

**Minutes of the Finance and Estates Committee meeting held on Thursday 28<sup>th</sup> November 2019 at 6pm.**

**GOVERNORS PRESENT:** Paul Frammingham, Chair  
Andrew Cropley, Principal/CEO  
Kate Truscott  
Charles Heaton  
Tony Westwater

**ALSO IN ATTENDANCE:** Maxine Bagshaw, Clerk to the Corporation  
Gavin Peake, Director of IT and Estates  
Jon Fearon, Finance Director  
Mike Firth, ESFA Observer  
Suzanna Smith (from 7pm)

		<b>ACTION by whom</b>	<b>DATE by when</b>
<b>1</b>	<b><u>DECLARATION OF INTERESTS</u></b>  The Chair reminded everyone present to declare any interests that they may have on agenda items planned for discussion. No specific declarations were made and standing declarations were noted.		
<b>2</b>	<b><u>WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE</u></b>  There were no apologies for absence with all committee members in attendance.		
<b>3</b>	<b><u>MINUTES OF THE MEETING HELD ON 4<sup>TH</sup> NOVEMBER 2019</u></b>  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 4 <sup>th</sup> November 2019.  There were no matters arising.		
<b>4</b>	<b><u>ACTION PROGRESS REPORT</u></b>		

Signed :  Chair

Date: 30.11.20

The Clerk drew Governors' attention to the updated progress table and a number of matters were specifically discussed/noted:

- Lines 2 and 3 are complete.
- The target date for line 5 should read January 2020 and not January 2019.
- Line 6 – this report to be provided at the next meeting, including any exceptions regarding contribution analysis, class sizes, staff utilisation etc. The Finance Director explained that data gets more meaningful as it is received throughout the year.
- Line 7 – the Committee were advised that there is no separate Student Union legal entity, therefore no accounts are maintained. The proposal is to review this as a line of cost when the college budget for 20/21 is discussed in June 2020. The Finance Director explained that this is just so that governors are aware of the spend and the level of support provided by the college. It was explained that the college provides circa £30k and assurance was given that this is controlled by college staff.

FD

Jan 2020

AGREED: to note the content of the update provided.

## **5 MONTHLY MANAGEMENT ACCOUNTS – OCTOBER 2019**

The Finance Director introduced this item and key matters noted were:

- The college's turnover for the year is forecast to be £31,440,000; this has been amended from the initial budget as this excludes £778k of bursary funds and employer incentives that the college pays directly to recipients acting as agent only. The equivalent amount is also excluded from non-pay costs and this treatment is in line with reporting in the college's statutory accounts.
- The college is on track overall, with turnover to date of £7.23 million. The surplus of £601k is £104k higher than budget, whilst EBITDA after exceptional items is £113k better than budget at £1,043k.
- The college successfully restructured its subsidiaries in July 2019; the remaining subsidiaries are Vision Business Support Services and BKSBS.
- BKSBS has generated income of £559k year to date, returning a surplus of £291k.
- The overall group is on track with turnover to date of £7.6 million, the surplus of £1,023 is £89k higher than budget, whilst EBITDA after exceptional items is £98k better than budget at £1,456.
- In this accounting period, the college now has much stronger management information regarding income. Turnover is positive and this is predominantly because of college performance.

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- In general discussion, the Committee were advised that the college has received confirmation of an additional £600k income for AEB. The contract has been received but the college has not yet had the cash payment profile. The initial assumption is that all of this additional income will be derived from subcontractor activity, however, the college does not expect this to be the case.
- Pay costs continue to show a saving.
- The November pay profile has increased when compared to earlier months; this is because additional staff have had to be recruited to support the delivery of maths and English. Despite this, the college is still on track.
- There is a £250k contingency that has not yet been released.
- Non-pay is broadly to budget.
- EBITDA is looking good.
- Exceptional items are the main reasons for non-pay variances.
- Cash position is strong.

