME OF NEXT MEETING**

The Clerk confirmed that the next scheduled meeting was 30th May 2019 at 5.30pm.

14 **CONFIDENTIAL ITEMS**

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

(Gavin Peak left the meeting at 8pm)

Signed : _____ Chair

Date:

Meeting closed at 8.50pm.



Signed : _____ Chair

Date:

