MEETING MINUTES

MEETING **Finance & Resources Committee**

DATE:	Wednesday 28 June 2017	TIME:	08.00 – 09.10
VENUE:	Directors' Meeting Room 1, Doncaster MBC, Civic Offices, Waterdale, Doncaster, DN1 3BU.	CHAIRED BY:	Jo Miller
		MINUTE/ACTION TAKER:	Sally Brook Shanahan

ATTENDEES

1. Jo Miller (JM)	2. Clair Mowbray (CM)	3. Carl Garrud (CG)

APOLOGIES: None
IN ATTENDANCE: Martin Owen (MO), Miranda Coles (MC), Judith Doran (JD), Naomi Connell (NC) – dial in and Sally Brook Shanahan (SBS)

TOPIC	WHO	WHEN
1. Declarations of Interests None beyond those already recorded in the Register of Interests.		
2. Minutes of the Finance & Resources Committee Meeting held on 22nd March 2017 The minutes of the meeting held on 22nd March 2017 were agreed and signed by the Committee Chair as a true record.		
3. Actions Log from the Meeting held on 22nd March 2017 (i) ACT03 – Meeting held on 22nd March 2017 – Minute 2, Page 3 of 4 – Terms of Reference **Develop a detailed proposal for an industry panel to discuss with the Corporation Chair**		

CM confirmed the proposal to convene an Industry Panel had been considered by the Search & Governance Committee at its meeting held on 23rd June 2017 where it was accepted that the Panel will sit between the Executive and the Corporation to advise in relation to curriculum matters. The Action for the Finance & Resources Committee was closed. (ii) ACT04 - Meeting held on 22nd March 2017 – Minute 2, Page 3 of 4 – Terms of Reference **Approach HS2 Ltd to identify a possible co-optee for consideration by the Committee.** CM confirmed that Beth West from HS2 Ltd had resigned from membership of the Corporation and so finding her successor needed to take priority over this Action to identify a possible co-optee from HS2 Ltd to join the Finance & Resources Committee. It was noted that once the Corporation vacancy had been filled the search for a co-optee will be considered. (iii) ACT06 - Meeting held on 22nd March 2017 – Minute 4, Page 4 of 4 – Any other business **Prepare a proposal for revisions to capital and revenue budgets and consult JM.** The Action had been completed and the resulting Budget was the subject of a paper to be considered at the meeting.		
4. Committee membership and potential candidate for co-option as a Committee member CG explained that owing to exceptional demands on his time he had put Richard Cooper, currently Finance Director and Company Secretary at Rhomberg Sersa UK Limited, forward as a potential candidate for co-opted membership of the Committee. A discussion followed in which CG outlined Richard's financial qualifications and experience in addition to which he was also a law graduate. CM suggested Richard could also be invited to join the Board of the College's subsidiary company, The National College for High Speed Rail Limited. CG indicated Richard had already volunteered to take on the Committee position and he felt it was likely he would be prepared to undertake both roles. As both CG and Richard are employed by the same company JM suggested that, from an industry perspective, it would be preferable they should have one vote to cast between them to avoid any suggestion that one company was dominant. Noting the points made, the Committee agreed to **make the following recommendations to the Corporation:** **(i) the appointment of Richard Cooper as a co-opted Member of the Finance & Resources Committee,**		