The Committee were advised that there are two members of staff who have made the decision to take redundancy after the conclusion of their trial period in other posts. The Committee questioned where these costs will sit. The Finance Director explained that the 18/19 accrual will be larger than the actual, therefore there is a small contingency. Remainder of the costs will fall within the £200k restructuring provision in the budget for 19/20.

The Committee considered the cash flow forecast on page 9 and it was explained that, going forward, the intention is to leave the 'original line' so that the Committee and senior staff can monitor whether the profile is ahead or behind original forecasts.

The Committee considered the exceptional costs detailed on page 3 and asked what was triggering these. It was explained that these are predominantly the costs associated with amendments to the bank covenants and also legal costs associated with removing the Mansfield District Council covenants re: properties; the latter has taken more time than originally envisaged. Also included within the exceptional items are the first stage payments of professional fees re: BKSB sale costs. It was noted that these will be recovered by the college at the point of sale.

The Committee were advised that the college has received a cash recovery request from the ESFA. This has been agreed and will be the repayment of the grant plus the £1.5 million repayment of exceptional financial support. It has been agreed that payments will be made on a staged basis, therefore the college has the ability to review this if any issues arise in the future. At the same time, Lloyds have asked the college to reduce the RCF facility available. This will reduce by £1.5 million over three staged periods. The Committee were advised that the consequences of this will mean that the headroom in relation to

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cash flow will narrow. A request from the Committee was to see amended cash flow forecasts when the repayment profiles are all agreed.

Finance  
Director

January  
2020

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

**6** **NOVEMBER PAY REPORT**

The Committee's attention was drawn to the data provided and the Finance Director explained that pay continues to follow a positive trend. It was noted that there is a £569k contingency within the accounts but that, if the pay proposals to be discussed later in the meeting are accepted, this figure would reduce by circa £100k.

AGREED: to note the content of the update provided.

**7** **RECONCILIATION OF THE 2018/19 FINANCIAL STATEMENTS AND THE JULY 2019 FINANCE REPORT**

The Finance Director introduced this item and key matters brought to the Committee's attention were:

- EBITDA, in the management accounts was £902k deficit, the final accounts were a £782k deficit; a positive variance of £120k. this relates mainly to lower salary costs from a change in the holiday accrual.
- Turnover is £2m lower in the final accounts due to the duplication of £1m Gift Aid and the inclusion of 'agency payments' within the management accounts. Agency payments have now been excluded from the management accounts and in 19/20.
- The Final Accounts salary cost is £1.46m higher, due to past service costs FRS102 not included in the management accounts.
- The Final Accounts salary cost is £595k higher due to FRS102 pension interest.
- The final accounts also included £5,158k FRS102 actuarial loss.

He confirmed that the overall EBITDA position was better than reported in July. There is very little movement, which is a positive and shows that the management accounts information which was provided was accurate.

AGREED: to note the content of the updates provided.

**8** **RISK REPORT**

The Finance Director drew the Committee's attention to the update and he confirmed that, as previously requested, there are two

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additional columns. These provide for:

- a) the magnitude of the potential financial impact; and
- b) opportunities which may offset this.

He explained that some risks do not have a major impact in terms of 19/20, but that they may thereafter in later years.

Key matters noted/discussed were:

- Line 1 – the risk in relation to this has increased and recognises the importance of the risk; however, assurance was given that the college is working hard to mitigate.
- Line 5 – the risk has reduced and there is now the potential for additional loans income. The college has been advised that, if it is eligible for growth, it will receive this.
- In relation to lines 7 and 8, it was confirmed that the date now needs to be amended to March 2021 rather than October 2020. The Finance Director explained that, if the sale does not achieve a particular figure, the college will be looking at bank covenant breach issues; however, if the sale achieves over a specific figure, the college will be in a positive position.

In general discussion, the Finance Director confirmed that the college's positive relationship with the ESFA is a helpful one.

- Line 30 is a new risk that has been added.

