

Corporation Board

Approved

Minutes of Corporation Board – Part 1
21 October 2021

Board Members: B Kaczmarczyk (Chair) H Freeman
J Batty J Hemper
P Bond L McKenzie
T Campbell L Mycroft
J Croot J Richards (Principal and CEO)
W Davies

In attendance: D Malone (Deputy Principal) K Oxspring (Finance Consultant)
C Acaster (Director of HR) J Rossa (Exec. Director of Student Experience)
J Shore (Clerk to the Corporation)

Apologies: J Hemper

CH = Challenge

1/2122 Declaration of Interest

Members were reminded of the need to declare an interest in any item of business to be considered at the meeting. Nothing was declared.

New Governors, Pam Bond and Wesley Davies were introduced and formally welcomed to the Board.

2/2122 Minutes of the Previous Meeting

The minutes of the previous Corporation Board meeting held 20 May 2021 were reviewed and agreed as a true and accurate record.

The action log was reviewed and matters arising were discussed, with actions updated and either marked as complete or carried forward as appropriate. (*Refer to Corporation Action Log – 21.10.21*).

Resolution: The Board **approved** the minutes of the previous meeting held 20 May 2021.

3/2122 Finance & Corporate Services Report

The Finance Consultant (KO) presented the Finance and Corporate Services Report and provided an overview of the current financial position of the College, including details of confidential issues which are minuted under Part 2.

Outturn 2020/21

Draft year-end figures have been prepared and are currently subject to review by the external auditors. The actual numbers show a deficit of -£59k at operating level compared with the Reforecast 3 (RF3) predicted surplus of £251k, an adverse variance of -£310k. The key variances between RF3 and actual year-end figures for Income, Pay Costs and Non-Pay costs were detailed within the report, the most significant adverse variance sits with Apprenticeship income at -£252k. This is a direct result of the impact of the pandemic, particularly in Health & Social Care where apprentices were unable to undertake practical assessments, together with difficulties with arrangements for end point assessment due to demand, especially in Engineering.

The operating deficit of £59k excludes the loss on investment in Cert Unlimited Ltd, profit on asset sales and FRS102 pension related adjustments shown in the table, which take the actual deficit to be shown in the financial statements to c.£2.6m. It was noted that the FRS102 pension adjustments have no impact on cash and are adjustments calculated by the College's actuary reflecting notional additional pension costs to be included.

It was confirmed that the pay to income ratio was 72.5%, which is above the sector norm, and the Senior Management Team are continuing to work with senior leaders to address and reduce the pay to income ratio as recommended by the FE Commissioner.

A detailed balance sheet as at 31 July 2021, with the actual 2020 figures also being shown for comparative purposes, was shared with the Board. Current assets show the apprenticeship debtor separately with c.£2.4m reflected in 2020. This will be reduced by c.£2m to £358k when the 2021 financial statements are prepared. There will also be a reduction in the

reserves for a similar value. The defined benefit obligations in the balance sheet have increased by c.£6.1m to £31m following a review by the actuary. This change does not impact on cash but does indicate that the deficit is increasing and the likelihood of an increase in Local Government Pension Scheme contributions was also acknowledged. Financial Health Score calculations show a deterioration in the adjusted current ratio as a result of the change in the apprenticeship debtor value, however, overall financial health remains 'Good' with a score 10 points over the threshold, and both bank covenants tests for 2020/21 have been passed.

Financial Position 2022/23

The 3-year Financial Plan previously provided to the Board anticipated that a surplus of £288k would be generated in 2021/22 and included an increase in ESFA 16-18 classroom based funding of £523k. It was reported that actual student numbers recruited this academic year were slightly ahead of allocation and if the same attrition rate as the previous year was assumed, then these numbers would fall by c.£600k in monetary terms under the lagged funding methodology. However, it was noted that since the report was written student numbers have continued to grow and are significantly higher than both 2020 and 2019, which was a normal year in terms of standard enrolment process prior to COVID-19 auto-enrol which led to a large number of non-starts.

The Board were assured that there is a whole College focus on retention to improve the retained student numbers to mitigate against a shortfall in funding for 2022/23.

