WEST NOTTINGHAMSHIRE COLLEGE
FINANCE & ESTATES COMMITTEE

Minutes of the Finance & Estates Committee meeting held on Thursday 25th November 2021 at 6pm

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	**DECLARATIONS OF INTERESTS** The chair reminded everyone present to declare any interests that they may have on agenda items scheduled for discussion. No declarations were made and standing declarations were noted.		
2	**APOLOGIES FOR ABSENCE** Apologies for absence were received from David Gillies.		
3	**MINUTES OF THE MEETING HELD ON 6TH OCTOBER 2021** 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 6th October 2021. There were no matters arising.		
4	**ACTION PROGRESS REPORT** The committee were happy to note the content of the update provided. The finance director provided an update in relation to line 3, which was the request for him to undertake market research regarding		

Signed : ________ __________________Chair Date: 27/01/2022 investment options for the cash that the college currently holds. He advised that there were very limited options with Lloyds Bank, and he expressed the view that the college needs to remain with cash-based deposits, which means that the rates across the market are relatively low. He advised that he has been able to identify two options, which are:

- Mansfield Building Society, which is a charity account and the rate of interest would be 0.65%. This is better than interest currently provided by Lloyds and it would also mean that funds would be invested locally.
- CAF, which is a charity bank run by Shawbrook Bank and has interest rates of between 0.6% and 0.7%. They would invest in the charity sector. (Note: post the meeting, rates are similar to Lloyds, unless we deposit for a fixed 12-month term.)

He expressed the view that the college would not want to be locked into investments for longer periods, as funds will be required to support the capital projects. He indicated that deposits with Mansfield Building Society have a limit of £500k. The committee were reminded that, if £500k was invested, the college would still have £3.5 million working capital remaining.

The committee were of the view that the college should look to invest £1 million, with £500k deposited with Mansfield Building Society and £500k deposited with CAF Bank. They agreed to make this recommendation to the Board and asked that the finance director obtain all of the preopening paperwork so that any formal approvals required could be included within the board paperwork.	Finance Director	Nov. 2021

AGREED: to recommend that the Board approve cash investments of £500k each with Mansfield Building Society and CAF Bank.

5 **BALANCED SCORECARD REPORTING**

The director of IT, estates and learning resources introduced this item and confirmed that he has been looking at the challenges/obstacles which may prevent the college from getting to a net zero carbon position. He confirmed that there were a few aspects to consider, including:

1) Transport, specifically buses – he explained that 90% of buses built go to the London area first and then three to five years later are sold on to other areas across the country. This means that the introduction of electric buses in the locality is likely to be some time away, as they will all have to pass through the London area first.
2) Streamlined energy and carbon emissions – he advised that WNC was one of only 30 colleges who signed up to the survey/reporting and that only 15 of the 30 properly reported. The calculation should be based upon the number of staff

Signed : ________ ________________Chair Date: 27/01/2022 rather than students, which means that only half of the colleges who committed to providing information can compare on a like-for-like basis. The influencing factors to the calculation are transport, fuel, electricity, waste, etc. The committee were advised that, of the 15 respondents who are comparable, WNC is the second best and, therefore, has a good starting point. The committee were advised that, by the next iteration of the survey, WNC will have switched its electricity to a completely green supplier, which will positively impact upon the calculation. A question and challenge from the committee was whether or not the college can learn from those at the top of the survey. The committee were advised that it is likely that they use biomass for fuel, but it was acknowledged that good can only come from the sharing of information.

3) Waste – the committee were advised that, through a process to trying to identify savings, a company has been engaged to look at what the college does. Their view is that the college is already very efficient, with some of the best market rates being secured in many areas. There are some possibilities for the college to consider in terms of cardboard, glass and food waste. The college did a considerable amount of work in relation to food waste prior to the pandemic and is, therefore, in a position to move forward with some changes in this area. The committee were advised that the college does not have much glass and carboard on site, which means that savings in this area are limited.

As an overview, the director of IT, estates and learning resources expressed the view that green electricity and green gas would be the biggest changes that the college could make in terms of its journey to reduce/eliminate carbon.

One member of the committee asked whether the heating system to be installed at Chesterfield Road will be green. The director of IT, estates and learning resources confirmed that it would and that the team are taking the time at the start of the design process to carefully consider this, rather than then struggle to retrofit at some other point in the future. The committee asked whether there are any options to be considered in terms of solar panels. The director of IT, estates and learning resources expressed the view that savings to be secured from these are a 'drop in the ocean' compared to the level of energy that the college actually uses.

AGREED: to note the content of the update provided.

