WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the Finance and Estates Committee meeting held via Microsoft Teams on Monday 1st February 2021 at 5.30pm.

GOVERNORS PRESENT:	Charles Heaton, Chair Andrew Cropley, Principal/CEO Tony Westwater
ALSO IN ATTENDANCE:	Maxine Bagshaw, Director of Governance Gavin Peake, Director: IT, Estates & Learning Resources Jon Fearon, Finance Director

		ACTION by whom	DATE by when
1	**DECLARATION OF INTERESTS** The chair reminded everyone present to declare any interests that they may have on agenda items for discussion. No declarations were made and standing declarations were noted.		
2	**APOLOGIES FOR ABSENCE** Apologies for absence were received from Paul Frammingham and David Gillies.		
3	**MINUTES OF THE MEETING HELD ON 26TH NOVEMBER 2020** 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 26th November 2020. There were no matters arising.		
4	**ACTION PROGRESS REPORT** The committee were happy to note the update provided.		

Signed : ______________________Chair Date: 29/04/2021

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

The director: IT, estates and learning resources provided an update on the programme of works to spend the building conditions grant received of £1,332,739. He advised that works started well in the autumn term but have subsequently been delayed because of lockdown and also COVID illness. The college's own team, project manager and suppliers have all been impacted by either COVID infection or the need to self-isolate. That being said, he confirmed that the overall position was looking good.

Key matters brought to the committee's attention were:

- To date, £354,331 has been spent, with a further £564k of major works having been identified and quotes obtained.
- A further £414,408 of works remain to be procured. Outline quotes for this work are being obtained and works prioritised.
- The college has been a granted an extension on the original DfE spend deadline of 31st March 2021 and it is now 31st September 2021, meaning that there is virtually no risk of underspending this grant and having to repay.

He advised that the college was making good progress in relation to replacing the Wi-Fi and that the sites were being connected ready for installation. The team are currently testing devices to identify the best solution.

In relation to the roof works required at Relish, three quotes have been obtained and the college is clear in terms of a preferred contractor; however, works cannot start until the weather is suitable. The college is currently awaiting formal quotes in relation to the toilet refurbishment. Realistic estimates of the likely costs are known, but final quotes will confirm this.

As an overview, the college now has committed expenditure of £918k. On top of that, there is a list of smaller items and costings in relation to many projects. This gives maximum flexibility to respond and ensure that the full grant is spent. He described the college as having a 'never-ending list' which will need to be addressed over a number of years. The committee were happy to note the extension to the spend deadline and agreed that this provided increased confidence that there would be no repayment required.

A challenge from the committee was in terms of the potential list of projects with a total value of £1.7 million. They asked whether these could be value engineered to make the most of the £1.3 million available. The committee were advised that the works required in the conditions survey run over five years, with this year being year two. Some of the estimates are now being found to be over-inflated, therefore the college will have other options to look at projects within the larger list. It was confirmed that there are possibilities to get the financial costs down, and it was specifically noted that the project manager engaged is working effectively to obtain reasonable quotes. In terms of specific areas where cost savings can be made on the estimates, an example given was in relation to painting.

In terms of the balance scorecard position, the proposal was to RAG-rate this as green. The committee were happy to approve this and felt that the extended deadline gave increased confidence and that they were satisfied that the project was moving in the right direction.

The committee asked for assurance that projects are being prioritised. It was confirmed that they are and that these are based upon the college's own identified internal priorities.

AGREED: to note the content of the update provided.

6 **RISK REPORT**

The finance director introduced this item and it was agreed that the committee would focus on areas where the risk score has increased. These were:

- F1 – impact of COVID on operating costs.
  The FD confirmed that there have been increased operating costs and that this is something to carefully monitor. He indicated that the restructuring costs included would now be removed as the college is not intending to use them. He explained that the increased costs were mainly as a result of the 'cover model' for students when on site: i.e. the college has, in the autumn term, attempted to deliver both on site and remote activity. Some funds have been received from the support fund which will offset this; however, it will not make up the full difference.
- F3a & b – COVID impact on AEB and 19+ apprenticeships
  The committee were reminded that the college is heavily reliant upon subcontractors for AEB delivery and that, because of COVID, they had not been able to make an effective start. An example given was Bombardier, in that they have had to do less because of social distancing limitations. There have also been some Brexit implications which have impacted upon delivery. In relation to apprenticeship provision generally, paperwork is in arrears and the college is just trying to clarify if all enrolments are now on the system.
- F6 & F7 – in house and direct delivery

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The committee were advised that employers simply don't want students and college staff on site to complete assessments, therefore this is impacting upon the ability to grow in these areas.