(ii) **the appointment of Richard Cooper as a Director of The National College of High Speed Rail Limited, and** (iii) **the amendment of the Committee's Terms of Reference so that, where more than one Committee member is employed by the same company, only one vote can be cast between those members. (ACT 07)** NC joined the meeting at 08.04 via telephone and JM introduced those present and in attendance.	AS/ SBS	24.7.2017
5. Budget 2017-18 and forecast 2018-19 and 2019-20 JM introduced the item and invited MO to present his paper. By way of background, MO outlined that in December 2016 a budget and 3-year forecast had been prepared that varied the initial versions created by Ernst & Young. He explained that what was now being presented was a budget which had been constructed in consultation with all budget holders in the College, including close examination by both the Senior Leadership and Senior Management Teams, the members of which were all signed up to deliver it. Since then, the budget process and 3-year cash forecast had been the subject of discussion by the Audit Committee at its meeting on 23rd June 2017. MO explained to members the payment process applicable to apprenticeships meant that 20% of the funding was held back until 3 months after completion. This meant none of these amounts would be received by the College until after the end of the 3-year plan period. In order to show the benefit of the receipt of that funding MO referred members to the 5-year cashflow forecast that had been distributed to them recently which illustrated the benefit of the inflow of these monies to the College in years 4 and 5. Members' attention was drawn to the three phases in the development of the College – start-up, stability and high performance – that were clearly evident on the graph and the fact that learner numbers were the biggest driver in relation to income and, therefore, cash balances. Attention turned next to page 3 of the Budget and Forecast document (which the Committee received) that summarised the 'worst case' income and cost forecast based on lower than expected learner numbers against the July 2017 budget. In reply to a question from NC about the current position on signed up apprenticeships CM briefed members about the discussions with individual businesses who have said they will be sending apprentices to the College and confirmed that there are 64 learners committed to start in September in Doncaster, not including a potential further 15 from a single employer, and 40 in Birmingham. NC observed that these figures equated with the worst case scenario. MO concurred but pointed out that the numbers quoted were just for September 2017 starts with two		

further in-year intakes to follow as well as additional planned activities that will further increase income. Summing up the position JM noted the current position on learners was 104 (plus 15) against the worst case scenario of 100. Introducing the cashflow forecast slide on page 4, MO observed the lack of loan facilities available to the FE sector from banks currently. He said this situation had prompted a discussion about mitigating actions at a recent meeting of the Senior Management Team to which all its members had signed up. He observed the next tipping point would be the announcement of the next round of HS2 Ltd contract awards on 17th July 2017 where there is a contractual requirement for companies to commit to apprenticeships and to work with the College. NC, who had not been dialled in for the first agenda item, declared an interest as her employer, VolkerWessels UK, is a participant in a joint venture bid to HS2 Ltd. CM clarified that every joint venture has an indicative number of apprentices with some having been declared as starters this year and others next. The potential to lobby HS2 Ltd to encourage successful bidders to send their apprentices to the College sooner was noted. In response to a point made by CG about whether unsuccessful bidders may still send apprentices, CM confirmed all reporting was on definite numbers and gave assurance that they were not contingent on the next wave of contracts from HS2 Ltd. CM said the College was working towards the announcements on 17th July following which the business development team will target the successful joint venture partners. However, the business development team has already been forming relationships with partners and was ready to move forward. In summary, JM said the discussion enabled her to conclude that, if the College performs according to the trajectory that had been outlined, it will be well ahead of the worst case scenario. A discussion followed about the presentation of the Budget to the Board. The consensus reached was that members wanted to show they had considered the worst case and planned accordingly in order to evidence the robustness of the process, including the mitigation of risk. Attention turned next to the comparison of the current July 2017 budget with the December 2016 version. MO explained the major change related to the accounting treatment of land and buildings (which were largely unknown quantities from an accounting perspective in Dec 17) which meant that in July 2018 a total of £8.1m relating to the value of land had to be put through the accounts in one year, whereas the value of buildings can be put through over a number of years. Whilst the College was in a fantastic position as the beneficiary of numerous gifts of specialist		

