

BARNSELEY COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON 7 JULY 2015

PART I

PRESENT

S Brian	Governor
R Dewar	Governor (Chair)
G McSkimming	Governor
J Thirkell	Governor
C Booth	Governor

IN ATTENDANCE

A J Oaks (Clerk)
D Harding (VP Quality & Adults)
T Johnson (VP Corporate Services)
L Miah (Director of Finance)
C Webb (Deputy Principal)
P Singh (VP Comms and Recruitment)
A Fairest (VP Property)
N Jones (AP Employer Engagement)

APPOINTMENT OF CHAIR

- 15.57 In accordance with the Board's Standing Orders for the appointment of Chairs to Committees, R Dewar was put forward for appointment as Chair to the F&R Committee. The appointment was proposed and seconded by J Thirkell and G McSkimming respectively.

R Dewar took the Chair.

APOLOGIES

- 15.58 Apologies were received from G Beever.

DECLARATIONS OF INTEREST

- 15.59 The Chair reminded members of the requirement to declare any financial or personal interests in any agenda items. Members reserved the right to declare any interests should any arise during the course of the meeting. No interests were declared.

MINUTES

- 15.60 The minutes of the meeting held on 28 April 2015 (Part I) were agreed as a true and accurate record and were signed by the Chair.

MATTERS ARISING

- 15.61 The Committee received a list of actions arising from previous meetings noting completion.

BUDGET AND THREE YEAR FORECAST

- 15.62 The Committee had received the budget and three year financial plan in advance of the meeting. The Chair invited the Director of Finance to present the report. Whilst there was a requirement to submit two years of the financial plan to the SFA, the College had completed a three year plan for consideration. The Director of Finance explained that following completion of business planning round three, some minor changes may be made in the I&E in the paper presented to Board, however headline figures and financial performance would be as stated. The report set out the key financial priorities, financial objectives, covenants with lenders, annual college targets set by the Board and macro underpinning assumptions.

- 15.63 Between 2015/16 and 2017/18, EBITDA (less capital grants) would be c£3.9m per annum and no lower than 10% of income. Debt servicing costs were estimated at between £1.8m and £2.3m. Debt servicing would be between 46% and 61% of EBITDA. The SFA financial health grade was 'satisfactory' in each year. The performance as stated would ensure the College either met or exceeded the three annual financial targets set by the Board. The Director of Finance took members through the budget and three year plan in detail. The Chair noted that the Plan included assumed cash receipts of £4.5m in the first year from sale of land, with no other cash receipts from sale of land or property being included. The Director of Finance stated that in years 2 and 3 of the plan there were significant reductions against core income and that growth in three key areas was planned to offset this.
- 15.64 Following the Chair's observation that covenants for EBITDA / debt service costs were very close to target in the 3rd year the Director of Finance assured members that unless the college had an additional capital repayment of £200k per year it was unlikely to be breached. The Chair also noted the strong growth assumptions in HE and International, which, without this would reduce income to £37m. He commented on the feasibility of adding a further target to give some comfort to the Board should the assumed income not be realised, given the 10% EBITDA had been set against the figure of £4m being sustainable with current debts at that time. The Director of Finance said it was something that could be considered, however a higher EBITDA would result in greater risk to the college financial position and at 10% ensured the minimum financial health grade with the SFA.
- 15.65 The Chair made reference to the FE Commissioner's June letter that had been circulated to all Governors, which set the context for discussions on financials. Further observations and questions were raised with regard to projected income and the need to diversify to generate higher surpluses particularly in the light of the 2016/17 forecast. HE income was projected to increase from £3.65m in the current year to £5m in 17/18. Further to questions from members, the Director of Finance advised that the financial planning underpinning the assumptions had been extremely rigorous with much consideration over the last six months by SMT. The VP Q&A added that the HE offer would be modernised to provide more breadth, increase recruitment in areas of demand and improve retention by increasing programmes to 3 years. In response to the Chair's question regarding Apprenticeships, numbers were provided of current part time HE recruitment and income derived from indirect provision, eg AMRC. The AP Employer Engagement commented that the college had developed a strong relationship with Sheffield University delivering Apprenticeships in Lab Technology which would become a degree. The VP provided details of the agreements in place with other Universities in the region for delivery of HE.
- 15.66 The Deputy Principal provided further detail of planned growth in international which would be derived from three core themes and was confident this would be achieved. The Chair of the Board commented that she looked forward to receiving the overseas A level results this year. In term of project income, management were confident the £1.2m would be achieved in 15/16 and that further opportunities were anticipated towards the end of the year through ESF funding for programmes for the unemployed in response to employer demand. DWP programmes were expected to be published around March 2016.
- 15.67 The Director of Finance referred to the year-end loan balance with the banks, and explained the impact on liquidity in the context of the 3 year plan of terming out the loans. She was in discussions with the bank regarding two options, one of which was for a short term credit facility if feasible, the other to draw down more of the loan which would affect covenants. In respect of the cash position, the Chair believed the committee would benefit from a more visible forward profile which the Director of Finance agreed to present at the next Committee meeting.
- 15.68 The Committee noted the assessment of the College's financial health in terms of the SFA performance indicators and were content to accept the grade of 'satisfactory' in the three year plan. The Director of Finance emphasised that the changes in the SORP would impact on the covenants and discussions with both banks were taking place for covenants to be restated. She added that any proposals for changes to judgements and resulting impacts in 15/16 would be brought back to the Committee with a revised 2015/16 budget at the October meeting. The Chair commented that prior to consideration of the Plan, he had had some concerns with regard to the level of planned growth in the context of declining