- F17 – AEB reconciliation
  The committee were advised that the ESFA did not meet their obligation to inform the sector of the policy guidance by 31st January. In the prior academic year, 67% was the trigger point for receiving protection by way of 100% allocation payment. The private sector has strenuously objected to that approach being taken again and an alternative proposal is to pay a 10% top-up on what each college achieves. The FD confirmed that the college accounts only provide for what has been achieved, therefore, should it receive 100% protection, it would be an improved position. The ESFA are looking to push colleges to provide online courses and, if this is the case, WNC would need a high volume of online activity to make up for the loss of revenue generated by on site delivery.

The FD advised that the sector is also awaiting guidance on 16-18 funding in relation to in-year growth. If this were confirmed, it could mean between an extra £500k and £1.2 million, depending upon the methodology used.

The committee were advised that colleges are required to provide an estimated AEB outturn to the ESFA by mid-February, therefore the ESFA will have to provide guidance before then so that the forecasts can be completed. He explained that paying the 10% extra only is an incentive for colleges to really focus on this area and not sit back and relax.

The committee discussed the Kickstart programme and questioned whether it would negatively impact upon demand for apprenticeships. The CEO indicated that the hope is that the six-month Kickstart programme would then allow the vast majority of individuals to move on to apprenticeships with the same employer, however it was acknowledged that some employers may seek to take advantage of the funding available without making long-term commitments to individuals. The CEO advised that the numbers engaged in the Kickstart programme are very low as it has been taking DWP so long to process individuals on the system. The numbers for the college are circa 60 who have gone through the gateway.

AGREED: to note the content of the update provided.

7 **<u>MONTHLY MANAGEMENT ACCOUNTS – DECEMBER 2020</u>**

The finance director introduced his comprehensive report and explained that the most significant impact was in relation to the reduction in revenue. He explained that the college was taking a really prudent view and that it is possible that the college will receive more via the AEB reconciliation; however, at this stage, it is not known or guaranteed and would not in any event make up the shortfall entirely.

Challenge for the college is that:

- Pay costs are marginally ahead; however,
- Revenue is significantly down
- There are savings in non-pay
- Additional 14-19 revenue, which is supporting additional pay (£146k).

The challenge for the college is to increase revenue; however, the EBITDA position is not as significantly impacted.

He expressed the hope that at period 6 he would be able to take a more optimistic view regarding the AEB position and revenue, which would then improve EBITDA. He advised that 'teaching in the face of COVID' up to Christmas was costly but that the January move to online provision will mean less cost.

He confirmed the need to obtain ESFA clarity on the AEB and 16-18 in-year growth position so that this can be built into the forecasts. Currently the college just does not know quite enough, but the hope is to have more certainty by mid-February. He confirmed that there is a plan, to be discussed at the next agenda item, to catch up some of the subcontracting shortfall.

The committee chair made reference to bad debt provision in an earlier version of the accounts, and the finance director explained that franchise costs and fees had been removed and that this then leads to a nil impact. A challenge from the committee going forward was to ensure that any franchise costs are specifically referenced so that it does not distort the view of the college's operating position.

The committee discussed the increase in costs and it was noted that temporary costs are +34%. The committee indicated that they would like to see this shown in staff numbers/headcount and financial impact. They acknowledged that, from an overall perspective, this is being managed but that there needs to be greater clarity provided within the accounts.

The finance director made the observation that, if the college did not have to pay VAT on these costs, it would lead to a significant saving. If the FE sector had a different VAT treatment, i.e. similar to that in the school and academy sector (which allows VAT to be recovered), then this would mean an extra circa £350k to the bottom line. The public accounts committee is looking into this; therefore, it has potential for the future.

AGREED: to note the content of the update provided.

8 **SUBCONTRACTING UPDATE**

The finance director presented a summary of subcontracting activity compared to contract allocations and explained that most are having issues in terms of starting new activity. Their provision is substantially based upon classroom activity and they are not very experienced regarding online learning. As a consequence, the college cannot be confident regarding the quality of what they may offer if they moved to online provision.

Net benefit to the college of subcontracting activity is a 20% margin; however, if the college does not get nearer to the target, it is highly likely that the allocation will be reduced in future years. He confirmed that online delivery was not the basis of the contracts issued.

In terms of a summary:

- Activity is currently circa £1.3 million, which is a combination of the college and subcontractors. College position is £616k with £240k in the pipeline.
- There is still £4 million to fulfil and the original expectation was that subcontracting would make up £2.9 million of this.
- Subcontractors will be lucky to get to £1.1 million additional activity, and this relies on them getting back to a position where they can recruit at volume.
- Gap for college provision is £691k.
- £2.5 million is required to secure the budget.