kit and equipment, this put it into the more subjective areas of accountancy in relation to which specialist advice had been received. NC confirmed this advice had been scrutinised by the Audit Committee at its meeting on 23rd June 2017 following which the Committee has concluded the College had made the correct accounting decisions. JM enquired about the learner attrition rate from enquiry to enrolment. MO said an attrition rate of 5% had been built in to calculations and explained the factors that had influenced it being set at that rate, including the College's lack of any track record to date and that its learners would enrol at an older age than most other FE learners which meant, given a good experience, they should be retained at these levels. With members acknowledging that retention would be a key measure of performance, NC said she felt the 5% figure looked broadly realistic where learners are being paid to train and against the background of staff turnover in the relevant industry sector of 10-12%. MO pointed out that apprentices could also continue learning with another company instead of dropping out from College courses. JM emphasised the need to test the reality against the predications over the next 12 months. CM assured members that, where it is known an apprentice's job is at risk, the College will look at the opportunities for job matching or, alternatively, conversion to a full time programme. In order to be able to do this, the importance of building good relationships with learners was recognised (it was noted that the College has had an offer accepted for a highly experienced Head of Learner Experience starting in August). NC emphasised the importance of retention in the performance indicators that will be developed and CM confirmed it will be monitored as an on-going KPI. In relation to other income, CM briefed members about the selection of a preferred catering supplier. Whilst the intention is for catering to generate profit, it was accepted that there will have to be a subsidy during the initial operational phase. MO outlined the progress being made to generate income by using the Colleges' facilities that included the recruitment of an Events Co-ordinator whose brief was to maximise the use of the buildings, particularly during the period when the learner numbers are lower[1]. It was noted that the College is in negotiation with HS2 Ltd about the use of space at the College. JM observed that, with the conferencing facilities at Doncaster Racecourse near capacity, she considered there was scope in the market. CG outlined interest he had been made aware of for surveying courses to be run at the College with the added potential for those participants to link into other learning opportunities offered by the College.		

[1] Post meeting: an offer for a Birmingham-based Events Co-ordinator has been accepted and an offer for a Doncaster-based post has been made

Discussion turned next to staffing and the workforce plan at page 10. MO noted some recruitment had been brought forward where the post can drive income, such as the events co-ordinator. He went on to explain that, in his experience, the College cannot be readily benchmarked against others in the FE sector. This meant the College's figures will look different from most other colleges, in particular, due to the fact it has outsourced more corporate services than others in order to keep it lean and maximise flexibility. A discussion followed in which NC asked about the key metrics that produced the College's financial rating and when these would be run. MO indicated that they had not yet been run and were not planned to be run in the first two years although they would look to be simulated in the next version of the budget forecasts. Meanwhile he noted the FE Commissioner was part of the regulatory system with the report following his recent visit now having been received. CM reminded members that when the National Colleges were set up it had been noted they would take five years to ramp up. NCHSR was already in a better position than the others and, based on his report (circulated to the Board), was being championed by the FE Commissioner. NC said she felt this was an important point for the Board to understand. Developing the staffing theme further, MO informed members that industry specialists had been built into the budget but their cost had now been reduced to 70% donation and 30% to be paid by the College – this was based on recent experience of engagement with business. CG questioned whether this position would change once the College was no longer 'new'. In the discussion that followed, CM emphasised the need for the College to stack the pledges to provide the longevity it required and MO pointed out the role of the College to ensure organisations who made pledges experienced real involvement in its development. CG's offer on behalf of Rhomberg Sersa Rail Group (UK) to **provide specialists in ground engineering and slab track (ACT 08)** was accepted with thanks. NC said she was less concerned about this as, for example, there were many people in the rail industry now approaching retirement who she considered would like to contribute in this way. In terms of the Budget, NC noted the particular importance of the pledges in the first three years and said she was confident the College would achieve the levels required. The discussion turned to non-pay costs which were summarised on page 12. MO said in the course of the work to finalise the procurement costs in the run up to the College opening it had been necessary to increase the Premises budget as the initial bids for the catering and cleaning contracts were higher than expected. He explained that an additional category of expenditure – End Point Assessment ("EPA") costs – had been added to reflect Government guidelines which suggest that 20% of apprenticeship costs should	CG	On-going – as required.