funding within the sector and had considered the feasibility of asking management to prepare an alternative scenario. However, following discussions, he had been very assured by the rigour of the process and clarity of accountability in the formulation of the Plan. He proposed that Governors enter into a more lengthy strategic debate on financials at the strategic seminar in January 2016.

- 15.69 The Principal commented, stating that whilst he recognised the traditional income base had become significantly more uncertain and difficult, management would continue to invest in areas of growth as identified. Further areas for consideration included the annual capital budget and sub contracting costs in 2015/16.

RESOLVED 15.70.1 To recommend approval of the 2015/16 Budget and three year financial plan to the Board including a financial health score of 'Satisfactory' in each year;

RESOLVED 15.70.2 To recommend approval of an annual capital budget of £1,150k

RESOLVED 15.70.3 To recommend approval of £689k subcontracting costs in 2015/16.

RESOLVED 15.70.4 To recommend the Board discuss the finance strategy in more depth at the annual strategic seminar in 2016.

The Property Strategy was taken as the next item. The Minutes are recorded in Part II.

A Fairest left the meeting.

MOU's WITH SUBSIDIARIES

- 15.71 The Committee were asked to note the review of the MOU's with the College's two subsidiaries and the Joint venture with iTrust CIC, for recommendation to the Board. No changes were proposed. In response to a question from the Chair, the Director of Finance confirmed that the MOUs were reviewed by the Company Secretaries for each subsidiary and that they had been reviewed by the College's auditors when first drafted. It was noted that R Dewar had agreed to be appointed as a Director on both the College's subsidiaries.

RESOLVED 15.71 To recommend approval of the Memorandum of Understanding between the College and BCDC; the Memorandum of Understanding between the College and Think Barnsley Limited, and the Memorandum of Understanding between the College and iTrust CIC.

FINANCIAL REGULATIONS

- 15.72 The Committee received the Financial Regulations for consideration following the annual review. The Audit Committee had reviewed them at its meeting on 2 July and had been content with proposed changes from an audit/controls perspective. The Chair commented that the Regulations were excellent and reflected the strength of the governance processes. Noting the highlighted changes, the Committee acknowledged that the revision did not reflect any policy changes that may be necessary under the new SORP. The Chair made reference to the section within the Financial Regulations relating to Governors responsibilities, asking that they familiarise themselves with these. Further to discussion, it was:

RESOLVED 15.72 To recommend the Financial Regulations for the College be approved.

