

BARNSELEY COLLEGE BOARD OF GOVERNORS

MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON 3rd JULY 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
S Nazir – Clerk to the Board
Y Koursis – Deputy Principal
L Lawton – VP Finance
T Johnson – VP Corporate Services
V Dalton – VP Funding, Data and Compliance

APOLOGIES FOR ABSENCE

18.57 Apologies for absence were received from Phil Briscoe and Liz Leek. Shazia Nazir was welcomed to her first meeting of this Committee and round table introductions were made.

DECLARATIONS OF INTEREST

18.58 The Chair and Principal declared an interest in respect of being Directors of BCDC and Think Barnsley.

MINUTES OF THE MEETING HELD ON 8 MAY 2018 (PART I)

18.59 The minutes were reviewed and it was agreed that they were an accurate record of discussions, these were signed by the Chair.

MATTERS ARISING AND ACTION PROGRESS REPORT

18.60 The Committee were happy to note the content of the update provided.

SUSTAINABILITY – BALANCE SCORE CARD AND ASSOCIATED REPORTS INCLUDING MMA

18.61 The VP Finance introduced this agenda item and confirmed that the covering report focuses on the items which are RAG rated as green. She described the position as being similar to that reported at the last meeting in May 2018. She provided assurance to the Committee that the College is on track to hit its financial targets. There are some areas to discuss in further detail which are scheduled later in the meeting, including HE and the apprenticeships.

The Committee considered the management accounts presented and questioned whether the EBITDA change in position, when comparing 16/17 and 17/18, is a reduction as a consequence of the two pillars that are RAG rated as red i.e. HE and the apprenticeships. The VP Finance confirmed that the College has not hit a number of its income targets but assurance was given that costs had been reduced to compensate for this. The EBITDA is currently £4 million, however it is expected that this will increase by the year end. She explained that the EBITDA in previous years was exceptionally high compared to the rest of the sector and that the current position has to be taken against this context. There will be a reduction when compared to

the previous year but it would not be as significant as would appear to be the case in this report. The Committee considered the EBITDA graph provided within the management accounts and it was explained that the spike seen in 16/17 was because of the compensation received in relation to the heating and vent work to be undertaken. The VP Finance explained that the College has seen a reduction in relation to its staffing costs because the budget set is based upon full year costs, however there is always an in year adjustment to respond to income changes.

The Committee questioned and challenged whether there was a way to improve the timeliness of information provided given that the management accounts at this meeting are for April rather than May or June. The Committee made an observation that in the next academic year there may need to be a change to Board meeting dates to better match the timely provision of information.

The Committee questioned whether the College holds a vacancy factor within its forecasts. The VP Finance advised that this is not the case but instead the forecast is prepared on a full year cost basis and this always then allows for a 'fail safe' opportunity to adjust in year. She explained that the contingency level is similar in each year. She provided assurance to the Committee that the EBITDA position of £4 million is not a concern.

In considering the management accounts the Committee considered the curriculum department performance table and it was acknowledged that, pictorially this really gives the wrong message. The Principal expressed the view that there is a difficulty in presenting this in a meaningful way to Governors and perhaps there needs to be more thought on this for the next academic year. That being said, the Committee all agreed that they found the new style and presentation of the management accounts to be really helpful.

INCREASED INCOME FROM APPRENTICESHIPS

- 18.62 The Deputy Principal provided a detailed report on what is a red RAG rated item. In terms of the information provided the Committee, whilst recognising the factors that are contributing to the fact that the target has been missed, questioned and challenged 'so what?' They asked if the College is intending to change things or is this something that is simply beyond the Colleges control. The Deputy Principal provided assurance that the College is doing a lot of work with employers, particularly in relation to the non-levy payers 10% contribution, full utilisation of levy payments and progression. He confirmed that a lot of effort has been expended by the business development team. The Committee questioned whether there is an income trajectory established for apprenticeship provision. It was confirmed that there is and that this is included within the financial plan to be discussed later in the meeting. The Committee were reminded that aspirational targets have been set for this element of provision, however that being said, the College will end the 17/18 year approximately £200k behind the 16/17 outturn. The committee were advised that this is not a bad position when compared to the sector. He confirmed that the college is putting more resource in to its engagement with employers and the most significant task/opportunity is the settling of the system, with employers being much more comfortable and knowledgeable regarding processes and expectations. He confirmed that there will be an action plan in place for 18/19 which shows how the college plans will be achieved. The challenge from the committee was to ensure that the College uses its resources effectively to bring about a maximum return. They felt that actions needed to be proportionate to the actual gain in any area.

The Committee questioned whether the college is seeing any change in terms of employer behaviours and appetite for apprenticeships. The Deputy Principal indicated that what staff are seeing, as an influencing factor, is that last year employers more readily took on 16-18 year olds as there was no contribution to be paid by them, however these individuals are now hitting the 19+ age bracket which requires an employer 10% contribution. There is general resistance on the part of employers regarding this. It is also the case that those employers engaged with the levy now have more knowledge and understanding. He indicated that the

college as an employer and a levy payer is also changing its behaviours and that it is a matter of balance.

In considering the report provided the committee felt that there was an important task for the scrutiny group to undertake in 18/19, and that this is to see more detail regarding how the colleges growth plans are to be delivered and achieved. The Deputy Principal confirmed that there are five parts to the growth request and explained that there is an action plan in place behind each of these lines. The Committee indicated that all Governors would like to better understand the 'how' in terms of the plans. It was suggested that a scrutiny group could be convened to consider the growth plans aligned to the sustainability goal.

The Committee were advised that the overall income budget for 17/18 is £4,815k. Latest forecast is £4,000k which is a budget shortfall of £815k. This is lower than the prior year outturn showing a decline. The College is currently 12% down on starts compared to last year. The sector is currently reporting a 52% reduction in March starts and is showing an overall fall year on year.

In terms of further opportunities for income growth, these include:

- Encouraging employers to progress completed apprentices to a higher level apprenticeship (from Level 2 to Level 3 and Level 3 to Level 4 etc.) Currently around 10% of level 2 apprentices progress to a Level 3 apprenticeship. An increase in progression of 5% would potentially amount to an income of around £225k a year.
- Improve retention and achievement of apprenticeships. Currently 80% of apprentices complete their apprenticeship, a 5% increase in achievement would increase income by around £165k a year.

INCREASED INCOME FROM HIGHER EDUCATION

- 18.63 The Deputy Principal advised that the College was seeing an improving position in relation to the National Student Survey outcomes. He reminded the Committee that the College is currently undertaking a HE review, with a report planned to go to the July 2018 Board meeting. The initial view is that provision in this area may need to contract before it then grows again. There is an identified need to concentrate and refocus the college offer.

REVIEW OF MOU'S WITH SUBSIDIARY COMPANIES

- 18.64 The Committee were advised that subsidiary company meetings took place this afternoon and there is a view that Think Barnsley may become a useful mechanism for delivering apprenticeships going forward. If this decision is taken then the current MOU will need to be reviewed again.

The VP Finance summarised the proposed changes and the Committee were happy to support as presented.

It was noted that there is currently an I Trust vacancy for a representative from the Barnsley Chronicle. The Committee questioned whether this was a lack of interest or a capacity issue.

It was explained that Sir Nicholas Hewillis content to have only one Director on the Board and this seems appropriate given that it is the College that contributes the income to this organisation.

AGREED: to recommend that the College Board approve the changes to the MOU's as presented.

BANK COVENANTS

- 18.65 The VP Finance introduced this item and explained that the purpose of her report was to ask the Committee to consider and make recommendations to the Board regarding
- a) The variation to the Barclays Bank loan agreement as a result of FRS102
 - b) The revised definition of EBITDA in the Santander loan agreements, and
 - c) The renewal of the £2m overdraft facility.

The Committees attention was drawn to page 111 which sets out the exact phraseology required in the minutes of the Board meeting where these will be approved, on the recommendation of this Committee. In terms of the documentation provided from Barclays it was confirmed that there is nothing new to be noted. In terms of the proposed authorised signatories the Committee agreed that these would be; Simon Perryman, Kay Dickinson and Chris Webb.

Members attention was drawn to page 110 and the update provided in relation to Santander documentation. It was confirmed that at the current time, the agreement is still considered as draft and is being reviewed by Santander and is therefore not ready to sign. The Committee were reminded that authority has already been given for the Principal to sign on behalf of the Board.

The proposal from the VP Finance is that the overdraft position be retained, this is for £2m with an annual cost to the College of £10k. she provided an opinion that the fee to be incurred remains reasonable even though it is an increase on the previous position. The Committee were reminded that the College entered in to an overdraft facility in 2016. The bank have increased the annual fee to 0.5% from 0.25% previously. This is as a result of market changes and is still below the typical cost of 1%. The College has not used the facility since its opening however it is considered a prudent measure. Obtaining an overdraft in the future may prove difficult following the introduction of the insolvency regime and therefore it is recommended that the College continue with the facility. The Committee all agreed that this seemed to be a sensible proposal.

The Committee questioned whether Santander are likely to require a specific set of minutes as proposed by Barclays. The Committee felt that, if this is required, then they would be happy to provide in principle support to the Board to agree this.

AGREED: to recommend to the Board

- a) The Barclays loan variation and authorised signatories to the Board
- b) Overdraft variation (subject to no significant changes)
- c) The Principal and the Chair of Governors or Chair of F&R to sign the overdraft variation
- d) That the Board agree the extract of the minutes of the meeting as required by Barclays.

STUDENT SUPPORT FUND POLICIES

- 18.66 The VP Finance introduced this item and confirmed that there were a number of significant changes to the 16-18 ESFA student policy, these include:
- Addition of universal credit letter as a new form of household income evidence
 - Elements including non-essential trips, laptop loans and printing have been removed from awards (replaced by essential course kit).

Impact of changes will be:

- Will ensure that students are able to access appropriate household income evidence
- Will ensure that students are provided with enough funding for their essential course kit
- Will ensure that the funds support as many students as possible with the essential elements of their study programme

The Committee considered the proposed changes to HE student support fund, student support fund 19+, student support fund 19+ advanced learner loan bursary and the financial impacts of the changes.

AGREED: to recommend that the Board approve the Student Support Fund policies as presented.

HR REPORT

18.67 The VP Corporate Services introduced this item and a number of matters were noted:

- A small restructure is taking place in the Sixth Form College which has affected one member of staff. Voluntary severance programmes have been offered in the Sixth Form College and Engineering and at this point it seems like the required savings targeted will be achieved. At this stage the team are hopeful of avoiding compulsory redundancies.
- AMRC – the TUPE transfer of provision from the College to the University of Sheffield is scheduled to take effect from 1st August 2018. The provision is being transferred because of a strategic decision by the University to stop all subcontracted work. Further meetings have taken place with staff, unions and the University of Sheffield and a proposal has been made by staff that they move on to the University of Sheffield's terms and conditions after the transfer. The TUPE transfer of AMRC subcontractor provision to the University of Sheffield will result in a reduction of around £650k income and £250k expenditure
- Considerations on leave and non-financial benefits – following approval from Governors the team have met with the Colleges trade unions to discuss changes to annual leave. The proposals have been agreed by the recognised trade unions and work is ongoing to put these in to place for the 18/19 annual leave. It was confirmed that this will be announced to staff on Friday.

The Committee indicated that they would find it useful for an organogram to be circulated to Governors outside of the meeting, this is to be provided for information purposes only.
(Principal, July 2018)

ANNUAL CAPITAL EXPENDITURE

18.68 The VP Finance introduced this item and provided an update on the 17/18 and 18/19 capital budgets.

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She explained that as the 17/18 year is close to concluding and there is £200k underspend, it is the proposal that this be carried forward in to the 18/19 year, so that the budget available is £1.7m rather than £1.5k.

In relation to ILT investment the Committee were reminded that the College spent the fifth largest amount in the sector. It was confirmed that staff are seeing a very positive response in terms of student and staff satisfaction.

SUBCONTRACTING ARRANGEMENTS

18.69 The Vice Principal Funding Data and Compliance introduced this item and confirmed that there has been an increased use of partners to try and increase new market penetration. He confirmed that there are no issues to bring to the committees attention and to confirm that the College is very happy with the quality provided by partners.

AOC GUIDANCE – ENCOURAGING GOOD FINANCIAL SCRUTINY

18.70 The Interim Clerk introduced this item and confirmed that it was a publication circulated by the AOC recently. All felt that it was a very useful reminder of the elements that contribute towards good governor financial scrutiny. The Committee made the observation that learner numbers are not currently reported in detail at committee or Board. The Principal expressed the view that the numbers at the top level, whilst important, are only one aspect. He indicated that of more interest to Governors should be the trend situation to provide longer term visibility. The Committee felt that Governors ought to be mindful of student numbers and asked that it be reported somewhere, albeit that they did not wish to force additional reporting in to the current structure. The Committee agreed that it would be beneficial to reinstate the summary guide (Annual Report) provided to them at induction setting out key statistics including staff numbers, student numbers, finances etc. (Principal, 2018/19)

The Committee discussed HR reporting and expressed the view that if there are any HR metrics, which are critical to achieving the college strategy, then they should be reported to The Board. They asked that the 'people' metrics be reported in more detail in 18/19. This should be under the sustainability pillar 'retain and develop satisfied staff'. The Committee debated in detail what should and shouldn't be included in metrics reporting. They felt that having qualified staff was a compliance issue and that to sit alongside this they would like to see statistics on staff sickness, absence etc.

AOB

18.71 There were no items of additional business.

DATE AND TIME OF NEXT MEETING

18.72 The Interim Clerk explained that this was to be confirmed if the Board wishes to retain a F&R Committee within its structure for 18/19.

Concludes part I of the meeting.

Signed _____ Chair

Dated _____