New activity is proposed to close the gap and includes:

- Sports body focus online with CSL Limited. There is the possibility of delivering £275k with a cost of £75k relating to marketing, admin support, etc. This could be an ongoing offer after COVID and specifically looks to support the sport and recreation industry.
- Online learning platform with John Ogah. The college acknowledges that it could do much more in terms of online delivery and statistics suggest that there are between 2,000 and 5,000 people a week enrolling to online courses. College needs to be savvier regarding social media marketing, which is why the proposal is to partner with John Ogah, who is tried and tested. He is recommended by the Skills Network and has experience of working with Learn Direct. 2,500 learners would generate £1 million income at a cost of £125k.
- FMBS online model – this is direct delivery with the content

	and method of delivery being purchased. Delivery would be by college staff; quality assurance would be undertaken by the college; and enrolments would be college learners. There is the ability to generate £550k at a cost of £125k. • Local campaign – the college will need to learn and replicate from the other initiatives. Possibility to generate £450k at a cost of £30k. To support these additional initiatives, there will be costs, including the development of online content and staffing at £300k and VAT at £131k. The revised plan being developed is for additional income of £3.5 million at a cost of £786k; however, it was explained that costs will not be incurred if the revenue is not generated. The committee were advised that there is a need to increase the marketing budget to support the recruitment of online learners; however, assurance was given that there is good payback in relation to this.		
	The committee acknowledged that, if successful, these initiatives would significantly close the gap. They asked for a bridge summary of the impact on the EBITDA position. The committee acknowledged that, on the basis of the figures presented, they show that against revenue it is worth incurring the costs. All felt that a greater risk is losing the size of the AEB allocation and that this needs to be protected for future budgets. The FD confirmed that there are some opportunities for better margins on this new activity when compared to the 20% subcontractor contribution. The CEO advised that one risk associated with these options is that the college will fail to meet the objective to have more AEB delivered locally, as some will inevitably be national provision. The committee acknowledged that the plans were a means to an end to protect the allocation and that the local competitive market needs to be also considered. It was confirmed that none of this activity will be subcontracted and that, instead, it will be college activity delivered directly with support from others. AGREED: to note the content of the update provided.	Finance Director	Feb. 2021
9	<u>**JANUARY PAY REPORT**</u> The finance director shared this information at the meeting and key matters brought to the committee's attention were: • Restructuring costs have now been removed. • One of the reasons for the overspend was payment of the Christmas bonus to staff. • Temporary staff costs continue to be high as a result of COVID,		

but some will be offset by extra teaching support fund income.
- In relation to the teaching support fund, the college has spent £140k out of allocation of £440k.

A challenge from the committee was to explain temporary staff costs by way of a bridge when the reforecast is prepared. This was described as an overspend that is not 'hurting' and, therefore, the full board needs to better understand this. A challenge from the committee was also to budget in the Christmas bonus for 21/22, rather than it appearing as an overspend.

The FD confirmed that the college does not believe that it will now need the £150k originally held in the budget for restructuring and that the only costs to consider are potential exit costs for bksb. These will be an exceptional sales cost.

AGREED: to note the content of the update provided.

10 **UPDATED FINANCIAL FORECASTS**

The committee were advised that the ESFA has withdrawn the requirement to submit a reforecast by 31st January. This is because it has not provided enough guidance to the sector. The key date now is an additional return required in relation to cash flow, which is due by 28th February 2021. The sector should have more certainty by then.

The committee were advised that the £2.5 million Gift Aid to be paid to the college from bksb has now been taken and that this has been used to repay the loan between the college and the company. The college will also start to take out in-year Gift Aid, as this will reduce the cash position at the point of sale.

AGREED: to note the content of the update provided.

11 **CONTRIBUTION ANALYSIS**

The committee's attention was drawn to the summary of curriculum contribution performance, and specific areas of concern were noted.

a) Engineering is currently at 41% (9% down)
- 16-18 funding has been understated in engineering, as all areas have received the same level of funding per learner, whereas the budget plan was for engineering to receive a higher allocation due to the high-cost nature of its programmes, particularly as the ESFA uplifted many programmes by a further 10% in 2020/21. This will considerably narrow the gap in this area.
- Engineering apprenticeships are at 48% (-12%). Due to COVID-19, the majority of engineering starts have been delayed to

January 2021, which is the main issue. January 2021 data will provide an initial view on how much of this can be recovered.