The Committee discussed the new format and all agreed that it was very helpful in terms of capturing the scale of risk and also identifying where there are potential upsides which could work to offset/mitigate.

AGREED to note the content of the update provided.

## 9 PARTNERING TENDER – OUTCOMES AND APPROVAL RECOMMENDATIONS TO THE BOARD

The Finance Director presented his detailed report and key matters noted were:

- The college advertised on the INTEND platform seeking 'outstanding providers to deliver adult education provision in the D2N2 area'.
- Seven organisations expressed initial interest and registered on the system, however, only one provider has made an outline proposal to the college.
- From a brief analysis, a number of the other providers were not rated outstanding by Ofsted.
- White Rose Beauty School is the only provider that has proposed to become a partner. They are a south Yorkshire-based organisation that works across the East Midlands, Yorkshire and Greater Manchester. They are a direct contractor to the ESFA for adult education, apprenticeships and adult loans, as well as being a partner to several colleges.

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- The provision they wish to develop, in partnership with the college, is Level 2 Beauty targeted at entrance to the sector. They have a strong track record (circa 80%) of supporting individuals in to employment or further study at level 3, which is loans funded. They have proposed that this be delivered at two D2N2 locations, i.e. Chesterfield, a venue they opened in October this year, and Derby, an established centre. In addition, they have indicated that they can also provide provision in South Yorkshire. Overall they have indicated a capacity to deliver £600k per annum.

The Finance Director put forward the proposal that the college complete full due diligence in relation to White Rose Beauty School as a partner and that, subject to a satisfactory conclusion, a contract is offered for the gross sum of £300k with the specific expectation that this be delivered in D2N2 only. This will support the college's transition to ensure that it ultimately focuses all delivery within the local area. He confirmed that performance would be monitored throughout the year and the college is aware of their capacity to deliver a higher level of provision.

The Committee discussed the proposals in detail and were supportive. A challenge from Governors was whether or not the college can learn from this company to develop its own onsite provision. It was noted that the college does not have a significant demand for adult hair and beauty onsite and that college provision is predominantly 16-18. The Committee felt that this was an opportunity to consider in the future, and asked senior staff to be mindful of potential partnering opportunities using college facilities.

The Committee were satisfied regarding the educational case and need for this partnership. It was noted that the college has provision for subcontracted activity of £3.84 million and that it is not currently planned to fully utilise this. The Committee were satisfied that a real partner approach with White Rose Beauty School would be a win-win and would be a positive for the learners recruited. This aligns with the college objective of only working with the best partners. A challenge from the Committee was that, in any partner/subcontract arrangement, there are sound educational reasons for entering in to an agreement.

AGREED: to recommend that the Board approve that White Rose Beauty School Limited is awarded a contract for £300k in 19/20, subject to completing due diligence.

The Committee then went on to consider the options/proposals in relation to the Development Fund. The Finance Director set out the context for the proposal and also the options and the risks. He explained that the Development Fund was an offshoot of Arriva and that, predominantly, the anticipated delivery would be in relation to

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providing employability skills to support the training of bus drivers. He described this as a logical partnership and it was noted that the company is currently located in Derby and Leicester to support Arriva. There is the option of other bus companies closer to the Mansfield area but that, even without this, it would provide a valuable pathway in to employment for local people.

A question from the Committee was how long a trial period would be offered. The Finance Director confirmed that the college will have to complete all of the necessary due diligence checks first but that an initial low value approach would be taken to recognise the risks. A challenge from the Committee was to ensure that robust due diligence is undertaken but that, subject to this, the Committee could see the real relevance of this provision for the local area.

AGREED: to recommend to the Board that the Development Fund is awarded a partnership contract for circa £60k subject to the agreement that 35% of payments will be returned to the college (to offset the debt) and due diligence checks are met.

