BARNSLEY COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON 8th MAY 2018

PART I

PRESENT	K Dickinson	Governor (Chair)
	C Webb	Governor (Principal)
	S Perryman	Governor
	S Taylor	Governor
	H Jagger	Governor

IN ATTENDANCE

M Bagshaw – Interim Clerk to the Board
L Lawton - VP Finance
T Johnson - VP Corporate Services
V Dalton – VP Funding, Data and Compliance

APOLOGIES FOR ABSENCE

18.46 apologies were received from Yiannis Koursis, Phil Briscoe and Liz Leek.

DECLARATIONS OF INTEREST

18.47 The Chair and Principal declared an interest in respect of being Directors of BCDC.

MINUTES

18.48 The minutes of the Finance and Resources Committee meeting held on 7th March 2018 were agreed as a true and accurate record (save for one minor typographical error at section 18.16, the figure should be £37million not £37k). The Clerk confirmed that she would update the minutes and then provide these for signature by the Chair.

MATTERS ARISING

18.49 There were no actions outstanding from the previous meeting.

SUSTAINABILITY – BALANCE SCORE CARD

18.50 The VP Finance introduced this item and confirmed that her report included a number of aspects with key information provided in relation to monthly management accounts and the Sustainability balanced scorecard.

In terms of an overview she explained that the current position is the same as reported to the last meeting. There have been some minor changes. In relation to apprenticeships there has been a further income reduction of £142k, increasing the variance from the budget to £740k. In 17/18 the current forecast is to hit £4.075 million against a budget of £4.815 million. In relation to HE the College is seeing higher retention rates and therefore it is envisaged that the position will improve from the previous report.

In relation to the Adult Education Budget she explained that this will be the first year that the College is likely to miss its allocation and in previous years has always over performed. She confirmed that the AEB provision was aligned to the Sheffield City Region priorities and unfortunately there has been insufficient recruitment to these areas. She provided assurance that the College was taking action to minimise the clawback.

She explained that it is expected that full year income will be circa £36.4 million which is a shortfall of £1 million (2.7%). The forecast has been revised following the period 6 performance reviews. She provided assurance that the reduction in income will not prevent the College meeting its overall EBITDA target. The College has already seen year to date staff costs and non-pay reductions, most of which are anticipated to carry forward to the year end.

H Jagger commented that although the overall finances for 2017/18 are looking positive it is important not to be complacent regarding the year end forecast when planning for the future. H Jagger sought clarification on when governors would be able to discuss the college's plans for next year and the college growth plans as this is part of the college's strategy the college is not currently delivering on. The VP Finance suggested that this take place at the next committee when governors consider the 3 year financial plan. It was agreed that this should be discussed at the next committee meeting in July following the completion of the business planning process.

In terms of business planning it was explained that there are 3 rounds of planning which take place and the college is currently in round 2. The aim of undertaking a number of rounds is to close any gaps by the end of the process. It was confirmed that the 2018/19 budget would be presented at the next meeting which would include information on each income line.

The Principal indicated that at this point in time Governors should not be overly concerned, however there is a need to ensure that the College does not keep shrinking.

The Committee discussed the apprenticeship shortfall in more detail and were advised that it is the trend rather than the single year position which needs to be considered. The Committee were reminded that for the 17/18 year the College will end just £140k short of last year's income. For 17/18 the College sets challenging growth targets and the current position is poor when compared with budget, however this is not the case when the comparison is made with previous years' performance.

In relation to the AEB allocation the Principal reiterated that the College simply has to hit the full target. He indicated that the College does not necessarily like using sub-contractors, however it is necessary this year to shock proof the allocation. He confirmed that the senior leadership team are currently reviewing the curriculum to support this. He expressed the view that there may also be areas of provision where the decision has to be taken to withdraw on the basis of the fact that quality is not where it needs to be.

For the next meeting the Committee asked whether information could be provided which sets out the context of provision planning on the basis of Sheffield City Region and its priorities. They felt that it was important to show that the College has tried to do this however student numbers have just not come through as hoped. They felt that there needs to be some explanation showing how the current position links with employer needs and wants. The Committee indicated that they would not wish the College to be criticised for responding to the current actual position which is not in line with the Sheffield City region priorities entirely. The VP Finance undertook to provide this within the college financial plan.

The Committee Chair advised that she had been provided with some trend data outside of the meeting which helpfully shows the year on year changes. In relation to the current position for apprenticeships, only being £140k down on the prior year position is not as alarming as may have originally appeared to be the case when compared with the 17/18 budget. The Committee, in considering the financial information provided, requested that the same headings be used to describe the same income lines going forward. They indicated that they would find it really helpful to have a standardised approach.

The Committee discussed pay costs and the fact that this year they have been reduced by 2.4%. They asked for assurance that the College was not unreasonably cutting staffing and that there would be no impact upon the quality of provision. Assurance was given from the

Executive in this regard. It was noted that the pay budget for this year is underspent and again the challenge from the Committee was that the Board needed to be assured that there is no impact upon delivering quality. It was explained that the budget is set on an annual basis but that any responses to changes in income take place in year. This gives a buffer and it was explained that the executive would not expect to spend all of the pay costs provided for within the budget. The observation was made that spend in relation to agency staff is high, assurance was given that this will be addressed for the next academic year. The Principal expressed the view that the devolved internal systems make it easier than it ought to be to use agency staff and that this is something that will be addressed. He explained that a failure to hit the income targets set in the budget is forcing the College to reduce its cost base. Assurance was given that this is the way that the executive plan for the year and means that the EBITDA budget will not be missed. The Committee acknowledged the explanation and indicated that, from their perspective, it is more to do with when the Board need to worry about staff cost savings and any negative impact on quality.

The Principal made reference to ESFA sector benchmarking and, of 304 returns, Barnsley College is number 36 in the country, this puts it in the top 10% in terms of size. He described the information as a useful way for the Board to check that 'nothing is out of kilter'.

The Committee questioned whether the mix of staff here is similar to other Colleges, particularly as the proportion of 'indirect' referred to on page 21 seems high. The Principal provided a full explanation of staff numbers and detailed how they interrelate. He explained that it is difficult to compare with other institutions as staff role descriptions and structures can be very different. In considering the information provided the Committee questioned why there appeared to be a difference in terms of subcontractor activity detailed at page 20 and page 67. It was explained that planned but not commissioned subcontract activity in relation to AEB does not appear in the Sob-contracting report presented by Vince Dalton. The £624k detailed on page 67 is the year to date position, however there is more planned which is set out on page 20.

In relation to the staffing information provided on page 21 it was explained that assessors sit within the academic support staff line. Assurance was given that the proportion of management costs incurred is closely monitored.

The Committee were advised that, in terms of bank covenants, Santander are standardising the definition of EBITDA to the ESFA Education specific definition with all of their FE clients. This will require a small amount of legal fees but will not change the Colleges figures/reporting. The loan variation will require a Governors' signature and it is proposed that delegated authority be given to the Principal to sign on behalf of the Board. The VP Finance advised that the College is currently awaiting receipt of documents and it is envisaged that the variation s will be concluded by the end of July 2018. It will show as a loan variation, however assurance was given that there are no changes in relation to terms and conditions.

RESOLVED to provide delegated authority to the Principal to sign the loan variation documentation on behalf of the Board.

MANAGEMENT ACCOUNTS FORMAT

The Committee then went on to discuss proposals presented by the VP Finance regarding a new format for Management Accounts. She explained that she has tried to make them as graphical as possible with a move away from lots of words and numbers. The Committee considered the new style provided on pages 31 to 33 and all agreed that they were very easy to read. It was explained that they align with the ESFA data dashboard.

In terms of the executive summary provided, it was explained that what was presented is for illustrative purposes only and that there will be much fuller detail provided in the real accounts. There are three graphs which together make up the financial health grade. In terms of the sector median it was explained that this information is obtained from sector ESFA data. The Committee considered the graph in relation to staff costs by category and made the observation that the graph was expressed in money terms rather than FTEs and they questioned whether both could be provided in the new style accounts.

In terms of the income and expenditure account what is shown is a truncated version of what currently exists. In terms of the balance sheet there are no changes proposed from previous versions. There is also a number of summary boxes which combine a lot of the individual reports which are currently presented to this Committee.

The Committee were supportive of the proposed changes but did however indicate that they would also like to see retained the department performance information. They would like to see this linked to the 'above' and 'below' budget position on a graph. All agreed that they find utilisation of percentages very helpful.

The VP Finance provided assurance that much fuller financial information will be available to the Executive team. The proposal is for the new format to be utilised by the Board and Committees. The Committee were reminded that there was an internal audit recommendation that all members of the Board have sight of the Management Accounts and this will be incorporated in the planning process for next year. The Committee considered the frequency that Management Accounts will be presented to the Board and it was agreed that they would be produced on a quarterly basis for the quarters ending October, January, April and July.

The Committee Chair made the observation that, having recently reviewed the BAF, it includes a reference to this committee looking at student numbers. It was acknowledged that this is not something that this Committee currently does and therefore there is a need to be absolutely clear where this is monitored. It was explained that this information is to be provided by way of the curriculum and student numbers dashboard. The request to the Executive was to check that this Committee has not missed anything in terms of what they need to provide assurance on to the Board in terms of the three key pillars of quality, finance and curriculum.

The Committee were happy to wholeheartedly endorse the introduction of the new format with immediate effect. They did request that some information be provided in terms of department performance and staff numbers as well as staff costs.

ESFA FINANCIAL DASHBOARD AND LETTER FROM ESFA

The Vice Principal Finance introduced this item and confirmed that the ESFA have reviewed the Colleges 16/17 Financial Statements, which were submitted in December 2017, and issued their confirmation letter and updated dashboard. They agree with the Colleges assessment of its financial health as 'good' and that the underlying financial health is 'satisfactory'. This is positive as they agree that the achievement of 'good' in 16/17 was an anomaly and are recognising that the grade will go to 'satisfactory' when the OML works are completed. The Committee all agreed that the information provided was self-explanatory. It was noted that the Colleges financial health grade position for 17/18, given the OML delays will be good rather than satisfactory.

FUNDING ALLOCATION FOR 2018/19

18.51 The VP Funding Data and Compliance introduced this report and explained that this shows where the College will be in terms of the 18/19 academic year. The Committee considered the information provided on a line by line basis and were reminded that, in relation ESFA funded 14-24 classroom activity, this is provided for on a lagged basis. In terms of the learner number target for 14-24 classroom based activity, 1 November is a critical date and the

College needs have around 4,500 learners, it being acknowledged that thereafter there is a small element of in year growth. In terms of the 18/19 position the learner number target has increased.

The Adult Education Budget was described as being stable until the funding is devolved. This will mean significant changes in the next few years.

In terms of apprenticeships there has been some increases in relation to levy activity but some decreases in relation to non-levy. It was explained that in terms of the decrease there has been an impact of legacy learners completing.

In terms of Higher Education the College is expecting a broadly similar figure.

The Committee discussed the challenges of lagged funding when the College has plans to grow. The challenge for the College going forward is managing the cash lines, each of which has differing risks and some have more leeway than others because of either clawback or lagged impact. It was explained that with growth the College can increase class sizes. There will be more of a challenge with new areas of provision as these come with new costs that cannot be absorbed within the existing structure. The Principal confirmed that he and the Executive team know the demographics very accurately within the Barnsley area and the College is not expecting a huge rise in numbers. The Committee indicated that they and the Board would like to better understand the risks associated with each of the budget lines so that they can, in the next academic year, focus on the areas where there is not 100% confidence.

TENDERS AND CONTRACTS AWARDED

18.52 The VP Finance presented the summary report and all agreed that it was self-explanatory. In terms of Audit tenders it was confirmed that internal audit will be new providers whereas external audit will be a retention of existing services.

ANNUAL CAPITAL EXPENDITURE

18.53 The VP Finance introduced her written report and confirmed that the annual capital budget year runs from April to March and a report on this will be included within the new style management accounts going forward. In terms of benchmarking, the ESFA data shows that Barnsley College spent the 5th largest amount in the country on IT expenditure last year. It was acknowledged that the College has been investing heavily in IT over the last few years.

SUBCONTRACTING

18.54 The VP Funding Data and Compliance presented his report which was for information purposes. It was again reiterated that the information provided does not include provision yet for the use of subcontractors to make up the AEB allocation gap. It was explained that this will not be included until contracts are signed.

MINUTES OF SUBSIDIARY BOARD MINUTES BCDC & THINK BARNSLEY LIMITED DATED 7 MARCH 2018

18.55 The Committee were happy to note the content of the minutes provided and were also happy to support the recommendation that Conrad Canadine be appointed by the Board as a Director on BCDC and also the recommendation that Suzan McGladdery be appointed as a Director on Think Barnsley Limited.

DATE AND TIME OF NEXT MEETING

18.56 It was confirmed that the next scheduled meeting is Tuesday 3rd July 2018 at 4pm.

Meeting closed at 6pm.

End of Part I.

Signed ____________________ Chair Dated 3/7/18.