Cost of Living Pay Award 2021/22

The Board previously approved a 1% cost of living award for staff in July 2021, however, due to the uncertainty surrounding both classroom-based students and apprentice enrolments, the Senior Management Team agreed to defer implementation of the award until the student enrolment position became clearer. Apprenticeship recruitment is currently in a stable position but a lower number of ESFA 16-18 classroom-based students is expected. The affordability and impact of the award, both in terms of financially and staff morale, in the current and next financial year were considered, and the Board were presented with four options for approval. Option 4 was agreed; a consolidated 1% cost of living award from 1 August 2021, which would cost £167k in 2021/22.

Resolution: The Board **approved** a consolidated 1% cost of living award from 1 August 2021.

Resolution: The Board **received** and **noted** the Finance & Corporate Services Report.

4/2122

Infrastructure Investment

The Deputy Principal (DP) provided the Board with an update in relation to the Transformation Fund and Strategic Development Fund (SDF) projects.

Transformation Fund

The Board were shown artistic impressions of the new building and advised that a full business case has been submitted as part of the second stage and the College is currently waiting to hear if it has been successful.

CH: The Board asked what the total value of the bid was and how much contingency had been built in. It was also queried who the liability would sit with for any cost overruns i.e. increase in cost of raw materials. The DP advised that the total value was £19.2m, including the College's £2.5m matched contribution. Any cost overruns would be liable to the College, however, the size of the bid has already been reduced by 10% in terms of the building costs and building works have been planned to ensure there is no interruption or delay in terms of students. JB advised that 20% contingency should ideally be built into the budget which was noted by the Senior Management Team.

Strategic Development Fund

Following negotiations and discussions with the Chamber and College Principals, the College will be focusing on advanced manufacturing linked to off-site construction techniques, SMART home technologies and additive manufacturing. This links aptly with local demand in the manufacturing and construction industries, the new modern construction and digital skills centre at the College and the projects within the two town deals for Staveley and Clay Cross.

The Board were informed about Additive Manufacturing (AM), also known as 3D printing, and how the project will fit with other local initiatives in the D2N2 area, including the Derbyshire Skills and Enterprise Hub and the Rail Industry Innovation Vehicle (funded through Towns' Fund) and the Construction Skills Hub and Advanced Manufacturing Centre in Nottinghamshire. The College will work with the other three providers in the West Nottinghamshire College led-partnership including Lincoln College, RNN Group and West Notts College.

The objectives of the project will include; creating a regional centre of excellence which will house high specification 3D printing and prototyping equipment; engaging key stakeholders to support the development of jobs in this sector and attract industry sponsorship; introducing two new Sector Specific Learning Champions to support stakeholder engagement; providing 350 students with access to new facilities and equipment within the region by March 2022; developing 6-8 new Additive Manufacturing programmes designed and delivered with employers at L3-5; offering a research and development facility for businesses where this is not achievable in-house; supporting the professional development and upskilling of

education professionals in the sector through co-design and co-delivery of CPD with employer partners; and securing an additional 450 school leavers choosing a career pathway within advanced manufacturing and engineering within 5 years.

Resolution: The Board **noted** the Infrastructure Investment update.

5/2122

Corporate Report

The Principal presented the Corporate Report which included an update on the Education & Skills Funding Agency (ESFA), flexible benefits for staff, health and safety (including Covid-19), and mandatory training.

Education & Skills Funding Agency – Paper from John Edwards, Interim CEO

A letter received from the new Interim Accounting Officer and Chief Executive of the ESFA was shared with the Board. The letter specifically focusses on requirements in relation to governance, management and oversight of financial matters including integrity of the Individual Learner Record (ILR); managing potential conflicts of interest; robustness of the Audit Committee; support relating to the development of governance professionals; Further Education Development Programme for the senior leader responsible for finance; ensuring there is a regular re-tendering process for external auditors and ensuring that regulatory requirements with the Office for Students are maintained.

New Director of Finance & Corporate Services

The Board were informed that the new Director of Finance has been appointed following formal interviews, with panel membership from the Chair of Audit Committee on behalf of the Board.

Flexible Benefits

The College introduced an voluntary pilot 'Flexible Benefits' scheme in December 2019, initially for staff employed within Engineering, Plumbing and Higher Construction curriculum areas. The scheme provides teaching staff with the option to sacrifice annual leave and/or their Teachers Pension for a NEST defined benefits pension scheme in exchange for a higher basic salary. The reduced holiday and pension costs are converted directly to salary, however, the overall value of the remuneration package remains the same. The scheme has been very successful in both recruiting and retaining staff, whilst also reducing agency fees. The reduction in annual leave also increases the annual teaching delivery hours, which helps reduce overtime and the use of variable hours, creating additional capacity to deliver commercial courses.