6 **MONTHLY MANAGEMENT ACCOUNTS – OCTOBER 2021**

The finance director presented this item and a number of aspects were particularly highlighted, including:

- The college is currently slightly behind the EBITDA target.
- These accounts include the first review of contribution by the curriculum areas.
- 16-18 recruitment is down against target.
- The college has £667k unearned allocation. This will reduce but the college will want to hold a balance to protect the student numbers.
- The senior team are now able to drill down into contributions made by curriculum areas and there are some further discussions to be had, particularly in relation to apprenticeship provision, health & social care and construction.
- In relation to apprenticeship provision, the college is currently reviewing the discounting structures. The committee were advised that there were a lot of starts in October rather than September and that not all of the data is yet on the system so it is hard to form a definite view. What it does mean, however, is that the college lost one month's revenue. However, it is anticipated that the next return will show an improvement.
- In relation to adult and community learning, there is some data, particularly regarding short community courses, which is not on the system. It was acknowledged that the college really needs to address this as this data is required to enable reallocation to maximise delivery.

The finance director confirmed that there will be some very direct conversations with some curriculum areas as the method of calculation is now clearly highlighting areas of strength and weakness. One member of the committee raised a question in relation to two figures which did not match in terms of revenue. The finance director explained that there are some centrally held revenue amounts that are not included within the team calculations and examples given were ESFA condition funding, grants, teacher pension credits, ALS etc.

The finance director highlighted the fact that AEB earnings are currently behind target; however, he provided assurance that there is a contingency set against this.

The committee made the observation that it was really important and useful for the finance team to put the time and resource in to really help understand the levels of contribution and the comparisons. The CEO commented that there are a number of factors, both locally and nationally, which are negatively impacting upon apprenticeship provision; however, the AEB allocation does give the college more opportunities.

Other aspects highlighted included:

- The college is currently behind forecast in relation to EBITDA.

- Cash balances are below the original budget. It was explained that there has been significant capital spend; however, this is now on hold. The college genuinely thought that there would be more student growth than has actually come to fruition. The college spent to support more growth than actual; however, the spend has helped the college to be able to move to the second rental phase with NTU, given that it has space available.
- The college is likely to be delaying the development of the tech centre by a year. This would mean that less cash is needed for this.
- The college has an option to pay off the remaining loan. This would save 2.2% interest; however, the agreed view currently is that this should be retained to provide maximum flexibility.

The finance director proposed that he would work on a reforecast for next month that would include two factors which it is already known will negatively impact on the budget. These are increased National Insurance rate contributions and an increase to the minimum wage (to £9.50). The college knows it will have to pick up the costs in relation to these and that this will impact upon the budgeted outturn. The sector believes that in 22/23 there will be an increase to the rates of funding; however, this is not anticipated for 21/22.

The committee were reminded that the college is in a fixed energy deal until 2023 and that, when this deal ceases, the college will likely see a significant increase in the cost of energy if the market has not yet settled.

The committee were advised that the minimum wage increase impacts on a number of pay bands, particularly the bottom two, and also has implications for the supervisory role, as these will need to increase to ensure a differential is maintained. The finance director confirmed that the National Insurance increases were not included within the budget as they were announced after the budget had been set.

The committee all agreed that it was important to alert the board to the known changes, including National Insurance, wage costs and student numbers. They asked that the finance director update the management accounts to include reference to this so that the version that goes to the December board meeting is really clear and transparent. They asked that the finance director undertake a sensitivity analysis and felt that, at this stage, issues should be flagged rather than a complete reforecast, as there is still some uncertainty regarding a number of income lines. In relation to the income lines, the finance director confirmed that he would have much more certainty by the January management accounts and, therefore, the committee felt that this would be a better time to reforecast.	FD	Dec 2021

AGREED:

Signed : ________ __________________Chair Date: 27/01/2022

a) To note the content of the October 2021 monthly management accounts presented.
b) To request that these be updated before presentation to board to highlight changes already known.

7 **CAPITAL PROJECTS**

The director: IT, estates and learning resources provided a presentation on development plans for the site at Chesterfield Road, which includes Ashfield House plus the land adjacent to this. On a plan presented, he confirmed that the buildings shaded as red would be demolished. There are currently a few students in these buildings, but this was an opportunistic decision. He drew the committee's attention to the blue line on the plan and indicated that this highlights the conservation zone which does cause a real challenge for the development as everything within the blue line has to remain 'as is'.

The committee were advised that the college has engaged a heritage consultant and he has been able to convince the team that the college needs to make some concessions regarding site development, or else planning permission is unlikely to be granted.

The committee were given a summary of the site options, which include:

- accommodation that is category D is to be demolished.
- buildings that are category C have no architectural value.
- in relation to Ashfield House, the plan is to make it a standalone building as this will satisfy the heritage issues. The college feels that this is a strong viable option and can make use of it on a standalone basis.
- the portico and steps at Ashfield House fall within the conservation zone; they have to remain and cannot exist out of context and, therefore, they have to remain within the existing walls. The plan is look for it to be a decorative wall with no structural purpose.
- The buildings are also on a hill, which brings additional challenges.
- The college is now looking at a three-tiered build with no building dominating the landscape; instead, they will be hidden within the site and behind Chesterfield Road.

The committee discussed the site generally, and the director of IT, estates and learning resources confirmed that the college is currently using the buildings and, in fact, could do with them for a bit longer. Therefore, a delay in planned demolition from September 2022 to June 2023 would be of benefit. The proposal is to commit the time up front to avoid planning conditions – this would also build in the possibility of coping with planning permission delays, given capacity challenges that are known in the planning department. The committee were advised that the construction market is also currently very challenging, particularly in terms of material and labour, and this means that projects are susceptible to premiums. AA Projects are advising the college, and they feel that the market will eventually settle and, therefore, that taking a little more time may be beneficial. The committee were advised that, on the current projects underway, the college is paying between 20% and 40% more for materials, which would have a significant impact on a larger project. That said, it was acknowledged that the local authority does have an interest in accelerating this particular project.

The finance director reminded that the college will not know the outcome of the phase 2 capital build until February-April 2022; therefore, any monies expended before this are at some risk. The committee were reminded that the spend deadline, if the college is successful, is 2025; however, this does feel still achievable. The director of IT, estates and learning resources expressed the view that, once students are moved off site, it will enable disruption to be minimised and would also allow acceleration of the construction timetable.

The committee asked what the aim is in terms of the use of Ashfield House. The CEO indicated that the aspiration is to move community courses into the town centre, which would then make space for back-office services in Ashfield House.

The committee's attention was then drawn to the internal plans for the site, and the director of IT, estates and learning resources indicated that the team are trying to create maximum flexibility internally so that changes can be made over time.

The CEO then provided an update on a number of projects which were highlighted at the last meeting, including:

- Good progress is being made in relation to the development of the automated manufacturing and distribution centre.
- In relation to the Levelling Up Fund project, again, good progress is being made with site options being considered. College continues to proceed with caution, particularly in terms of the other parties who will commit to this project.
- In relation to the civil engineering centre, two sites have been identified and visits are planned. February 2022 is the deadline date for business case submission.

AGREED: to note the content of the update provided.

8 <u>RISK REPORT</u>

The committee agreed that it was not necessary to discuss this in full as key matters had been highlighted earlier in the meeting. These are wage pressures and student numbers.

AGREED: to note the content of the report provided.

9 RECONCILIATION OF THE FINANCIAL STATEMENTS AND THE JULY 2021 FINANCE REPORT

The finance director introduced this item and was pleased to confirm that there were no major changes. He highlighted two matters already noted in either this or the earlier meeting which are:

- Pension calculation update
- bksb sale

He confirmed that this reconciliation should give governors assurance regarding the accuracy of the management accounts.

AGREED: to note the content of the report provided.

10 NOVEMBER PAY REPORT

The finance director advised that, because of the timing of this meeting, it had not been possible to circulate in advance; therefore, it was agreed that he would circulate as soon as available. One aspect that he did highlight at the meeting was the amount that was having to be spent on agency staff, which is a real issue for the college and many other colleges within the sector.

Action	Date
FD	Nov. 2021

11 SUBCONTRACTING UPDATE

The finance director presented the detailed paper and highlighted a number of aspects, including:

- The proposal to increase the allocation to White Rose as they are consistently able to deliver.
- It is highly likely that the college will have to review the position with Qualitrain.
- Chameleon have a small number of 16-18 students included within their allocation. They are not targeting 16-year-olds and all of the learners are older but are not quite 19. This is one to watch, although it was confirmed their success rates are good.
- The Inspire and Achieve Foundation is currently well behind allocation. It is likely that their recruitment of 16-18-year-olds has been negatively impacted by a buoyant employment market or increased GCSE grades, which means that far fewer are NEET as they have been able to secure post-16 options. The college may have to carefully question their financial stability if things do not improve in the year.

AGREED:

a) To note the content of the update provided
b) To approve the subcontracting variation proposals as presented.

The committee asked where the college currently is in terms of the scope for further subcontracting of AEB. The finance director indicated that, within the current allocation, there is only £50k more that is available. He advised that there may be an option to put a business case to the ESFA for a transition year but that it is only likely that the college would be successful once in relation to this. That said, it may be possible to increase the amount capable of being subcontracted by £500k.

12 **CONTRACTS**

The finance director reminded that the college has been piloting arrangements for adult education provision and, particularly, working with partners to help set up a scheme which attracts learners. Key matters highlighted were:

- FMBS have helped the college to run skills academies across Nottinghamshire and Derbyshire, and the proposal is to contract with them in 21/22 after the completion of a prior £300k contract. It is proposed to provide a second contract for £300k (excluding any staff cost which is seconded at cost). This will cover 21/22 and into 22/23, allowing continuity. The college would like to expand the access to employment scheme with them, and this would refer students into the Mansfield centres.
- Stainsby – again, the college has run a number of successful Functional Skills and close security programmes supported by Stainsby. The college is now seeking to extend this to rail and transport and is proposing to contract for support services to allow the college to directly run these programmes up to a value of £250k. There is an opportunity for circa 90 learners in rail and also opportunities for taxi driver qualifications.
- CSL – the college has run sports sector qualifications with CSL support and is also now seeking to work in conjunction with them on a scheme with Center Parcs. Proposal is to contract with them up to £200k of services.

The finance director confirmed that all three would be funded within budget allocations from adult and learner loan activity. He confirmed that the college is really trying to develop its own direct initiatives however this will take time.

AGREED:

a) To note the content of the update provided.
b) To recommend that the board approve the contracts proposed to FMBS at £300k, Stainsby at £250k and CSL at £200k.

13 PROCUREMENT

The finance director presented his detailed report and confirmed that the college has, this year, really broadened the contractor base and has much more choice. The college has made the contractor approval process much more efficient, which has been necessary to respond to pandemic challenges.

The committee were advised that one impact of the pandemic is that the college has had to use the tender waiver process more than in previous years, simply because the college has to be able to work to very tight timescales. The committee's attention was drawn to the yellow shaded aspects and it was explained that these are where there are existing large scale tenders that have been approved by the board and followed full procurement processes.

In relation to the list provided, a number were highlighted, including:

- Stone – this was the purchase of a lot of low-level value computers.
- First PS and TE15 are agencies who provided sessional staff. The fact that they appear on the high value contract list shows the challenges that the college is facing in terms of the supply of labour.

The finance director drew the committee's attention to those contracts shaded in orange, and he explained that these relate to single sources of activity; however, they are funded by the LEP. Typically, items have been bought from the manufacturer to allow a relationship to be built and, in many cases, the choice has been based upon an educational argument rather than price.

The finance director explained that the college has had to be pragmatic regarding the use of waivers, simply so that it could get the works completed that were required.

The committee's attention was then drawn to the two changes proposed in the Financial Regulations. These are:

- Proposal to increase authorisation limits by 10%. It was explained that it has been circa 10 years since the authorisation limits were adjusted. The Audit Committee, which met yesterday, raised an issue regarding the potential of the CEO's unavailability, and they have recommended that a process be included within the Financial Regulations for a nominated deputy, as a working mechanism to ensure that someone is able to authorise spend should be the case that the CEO is unavailable (e.g., on annual leave).

- Amendments are also proposed to sections 18.1 and 18.2, and these are to address an attempted fraud which was made by two members of staff. This amendment makes it explicitly clear that any staff in a relationship have to declare this. The finance director provided assurance that the attempted fraud was not successful and that declarations are required in the staff code of conduct; however, the change proposed makes it clear in the financial regulations as well. One suggested addition made by the Audit Committee yesterday was to include reference to a director, not just a shareholder, and that the wording should be stronger in terms of 'must not be… involved' rather than simply referring to an 'expectation'.

AGREED:

a) To note the content of the report provided.
b) To recommend that the board approve the amendments to the Financial Regulations as proposed.

14 **GIFTS AND HOSPITALITY – GOVERNOR & EXECUTIVE DECLARATIONS FOR 2020/21**

The director of governance confirmed that enquiries have been made with all governors and members of the executive and all have confirmed that there was no provision or receipt of gifts or hospitality for the last academic year.

15 **NTU PARTNERSHIP FINANCIAL REPORT**

The finance director introduced his written report and confirmed that the college has now negotiated a further rental area. The rental figure is £710k per annum until 24/25, with the cost of services being subjected to an annual review. An occupancy fee of £28k is in line with the original estimates, although it should be noted that NTU are building up their student numbers, which will positively impact upon this figure going forward. The finance director indicated that the monies provided for in 21/22 are not a full year. The committee debated whether income in relation to the occupancy fee should be recognised in 20/21 or 21/22, given that the payment is a year in arrears. The view of the committee was that occupancy fee income should be recognised in both years.

AGREED: to note the content of the update provided.

16 **AOB**

There were no items of additional business.

Signed : ________ ___________________Chair Date: 27/01/2022

17 **DATE AND TIME OF NEXT MEETING.**

This was confirmed as Thursday 27th January 2022 at 5.30pm.

Meeting closed at 7.25pm.

Signed : ________ ___________________Chair Date: 27/01/2022