LEARNER NUMBERS AND FUNDING

- 15.73 The Principal presented the report which highlighted the current position with regard to FE and HE recruitment in relation to grant or student loan income. The report showed the

college to be 251 under target for 14-24 EFA learners. This had been reflected within the 3 year plan. The impact on 16-18 income over the term of the Plan was due to the decline in demographics; the market share remaining consistent. The position with regard to Apprenticeships was currently under budget with the likelihood of clawback from the SFA. The Government budget was due to be announced the day after the meeting and the College was hoping for an announcement of additional funding for Apprenticeships. The SFA had allocated an additional sum of £330k to support classroom based learning earlier in the year which had slight offset the under-delivery on adult apprenticeships. The position with regard to ALS was discussed briefly, the Principal advising that staff were involved in a dialogue with Wakefield LA to express their disappointment at the way the funding was being managed, which was not in the spirit of the guidance. The Chair referred to the report on High Needs Elements, and asked the VP Access to Learning to comment. The VP was confident that the projected income for the year was secure and had increased slightly over the previous year.

The report was noted and received.

INTERNATIONAL INCOME

- 15.75 The Deputy Principal presented the report, commenting that the forecast for 2014/15 was £113k, £278k below budget. £35k of additional fees had been received earlier in the year for the Nanjing centre in China. The Deputy Principal referred to the three core themes for growth in International provision, discussed earlier in the meeting, updating members of developments within Barnsley regarding the UCB Diploma and HE articulation, and in the Middle East. Line management responsibility for the three core themes from September was confirmed.. Once the new Principal was permanently in post a decision would be made regarding the overall lead for International.

The report was noted and received.

PROJECTS AND SKILLS FOR JOBS

- 15.76 The Report for Projects and Skills was presented for discussion. The AP Employer Engagement reported that she was confident of achieving income of £1.1m as forecast. A summary of developments was provided, the AP commenting the forecast was lower than budget due to the reduction in AMRC subcontracted income together with a reduction in the SSU subcontract with DVC as a result of SFA imposed capping. A list of projects the college had tendered for were noted. Questions were raised with regard to bids to the LEPs, with members noting that the bid to the Sheffield LEP for the development of an Employer skills hub at the Sci Tech building for 2016/17 had been accepted but was pending a decision by the College subject to the offer. G McSkimming commented that it would be helpful for members to have a more in depth understanding of the LEP priorities and discuss ways in which the college could best align with these. The Chair suggested a briefing to the Committee or Board would be well received in this regard. The Clerk undertook to arrange this with the AP Employer Engagement.

The Report was noted and received.

HUMAN RESOURCES

- 15.77 The Committee received a Human Resources update covering the latest position with regard to redundancies and restructures. It was likely that all individual situations would be resolved by voluntary severance or redeployment. The planned strike by UCU had been called off, however under the same ballot, a further strike could be called before 10 July.
- 15.78 In respect of health and safety, a report on the number of accidents reported in the year was received. There had been a drive by management to ensure all accidents were reported and this had accounted for the increase from the previous year. An action plan had been produced to address health and safety concerns within the Construction department, and this had resulted in a positive cultural change within the dept.

The Report was noted and received.

EXPENDITURE

- 15.79 The VP CS presented a report on expenditure, confirming the college would be within budget by £1,920k. A similar profile to the previous year was reported, particularly in relation to staffing. Savings of £2.25m had been made due to unfilled vacancies and time lags in recruitment to vacant posts. Other underspends related to management decisions not to fill posts where performance was below income target. In response to the Chair's observation that the level of variance to budget was fairly substantial, the Director of Finance explained the College's rationale that department heads were expected to flex their costs in-year in response to changes in income and emphasised that it had been successful in previous years.

The report was noted and received.

ADDITIONAL REPORTS

- 15.80 The remaining reports had been circulated to the Committee for information. Further to an invitation from the Chair to comment, it was agreed that Governors were content with financial performance against other budget lines.

DATE AND TIME OF NEXT MEETING

- 15.81 The next meeting would be held on Tuesday 6 October 2015 at 4.00 pm

The Chair conveyed his thanks to G Beever for taking the Chair at the previous meeting.

Signed _____ Chair Date _____