It was proposed to extend the scope of the scheme to all curriculum areas over the course of the 2021/22 academic year to further support staff recruitment and retention in emerging specialist and shortage areas, such as Health & Social Care. It was noted that there are no additional costs to implementing the scheme across the College Group and each curriculum area would undergo consultation with a member of the HR Team.

Resolution: The Board **approved** the extension of the Flexible Benefits Scheme to all curriculum areas throughout the remainder of the 2021/22 academic year.

Resolution: The Board **received** and **noted** the contents of the Corporate Report.

6/2122

Performance Report

The Board received the Performance Report which had a key focus on Student Outcomes 20/21, Student Recruitment, Start of Term Update (including attendance and progress against Ofsted Areas for Improvement and a mandatory training update as part of the standard Safeguarding item.

Due to time constraints the report was not discussed by the Board, however, the Deputy Principal reassured the Board that the report would be scrutinised by the Standards & Performance Committee at its next meeting on 9 November and a further update would be provided at the next Board meeting.

Resolution: The Board **received** and **noted** the Performance Report.

7/2122

Governance Report

The Board received the Governance Report which provided an update on the Board Self-Assessment Survey for 20/21, Mandatory Safeguarding Training for governors and Ratified Committee & Cert Unlimited Board Minutes.

Corporation Meeting Attendance 2020/21

Meeting Overall attendance for Board and Committee meetings for 2020/21 was 82%; which exceeds the Board's KPI of 80%. For individual governors, the highest overall attendance was 100% and the lowest was 50% across Board and Committee meetings. From a total of 99 responses via the National Clerks' Network, the overall mean average across other FE colleges was 87.79%, with average attendance ranging from 73% to 96%.

Policy Approvals

The following policies have received approval by the appropriate sub-committees since the previous Board meeting:

- Financial Regulations - Approved by the Finance & Corporate Services Committee on 6/5/21

- Risk Management Policy - Approved by the Audit Committee on 16/3/21
- Conflict of Interest Policy - Approved by the Audit Committee on 16/6/21

Chair's Action & Written Resolutions

Chair's Action has been taken on behalf of the Board in relation to the following:

1. Liquidation of Cert Unlimited (Board notified via email 30/6/21) – approved by Chairs BK/JB/JC/HF/LM
2. Amendments to Financial Regulations invoice approval process (2/7/21) – approved by Chairs BK/JC/HF

The Board approved the following items via written resolution on 29 July 2021 in lieu of the cancelled meeting:

1. Period 9 Management Accounts
2. 2021/22 Finance Position Paper
3. 2021/22 Curriculum Planning & Budget:
 - (a) Financial Plan/Budget 2021/22
 - (b) Accounting Officer to submit the following documents to the ESFA by 31st July 2021:
 - I. The College Financial Forecasting Return (CFFR) to the ESFA which includes the cash flow forecast
 - II. Financial Return Commentary
 - (c) 1% staff pay award (Discussed further at the meeting held 21 October 2021 – Refer to Minute 3/2122)
4. 3-Year Finance Plan (Endorsement)
5. Bank Updates & Approvals
 - (a) Letter of Variation in relation to the transition from LIBOR to BOE base rate and authorisation for the Chair and Principal to sign as acceptance on behalf of the College. The Board also approved the inclusion in the minutes the recommended wording provided by Barclays in their letter of 22 May 2021 and that this extract can be sent to the Bank as an extract of the minutes of the meeting.
 - (b) Letter of Variation from Barclays Bank in respect of amendments to various Bank covenant tests as set out above and authorisation for the Chair and Principal to sign the Letter of Variation on behalf of the College. The Board also approved the inclusion in the minutes the recommended wording provided by Barclays in their letter of 16 July 2021 and that this extract can be sent to the Bank as an extract of the minutes of the meeting.
 - (c) The offer of the overdraft facility letter up to 31 July 2021 and authorisation for the Chair and Principal to sign the letter on behalf of the College.
6. Bad Debt-Write Off
7. Key Performance Indicators 2021/22
8. Strategic Priorities 2021/22 (Endorsement)

Resolution: The Board **received** and **noted** the contents of the Governance Report.

8/2122 Confidential Items
Confidential items are minuted under Part 2.

9/2122 Date of Next Meeting: 16 December 2021
The meeting concluded.