be committed to the assessment of apprenticeships, noting the first point at which this would impact the budget was in 2019/20. MO suggested EPAs could be also be an opportunity with CM emphasising the potential for reciprocity with other colleges. It was noted that an EPA company vehicle currently being established through The National Skills Academy for Rail ("NSAR") could be utilised to contract out the services of College staff to carry out EPAs, subject charge out rates being agreed before a commitment is made. Members scrutinised the Revised Cashflow Forecast which summarised the cash balances from December 2016 through to July 2020. In the course of an in-depth discussion NC enquired about the extra measures that could be put in place to solve the interim cash requirements as a company would consider there was insufficient headroom. MO first explained the forecast will be rolled forwards every 12 months, with, as a far as possible, cash being restricted without restricting entrepreneurship. NC said she noted that but needed to see there was a plan for managing cash payments, in particular the repayment of the cash loan from HS2 Ltd. MO referred to the agreement with HS2 Ltd that they would not time a repayment if it would have a serious detrimental impact on the College's cashflow. Members acknowledged the need for the College to ensure strong learner numbers and concluded the risks related largely to the newness of the College and the fact it was different with no direct benchmarks. To assist members' understanding, NC asked that, **when presenting the Revised Cashflow Forecast to the Corporation, the final two years are greyed out (to show there is less fully considered judgement on these aspects) and an explanation of the impact of the 20% EPA costs included. (ACT09)**	MO	24.7.2017
Members reviewed the unquantified opportunities set out on page 15. JM said she was reassured that the Committee had considered the worst case and proposals and looked at where the College was against the worst case. On that basis, she would be content for the Committee to recommend the Budget and Forecasts to the Corporation. NC commended the professionalism that had been applied to the exercise and the ability of the team to look at different scenarios which meant that as the College evolved the budgeting process would be more robust. NC said she was also comfortable to make a recommendation to the Corporation noting the importance of adding the additional metrics discussed earlier in the meeting. CG described the budget as thoughtful, well-written and accessible and confirmed his agreement to recommend it to the Corporation.		
In summary, JM confirmed the Committee's agreement to **recommend the budget to the Corporation** (ACT10) and extended thanks to the team for the professionalism, thought and commitment with which it had been prepared. In reply to a question from MC about administration, JM said she was confident	JM/ SBS	24.7.2017

the team could make the amendments without the need for further sign-off as the amendments were presentational, not numeric. NC left the meeting at 09.00.		
6. Terms of Reference Members received the tracked change version of the updated Terms of Reference in which all the suggestions for improvement made by the Committee and the Corporation were incorporated. JM confirmed the content met her expectations and members agreed to **recommend the Terms of Reference for the Finance & Resources Committee to the Corporation for approval (ACT11).**	JM/ SBS	24.7.2017
7. HS2 LTD Loan Repayment MO informed members that, due to their scale, the repayment of one of the loans from HS2 Ltd required Board approval. The sum for repayment under consideration was a cash advance of £1.37m which the College was wanted to have returned before the end of the financial year. JM expressed the view that this sort of item should be delegable and asked that **the potential for decisions about the repayment of loans to be delegated to the Committee should be looked into (ACT12).**	SBS	24.7.2017
8. CONSENT AGENDA **8.1 Tuition Fees Policy** MC confirmed the apprenticeship standards had been agreed. Although funding had not yet been set, she expected it to be at the higher level. Discussions were underway about the EPA but had been delayed by Purdah during which period the publication of funding bands had stopped but with approval expected soon. MC made reference to the impact of the 3-year deferred receipt of 20% of the apprenticeship funding. MO noted courses could be accelerated provided they were over one year's duration and not to the detriment of quality or outcomes so there would be opportunities to do so in that time period. JM asked about issues around hardship. MC confirmed some monies would be available from the Departments for Education and Transport. In response to a suggestion from JM that they should be used tactically, including to reflect diversity, CM said there will be pre-established eligibility criteria. **8.2 Alcohol and substance misuse Policy** **8.3 Dignity at work Policy** JD noted both policies were part of a number included in a Staff Handbook that was in preparation and expected to comprise approximately 21 policies in total. CM confirmed policies would not be put up to the Corporation for approval unless they included Corporation responsibilities. JM confirmed this accorded with her view that Corporation approval was required only where the Board had accountability.		

9. Freedom of Information SBS reported on the single request received under the Act since the committee last met. It related to information about the cost of construction of the College's building in Birmingham and had been transferred, with agreement, to Birmingham City Council as it held the information.		
10. Any other business None.		
11.. Date and time of the next meeting CM confirmed the provisional dates for meetings in September and October were under review and that it was looking as though the Board Away Day on 10/11 October 2017 would be used to transact Committee business as required, meaning the Committee's next scheduled meeting would take place in November 2017 on a date to be confirmed. The meeting closed at 09.10.		