He explained that there is an issue regarding accuracy, given that the report produced does not recognise the weighting of some courses, which particularly apply to engineering.

b) Construction is at 34% (25% down)

- All areas of construction have been impacted by recruitment issues and heavy usage of agency staffing, which costs typically 38% more. Prior to Christmas, the college was able to make some more cost-effective appointments which will start to reduce this impact. The committee were advised that this area of the curriculum carries 60% of the agency staff bill, which therefore impacts upon costs and contribution.
- Given some ongoing quality issues within this department, it has been vital to maintain staffing levels in the area and have access to highly experienced staff.
- Construction 16-18 provision is also affected by understatement of revenue, but not to the same extent as engineering.
- Construction apprenticeship starts again have been substantially delayed to January 2021, which has impacted the first five months.

In terms of the information provided, the finance director expressed the view that it has opened up an opportunity for some questions and conversations but that more analysis needs to be done.

The committee were advised that all 16-18 areas are dealing with increased levels of activity, with £1 million of additional revenue deferred to 2021/22 due to lagged funding.

AGREED: to note the content of the update provided.

12 <u>SUBSIDIARY COMPANIES UPDATE</u>

The committee’s attention was drawn to the summary report regarding historic subsidiary companies that are either now dormant or placed in voluntary liquidation. In relation to VWS, the expectation is that the pension fund will recover the vast majority of any monies available.

VBSS sits within the main college accounts and is part of the group. Its sole purpose is to employ staff for the college, and the college is the only customer. VBSS has a board that meets three times a year. VBSS staff are not in the LGPS pension scheme, and this is the main motivator for the establishment of this company. There is some sector consultation on removing the LGPS requirement for new recruits into the sector. If this does change, the college may not need this subsidiary company going forward.

bksb is the college's most significant subsidiary. It has its own board in place and meets regularly.

Update was also provided in relation to West Nottinghamshire College Educational Trust Limited (operating as Vision Studio School) where the college was a sponsor. There is an ongoing application to strike the company off as there is no longer any activity, and the college is supporting former directors to address a HMRC objection.

AGREED: to note the content of the update provided.

13 **HE CENTRE – INVESTMENT PROPERTY TREATMENT**

The finance director provided a verbal update and confirmed that this issue had been raised by Mazars in their management letter. They had identified an expectation that this building would be represented as an investment asset in the accounts. This then requires a valuation. Quotes have been sourced and Avery Young, who previously valued the property as part of the review of banking arrangements, have confirmed that they are able to undertake a desktop review at £1,800 plus VAT. This is on the basis that they already have accurate and detailed information because of the prior work completed.

The intention is to complete the movement at the end of July, as this has to be done in preparation for the statutory accounts. The finance director confirmed that he would update the depreciation position and it was acknowledged that this does not impact the monthly EBITDA position.

AGREED: to note the content of the update provided.

14 **REVIEW OF CONFIDENTIAL MEETING MINUTES 2019/20**

The director of governance introduced her detailed report following the annual review of confidential minutes. She drew the committee's attention to her highlighted recommendations for release, which were approved. The CEO indicated that, as a matter of courtesy, he would liaise with NTU regarding the proposal to release meeting notes of discussions regarding the partnership arrangements and the lease of the building. Subject to any feedback, the committee agreed that they were happy that the reasons for commercial sensitivity on this had now passed.

AGREED:

a) To note the content of the update provided

Signed : __ ____________Chair Date: 29/04/2021

b) Approve the recommendations made to release identified minutes which had previously been determined as confidential.

15 **AOB**

The director of IT, estates and learning resources raised one matter of additional business in relation to Thoresby Street. He explained that the purchaser has asked the college to accelerate vacation of the property as they are concerned that they will lose funding if the college does not move out as anticipated for a further 18 months. The committee were advised that it is possible to transfer provision from Thoresby Street to Chesterfield Road and that the aim is to move students by the end of this month. The committee were satisfied that there was no strategy change proposed and that it was simply an acceleration and felt that, if operationally this could be achieved, it was a benefit to the college as it would mean earlier receipt of sale proceeds. The director of IT, estates and learning resources confirmed that vacant possession will be provided by the end of February 2021.

16 **DATE AND TIME OF NEXT MEETING**

This was confirmed as Thursday 29th April 2021 at 5.30pm.

17 **CONFIDENTIAL ITEMS**

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

(Gavin Peake left the meeting at 7.05pm)

Meeting closed at 7.15pm.

Signed : ______________________Chair Date: 29/04/2021