## **10 HEALTH AND SAFETY ANNUAL REPORT FOR 2018/19**

The Director of IT and Estates presented the comprehensive written report and key matters brought to the Committee's attention were:

- Accidents on college sites are largely unchanged from the prior year. Last year saw a spike in first aid incidents unrelated to college, and so the decrease is probably not significant.
- Reportable accidents (RIDDOR) are also static compared to last year, however, the number of incidents requiring a health and safety investigation has increased, with a number requiring corrective action.
- Near miss information has increased slightly, however, staff consider that this continues to be under-reported.
- Audits and COSHH – a number of managers have inherited audit/COSHH actions from staff who have left the organisation. Whilst this has caused some delays in completing the identified tasks, these are generally minor items. All missed deadlines have been escalated to line managers. The exception to this is risk assessments at the construction centre, where a number of assessments have been found to be inadequate. These have been raised with technicians, staff and managers on the site, and Health and Safety staff have spent additional time working with these individuals in order to improve these documents and ensure that they more accurately reflect working practices. He confirmed that there are five areas that have outstanding actions and that, in the main, except for Construction, there are no issues of concern.
- Training – a substantial number of training sessions have been provided for fire wardens and fire evac chair training, resulting in a significant proportion of the staff being trained.

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- Fire evacuations – practice sessions have been very successful in terms of both speed and compliance improved.
- First aid – the first aid service continues to be used as a ‘school nurse’ service and work continues to get the message to staff not to advertise it as such. Mental health issues, panic attacks and self-harm continue to be a major part of the workload of the team.

As an overview he confirmed that there were two areas of concern, the first being the construction centre as the risk reviews are outstanding. It is also the case that risk assessments are not reflecting actual practice. He confirmed that the team has identified the need for further staff training, which has taken place, and the intention is to review this area again next week to ascertain whether improvements and/or compliance are/is now in place. Also an area of concern is the volume of first aid incidents in college that are non-college related. Issues are rising and there are a number of students who are having fits which are leading to ambulance calls. The increase in self-harm cases is also rising. The Committee discussed this and staff were challenged in terms of an education piece being required with some students, and clarity that the college does not operate as an A&E. The Committee felt that there was more that the college could do to work with partners, i.e. the NHS. They asked whether it was possible to create a help team to help students with epilepsy to better manage the situation, with the intention being to help them stay healthy and the college not simply responding to the fits. The Principal expressed the view that the college could do more and be better at the pre-planning stage, and that this is all about knowing the students who are enrolled and intending to arrive in September. A challenge from the Committee was that the college needs to reach out to the NHS for support when the number of students with a need is known.

In terms of the positives, the Director of IT and Estates explained that the college has trained about 8% of staff as fire wardens; 12% are trained in evacuation techniques and the evac practices seen this term have all been exceptional.

In considering the report provided, a challenge from the Committee was their concerns about health and safety issues identified within the construction centre. They asked that an update be provided at their meeting on 30<sup>th</sup> January 2020, and also that there continue to be regular updates to this Committee throughout the year so that the position can be monitored.

The committee commended the fact that the college records ‘near misses’, although the Director IT and Estates felt that they were still being under reported. The committee all agreed that reporting should be strongly encouraged because the organisation learns from these incidents and hopefully prevents more serious incidents in the future. A challenge from the committee was to ensure that a culture exists

Director  
of IT &  
Estates

30.1.20  
& then  
alternate  
meetings

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where all can report in the confidence that there will be no penalty connected to the disclosure.

AGREED:

- a) To note the content of the Health and Safety annual report for 2018/19
- b) Request regular updates be provided in relation to construction provision/the construction centre throughout 19/20.

**11**      **AOB**

There were no items of additional business.

**12**      **DATE AND TIME OF NEXT MEETING**

The Clerk confirmed that meetings were scheduled for 6<sup>th</sup> and 30<sup>th</sup> January 2020.

**13**      **CONFIDENTIAL ITEMS**

It was agreed that confidential items would be recorded separately.

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

Date:

