Minutes of the meeting of the Finance and Estates Committee held on Tuesday 10th October 2023 at 17:30

GOVERNORS PRESENT:	Charles Heaton, Chair Andrew Cropley, Principal/CEO David Ainsworth Edward Rawson
ALSO IN ATTENDANCE:	Jon Fearon, Finance Director Gavin Peake, Director: IT, Estates and Learning Resources Ian Ashman, external consultant Eloise Hopkinson, Executive PA

		ACTION by whom	DATE by when
1	<u>**DECLARATIONS OF INTEREST**</u> The chair reminded everyone present to declare any interests that they may have on agenda items scheduled for discussion. Standing declarations were noted.		
2	<u>**WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE**</u> Apologies for absence were received from Paul Wheeler. Edward Rawson was welcomed to his first meeting.		
3	<u>**MINUTES OF THE MEETING HELD ON 7TH JULY 2023**</u> 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 7th July 2023. There were no matters arising.		
4	<u>**ACTION PROGRESS REPORT**</u> The committee were happy to note the content of the update provided. In relation to the Mansfield Education Hub, the finance director gave a further update that occupancy might exceed even that stated within the updated APR.		
5	<u>**BALANCED SCORECARD AND ANNUAL KPIS**</u>		

Signed : ____ ________________Chair Date: 27/11/2023

The data this item concerns is, in its entirety, included in the reports at items 7 and 8, it being slightly too early to present the balanced scorecard itself.

6 **RISK REPORT**

The finance director informed the committee that one key focus of the risk register at the moment is risks around capital in terms of projects and spend – e.g. whether contractors can be found, etc.

Another key issue is growth – this will perhaps not be unfunded entirely, as in prior years, but there will certainly be some unfunded growth and greater demand than has been recognised previously. There needs to be some planning around capacity for future years, particularly if Year 1s are retained well. Work is underway to get capacity in place in construction, and there is also a need to build capacity in motor vehicle and engineering. Discussions are in progress with Ashfield and Mansfield District Councils.

In future, decisions around accommodation need to be made earlier. For 2024/25, the college might take some business support functions out of Derby Road so that rooms which are currently being used as large offices can then be used for teaching. The use of technology means that some staff in support roles can be just as effective wherever they are based. The aim is to have the plans in place before Easter so there is enough time to implement them before September. The finance director indicated that it might be beneficial to rent additional space for a period of time, rather than buying it, as the demographic will drop off after 2028. Until then, there will be challenges, with the potential for 10%-12% more students enrolling at the college within that time period. Grant funding, if it can be accessed, would support with this. The finance director explained that the college tried to prepare for growth and still had another 120 or more students in addition. This is excellent but it does put specialist vocational facilities under pressure, and this is reflected in the risk register.

The principal expanded on the detail given, advising that it is a very uncertain landscape and the risk is hard to manage. The college expects continued growth and there are lots of capital opportunities, but these are all quite uncertain and challenging to plan. The Conservative Party now wishes to increase 16-18 study programme hours by 20%, which will create an additional resource challenge. Another challenge is the span of command – the college has doubled its number of centres in the current principal's time here, and there is scope to grow further. The principal indicated that the Executive team would appreciate governors' challenge and support at this very exciting and complicated time.

A comment made by the chair was that looking at the risk register timelier and controlling the focus is highly beneficial. It is positive that the report specifies what the Executive team will look at and when, in order to retain focus and minimise knock-on effects. It was agreed that there is currently a lot of activity and all of it is dynamic, and keeping a hold on this is key.

A member of the committee agreed that the report and content was very helpful and easy to follow, and he would particularly welcome regular focus on this. It was recognised that a number of new risks have been identified in response to new opportunities. However, a challenge given was that governors would find the risk register and report more helpful if the value of some of the schemes was stated, and this is not clear. Governors need to ensure there is a good return on investment, for example, and being aware of and able to monitor this would help the committee to better judge the level of risk. It was agreed that the finance director and executive PA would work together to ensure this detail is included.

Finance director/ PA — October 2023

A member of the committee gave an offer of support in respect of estate – he has just set up an estates group across the Mansfield and Ashfield area with councils, social care and health, and he offered that it could provide a route through which the college could feed any estates issues.

The finance director advised that project management can sometimes be capitalised in terms of funding awarded, and the challenge has been finding the individuals and then getting them on board. He advised that the college uses external project management on larger schemes, when it can. In relation to the smaller schemes, and one staff member has already been appointed to project manage, and there is another vacancy being advertised. He assured governors that the projects are all worth the investments being made.

AGREED: to note the content of the update provided.

7 JULY 2023 ACCOUNTS

The report refers to the extra £1.4m received in allocation, broken down as follows:

- £317k increase to base funding
- £866k to support digital, motor vehicle, engineering and construction
- £209k support for disadvantaged young people
- £8k additional student financial support.

The base allocation will support increased pay to existing staff in way of a pay increase and then a smaller in-year bonus. Some of this money should be used to address recruitment challenges, and this will be focus. There is also some work ongoing around supported learners and the bursary, and some of the money will be used to bolster this. The allocation dramatically improves the position for the college this year.

The increase to salaries of up to 6.5% came in from 1st September 2023 and was accepted by unions as satisfactory. There is a piece of work underway in relation to strengthening pay in key curriculum areas with market supplements and bringing developed teachers up to a competitive salary. The finance director indicated that it is crucial to protect this structure and ensure pay does not cause hard-to-replace teachers to look elsewhere. The funding is also going to be used to provide some support to take pressure off the team so that the college does not lose staff due to workload. The college will also invest some money into training teachers and will work on getting people into positions before they are needed – once a vacancy arises, it is often difficult to find someone to fill it quickly.

There are 600-700 more learners using transport than in previous years. The switch to public transport was described as a success for 95% of learners, with a small percentage that have a more complicated journey and some on the fringes where it is a challenge to ensure they have a route into college. The price the college charges for the ticket will go up slightly more than the bus company's increase next year, and this will reduce the college's level of subsidy. Therefore, it is important to get the price from the bus company well in advance so that the college can get the ticketing information out timely.

It was indicated that this level of allocation was not expected and will be very helpful for construction and engineering. Furthermore, given the high student numbers, the college will also receive in-year growth funding, if there is any available. This will boost performance. Overall, indicators are looking strong.

Pay to date is a little below budget. The finance director particularly highlighted that a too prudent calculation of AEB income had been applied – this means that revenue has been understated by between £100k and £200k, which will boost the EBITDA to closer to £1.8m, which is closer to target than expected. However, the accounts have been presented to the auditors with a lower EBITDA, so there might be a note in relation to this in the audit report as it is a change to the trial balance. The chair challenged whether the auditors will really consider this necessary, and the finance director confirmed that they might not – it is not an audit adjustment – but there is a chance that they will make a comment. However, it was agreed that it is better that the college found this prudent under-calculation rather than the auditors.

The finance director explained that it has been a good year, particularly on 16-18. Staffing has been absorbed and increased to cope with growth, and the college was partly funded for growth in-year, which will bring a benefit moving into this academic year. AEB is at the highest level delivered by the college for a long time. Furthermore, the apprenticeships income is up –

starts are confirming the budget set for this year and there has been some really strong recruitment. Overall, the college is very much on target.

The finance director referred to the extra £200k, explaining that this moves the EBITDA to nearly 5%, which will strengthen the college's 'good' financial health score. The EBITDA is the weakest indicator, but the college sacrificed margin last year in order to be able to teach extra learners. The committee were pleased to see the college in such a positive position.

The finance director was asked to, in future, include headcount within the pay expenditure table. The finance director informed the committee that there is complexity in relation to calculating sessional staff, but he agreed that this is doable and he can liaise with the HR director for the information. There is a core headcount and a cash budget for sessional staff, and the finance director will try to convert this latter into a headcount.

Finance director	November 2023

AGREED: to note the content of the update provided.

8 **<u>2023 YEAREND ACCOUNTS – DRAFT</u>**

The college's financial health has been increased by improvements within the balance sheet, and it is necessary to ensure the key messages are reflected in the narrative. The finance director confirmed that he will also include challenges in terms of energy and salary costs, but there is a lot of positivity to focus on.

The chair asked the finance director to go over the defined position on pensions in detail for the benefit of the new committee members. In relation to the valuation of the Local Government Pension Scheme fund, the finance director explained that, after years of this being a liability, it has suddenly become an asset. The challenge is that the funds are 'defined benefit funds', where the college guarantees to pay out a pension regardless, this means that all the risk is with the employer. The liability is in terms of paying these out, making some assumptions in relation to inflation and life expectancy. The second issue is the investments held, and the college's investments are pooled with Nottinghamshire County Council. These were jointly invested in a mixed portfolio including such things as property, bonds, gilts, and shares. The yields of this are looked at by the actuary and have been found to be quite high at the moment. Therefore, making the assumption that these yields continue, this has wiped out the liability and made the pension scheme an asset. The finance director and auditor do not consider it positive that the pension shows an asset as this can give too much confidence about the financial situation, and the college cannot control this scheme or take any of the money out. The only positive outcome possible for the college is that there might be a recalculation and a reduction in the employer's contribution rate in a couple of years' time. The college's contribution to the LGPS is currently

19%, and the employee puts in between 5% and 11%. The college is funding at a very heavy rate to provide these pensions. The finance director informed governors that, if yields drop, the fund will move back to a liability in the space of a year. A valuation is carried out every three years, and this is done differently to how the accounts are calculated. If there is a deficit, this can be recovered either through a recovery plan or lump sum payments and contribution rates can then be reviewed. The college did have a recovery plan in the past which has now ended – contributions had to go higher, following this, but this actually resulted in no increased cost to the college compared to the cost of the payment plan.		
The finance director made the committee aware that the college recognises how uncontrollable LGPS pension schemes are; therefore, it set up VBSS, which is for apprenticeship delivery and business support staff. There are now more support staff on this contract than on the WNC contract, and this structure means that the college is fairly well insulated from the impact of the costs of defined benefit schemes rising.		
The Teachers' Pension Scheme is also a defined benefit scheme, but that there is no investment fund underwriting it – money from contributions is sent to, and invested by, the Treasury. Teachers' pension contributions are around 23%, but the Treasury underwrites and funds anything above 17% due to historic underfunding of this scheme, so the college receives a grant from the DfE for this money.		
The finance director explained that, in relation to the presentation of the accounts, the VBSS subsidiary was consolidated and shown as the college. Historically, there are group accounts due to bksb, which was sold. This is the first year in which there were no group accounts so, technically, the template could be altered. However, the position accepted by auditors is that, because VBSS exists purely to provide staff services and the college accounts would make no sense without this data, the template needs to stay as is. This is a strange convention and would need to change if VBSS were ever to carry out services other than only being an employer for the college. In summary, this practice is continued for consistency.		
The chair raised the point that, in the matter of the LGPS fund being an asset, the gain is not recognised for the reasons explained. However, he suggested that a comment is added to the accounts to indicate that there is a gain and clarify the reasons for not acknowledging this. The finance director agreed to include this point.	Finance director	October 2023
The chair referred to note 13 in relation to non-current investments – for completeness, he suggested that it might be worth mentioning bksb India to say that it is present but dormant. However, the finance director indicated that he would rather retain the consistency of not referring to bksb India, and this was accepted by the committee.		

A typographical error was pointed out in the 'amounts disbursed as agents' section, which refers to July 2022 rather than 2023, and the finance director clarified that this document is not final. He did try to add a note to this extent, but the notes have not pulled through to the shared document.

For the benefit of new members, an overview was provided in relation to the college's investment property. Governors were assured that it is professionally valued every year and has only moved fractionally. However, the inflationary index is not applied to it at the moment – the first 10% isn't inflated, so 10% will be discounted in the first rent review. The full rent value will not be realised until year 5; however, the rent will increase more substantially once the initial discount period has passed and when the inflationary index is ascribed to it. The finance director explained that the college rents a large part of its site to Nottingham Trent University. This was a better decision for the local area, due to the higher education it brought into the town, as well as a better use of the building. Because the college is a landlord, this has to be recognised as an asset and professionally valued every year. The college is currently at around 80% of the revenue yield – the additional rationale for this is that NTU provision in Mansfield is growing over time and so the intention was never to make the university pay full rent from the start.

Reference is made to the McCloud and Sargeant cases on page 45 of the Financial Statements as these were age discrimination cases and are relevant to the Teachers' Pension Scheme. The scheme originally protected people closer to the age of 60, and the argument was that everyone should have been protected equally and older people should not have been treated more beneficially than younger people – this has now been changed so as to not be discriminatory. The finance director indicated that there have not been any changes to the LGPS since the Age Discrimination Act came into place, and he advised that schemes now need to refer to 'your normal retirement age' rather than a specific age.

The finance director confirmed that the audit is going well – there are no concerns at the moment, and the closure meeting has been scheduled for eight days before the joint meeting of the Audit and Finance and Estates Committees in November.

AGREED: to note the update provided.

9 <u>BAD DEBT/WRITE-OFFS</u>

The finance director provided a verbal update to confirm that there are no bad debt write-offs.

10 <u>ESTATES REPORT (INCLUDING COMMUNITY PLEDGE ACTIONS)</u>

The director: IT, estates and learning resources presented his detailed update.

Chesterfield Road Future Technology Centre

- The college has been through a torrid time in relation to planning. There were delays in relation to the meeting taking place and then a site visit was requested, with the lack of decision-making being caused by the portico on the outside of the building. The college ideally wanted to keep this by attaching it to a steel structure and keeping it in the garden of the site. This idea was initially refused but, eventually, was actually the option requested by the planning committee members. Planning permission was eventually given.
- The project was then subject to a very large number of pre-commencement conditions, some less expected than others. These include:
    - Conditions relating to the college's plans to put attenuation tanks in to slow the fall of water from the building into the sewers, in alignment with the work the college is doing with Severn Trent water.
    - Carrying out a bat survey and the sealing of bat entrances so that no bats can enter the building prior to demolition.
    - Due to there having been an oil spill on the site 12 years ago from a collapsed tank, there was potential for contamination – fortunately, all the paperwork related to the incident was readily available.
    - The part of Mansfield in which the site is located has no archaeological records, so there are now requirements to add to the archaeological record – this involves digging trenches and bringing in an archaeologist. The archaeologist has been appointed and will be on site shortly.
- In the meantime, the removal of the regulated asbestos by specialists has proceeded. They will be working around the site for seven weeks. Non-regulated asbestos will come down in the main demolition.
- Clegg will be on site from 20th November, when they will start the demolition (provided all pre-commencement conditions have been signed off).
- The principal is working through his contacts and other channels to aid the sign-off process, and the director does not expect any issues in this respect – there is just a lot of work to be done.
- Everything is so far proceeding on track and meeting deadlines. Clegg are comfortable and full contract will be signed imminently.

The chair queried the matter of the archaeologist, particularly what the risks are in relation to the watching brief as opposed to the option of digging the trenches. The director explained that, if the archaeologist finds anything during the demolition, everything has to stop while they complete checks. The other proposal was to dig the trenches so that the archaeologist can check them and then, hopefully, allow the project to proceed. The director assured governors that the college has definitely chosen the lower-risk option.

One member of the committee indicated that his organisation is going through something similar, and he gave assurance that this seems to be a consistent approach from local planners.

The director made governors aware of one risk which is not in the report as it only became only apparent yesterday: knotweed is growing on the site and needs to be treated. However, he advised that this is growing on a roof rather than in the ground, and so shouldn't be a problem.

Station Park expansion

In order to de-risk the mezzanine construction, the area over the main entrance had to be completed over the summer. The college went out to tender on this, appointed a firm and, essentially, asked for a full-service build. This firm project managed the build with the director's support and was able to deliver the work on time. The director reported that the section of mezzanine looks great and has given a lot of confidence in relation to what the mezzanine as a whole will look and feel like in the ongoing phases. This part of the project needed to be completed as it will be necessary to decant some students onto it as part of the moves and ongoing works. Further complexity has been added by the fact the college has recruited well in some areas; therefore, even though some students had been moved out, it was then necessary to use this space for the additional numbers.

The finance director commented that another benefit of the first phase of the mezzanine has enabled a more accurate calculation to be made of the cost for the whole scheme, which has put things back on track following some reservations surrounding the budget. More inflationary risks have been built into this, and there is now a solid base on which to build price estimates.

Some of the construction curriculum has been moved into the Albert Martin site, which the college has on a 24-month lease with a 12-month break clause. The director: IT, estates and learning resources expects to pull back out of this site after one academic year. He and the principal were there today to look over the site – they described it as an industrial site in which the college has done what it can to create a pleasant environment. The site is a hive of activity as the brickwork and plastering curriculum areas have recruited extremely well. The number if plastering bays had to be increased on short notice – this has been achieved and the site opened on time. The chair queried whether the costs of this site will be expensed across the 12 months, and it was confirmed that this is the plan. Modification works and the cost of decant are coming out of the scheme and are funded by the grant.

Summer works

The director: IT, estates and learning resources went on to explain that a wide variety of summer works took place to make the college fit for purpose for T Levels and to add space for growth. He has now used every available space across at least three, if not four, of the college's campuses. Any underutilised space or poorly used space has been turned into classrooms, and challenges now will be about putting groups in the right-sized rooms, not under-utility.

The director has started to consolidate staff and has moved a lot of back-office staff to the fifth floor in the Derby Road tower block. He knows from past experience that he can effectively decant staff offsite. He assured governors and staff understand that everything needs to be squeezed, and he is confident that the staff on the fifth floor could be moved another site in their entirety in future, in order to generate space for teaching.

<u>Other sites</u>
The director informed the committee that the college has now taken possession of the keys for the Four Seasons. The college is renting two shops into which community courses will be decanted for two to three years until other developments in Mansfield have come to fruition. He expects to be opening this space on 1st November and is just getting the final approval on the graphics. There will not be a great deal of work done in that space – it is simply a medium-term decant space for community staff.

The heads of terms for Pleasley Mill have been signed. This will be the apprenticeship assessment centre for students to take their EPAs. The committee were informed that the college is paying only around £1 per square foot on this space.

Governors were informed that a special effort was made for the staff at the Mansfield Education Hub to ensure they feel valued and have a nice space in which to work, after it became apparent that they had previously been left to find fixes for estates issues themselves.

The chair questioned progress in terms of solar panels. The director: IT, estates and learning resources informed the committee that there was some concern over one of the bills, but this has now been dealt with and things are back on track. In the meantime, while the existing energy provider was being quite quiet, the college was going out to other solar firms as there is a sudden interest in large buildings and competition to install panels on rooftops. The director advised, however, that a lot of these other companies would be expecting payment for the panels upfront, whereas the scheme offered by the current supplier was that they would install the panels for free and sell the energy back to the college. He will bring the matter back to this committee when he has an update.

AGREED: to note the content of the update provided.

Signed : ____ ________________Chair Date: 27/11/2023

11 **BIDS**

Verbal updates were provided by the finance director and principal in relation to live bids:

- Local Skills Improvement Fund – this is money the college should receive which sits behind the LSIP bid, made in consortium with other colleges. The value is £6.25m over two financial years. The college has bid for around 20% of this and the outcome is expected around mid-October. Green skills, digital, and transferable skills around employment are the three main threads.
- Mansfield Levelling Up Project – there are a number of targeted investments across the country - High Streets Fund, Towns Fund and Levelling Up Fund. The latest of these is the Levelling Up Project, which was announced three months ago. This is another £20m, to be defined by a new relationship between the department for levelling up and communities. The college has made a bid to develop three buildings in Mansfield town centre: the former Charlie Browns building; the Town Mill; and the former Methodist Church (the latter two of which are listed). Two of these properties are under offer, so it is unlikely a purchase will progress, but the college has also discussed with Mansfield District Council about the potential to use the now empty Wilkos store and the adjoining former nightclub. The outcome is tentatively expected around the autumn statement.
- The Conservative Party has recently launched the Long-Term Town Plan, which is another £20m to be spent over up to ten years. Mansfield and Kirkby-in-Ashfield will both receive £20m, made up of 75% capital and 25% revenue. The Mansfield Place Board met last week to agree on the Mansfield Strategy and decide what to do in relation to this funding. The principal will continue to explore options with the district council and Place Board. All the college's centres are all in Kirkby-in-Ashfield rather than Sutton-in-Ashfield, as is the ADMC project site, so investment in and around that area could be of benefit, but this is still very much in the ideas stage.

AGREED: to note the content of the update provided.

12 **PROJECTS**

Verbal updates were provided in relation to ongoing projects:

- The ADMC is funded by the Ashfield Towns Fund, a £20m government fund with £10m match funding from partners. The sale of the land from Nottinghamshire County Council to Ashfield District Council has taken a long time but is now going through legals and should soon be completed, which will enable the project to move forward. The naming of site and other actions are underway, and the principal hopes that this will spark further progress in relation to the project.
- The Bolsover Green Skills project is funded by the Low Carbon

Growth fund, and a detailed update was provided at appendix 4 in the APR. The director: IT, estates and learning resources is underway with procuring the lease at Pleasley Mill. Funding has been provided for heat pumps and to take students to building sites. The college is going to start with refurbishment and will then build a single-storey eco-friendly building for Bolsover District Council.

AGREED: to note the content of the update provided.

13 **EXPENSES**

The report was presented by the executive PA, and the committee were happy to note the content of the update provided. There was nothing of concern to report.

14 **AOB**

There were no items of additional business.

15 **DATE AND TIME OF NEXT MEETING**

This was confirmed as 27th November 2023 at 18:00, preceded by the joint meeting of the Finance & Estates and Audit Committees at 17:00.

Confidential discussions have been recorded separately.

Meeting closed at 19:00.

Signed : ____ ________________Chair Date: 27/11/2023