CALDERDALE COLLEGE
INSPIRING LEARNERS TO SUCCEED IN LIFE & IN WORK

MINUTES OF FINANCIAL PERFORMANCE & EFFICIENCY COMMITTEE MEETING HELD ON 6TH APRIL 2017

Present:	Rachel Court	External Governor
	Richie Dunk	External Governor
	John Rees	Chief Executive
	Malcolm Rogers	External Governor (Chair)
In Attendance:	Steve Byrne	Capital Project Manager (minutes 37 to 42)
	Denise Cheng-Carter	Deputy Principal (Finance & Resources)
	Lesley Venables	Clerk to the Corporation

APOLOGIES FOR ABSENCE

32 Apologies for absence were received from Pat Drake (External Governor Elect) and Andrew Wright (Co-opted Non-Governor Elect).

DECLARATIONS OF INTEREST

33 No declarations of interest were received.

MINUTES

34 **Resolved -** That the minutes of the meeting held on 1st December 2016 be approved as a correct record and signed by the Chair

MATTERS ARISING

35 The Committee received a list of actions resulting from the previous meeting and noted that all of these had either been completed, were in progress or featured on the agenda. It was agreed that the actions identified against minute numbers 8 and 27 would be removed from future lists of matters arising and would be added to the Committee's timetable of business for the year.

Steve Byrne joined the meeting.

CAPITAL PROJECT – "UNLOCKING POTENTIAL"

36 The Project Manager provided a final report on the "Unlocking Potential" project. As contracted, the works were now complete and had been handed over to the College.

37 A meeting to discuss the final account and costings had been arranged after the Easter holiday period, the outcome of which would be provided to the Committee's June meeting. Work on the list of 'snagging' items would be undertaken over Easter to minimise disruption to students and staff.

38 Discussions with the Local Enterprise Partnership's officers continued and payments to the College for the project were currently in arrears by approximately £156k. The Project Manager was confident that the outstanding monies would eventually be paid and would continue to monitor the situation closely.

39 Governors reiterated their thanks to the Project Manager and his team for the delivery of the works on time and within the agreed budget. Feedback from learners, staff and other stakeholders had been extremely positive.

40 The Deputy Principal reported that the College's original contribution to the project had been approved by the Board at £3.9m. However, the current level of matched funding was £3.971m and it was felt to be prudent to ask the Board to approve a revised figure of £4m.

41 **Resolved -** That the Board **be RECOMMENDED** to approve the amendment of the College's contribution towards the cost of the Project to a maximum of £4m

Steve Byrne left the meeting at this point.

FINANCIAL PERFORMANCE & EFFICIENCY REPORT

42 Governors received for information the management accounts to 28th February 2017, together with a report on efficiency against a number of performance indicators.

43 The key concern identified in the report was the under-recruitment of learners in the 16-18 cohort, as the College was unlikely to be able to increase enrolments amongst this group during the remainder of the academic year. Additionally, there would be an adverse impact on the funding allocation for 2017/2018 of between £400k and £500K.

44 Although the College had not yet met its target for 16-18 apprenticeships, management was confident that this would be achieved by the end of the academic year. The Deputy Principal explained that the under-performance was partly due to employers delaying their decision as to how to spend their part of the Apprenticeship Levy and partly due to the existence of different market conditions. Contrary to expectations, it was felt that there would not necessarily be an increased level of activity in this area from May 2017, when the Levy would be effective.

45 The Committee was assured that the College was in discussions with its levy-paying employers over the shape of future provision. Following delays in the implementation of the Apprenticeship Reforms, the College would only have between May and July 2017 to make up any shortfall in performance. A further report would be made to the Committee's June meeting.

46 The Deputy Principal advised that the Government had changed the way in which apprenticeships were funded, with the removal of the 'starts' payment and the introduction of a monthly profile.

47 There had been growth in 19+ apprenticeships mainly through sub-contracting arrangements.

48 Contracts for external funding had been issued much later than usual in the academic year. This had meant timing differences and a lower than anticipated level of performance at this point. Governors were informed that addressing this shortfall by the end of the academic year would be difficult, but every effort was being made to improve the current position.

49 The Committee was concerned that despite this under recruitment and delay in external funding the forecast operating surplus for the full year was unchanged in the management accounts from the original budget. It was explained that this was because the forecast shown was done in November 2016 (P4) and the next re-forecast due in February 2017 (P8) was just being completed. The Deputy Principal expected that to show the forecast full year operating surplus had reduced from £300k to £200k.

50 Management was trying to recover the situation by delivering some of the non-learning outputs on the external funding work in-house, rather than through sub-contractors. This included establishing a temporary base in York. In response to questions, the Deputy Principal advised that this was cost-effective in staffing terms and that the financial contribution made by this provision would benefit the College rather than sub-contractors.

51 Governors requested that, as the Committee was not scheduled to meet until July, a one-page summary of financial performance (based on the management accounts dashboard) and any explanatory notes should be provided on a monthly basis.

52 Due to the timing of the re-forecasting of the budget, it was agreed that in future years, the date of the March/April meeting would be amended to take place after the second re-forecast. The Chair met with the Deputy Principal on a monthly basis, which could identify the need for any additional Committee meetings.

53 The College's cash position was good and all other indicators were in line with the profile for the year. The one exception was the reducing average class size and it was unlikely that this trend would be reversed before the year end. All new courses had to be viable before they were confirmed.

54 **Resolved -** 1 That governors receive a monthly report on financial performance to enable monitoring between Committee meetings

2 That the meetings schedule for 2017/2018 be amended so that the Committee meets after the second re-forecast of the budget

REVIEW OF BANK COVENANTS

55 The Committee was informed that, to comply with the requirements of FRS17, the College's bank had asked for assurance to be provided by an auditor that all existing covenants relating to any loans were being met. Grant Thornton had been engaged to undertake this work, the results of which would be reported at the next meeting.

FEES POLICY 2017/2018

56 The Deputy Principal presented the Fees Policy for 2017/2018 and advised that there were no changes to the content.

57 **Resolved -** That the Board **be RECOMMENDED** to approve the Fees Policy for 2017/2018

JOINT VENTURE: WEST YORKSHIRE COLLEGES' CONSORTIUM

58 Governors received for information a verbal report on activities undertaken by the Joint Venture company of which the College was a member.

59 Bids for four projects had been submitted, two of which had been approved, one of which had been unsuccessful and the remaining bid was no longer part of a competitive tendering process. Contracts for the two approved bids had not yet been signed, partly due to uncertainties surrounding the UK's withdrawal from the European Union.

60 Structures for the governance of the Joint Venture and delivery arrangements had been reviewed and agreed by all members. The only current risk to the College comprised a one seventh share of the salary of a bid writer and the costs relating to any posts required to deliver future funding streams had been included in the associated business plans.

61 An advisory group with membership from all colleges had been established for the delivery aspect of the bids. A series of models was being developed to enable the Joint Venture to respond quickly to bid requests and establish the necessary mechanisms to deliver the required outputs.

62 At a recent directors' meeting, the 2 current members of staff had been asked to produce a financial forecast, together with delivery plans and any other relevant documentation. The outcomes of this process should be completed by Easter.

63 The aim was to commence work on the successful contracts before the Committee's July meeting. If that was not achieved, then further discussion would be required as to the future of the Joint Venture.

EXTERNAL FUNDING REPORT – SKILLS SERVICE

64 Following a request by the Committee at its last meeting, the Deputy Principal presented a monitoring report on the College's Skills Service provision contracts. Governors were reminded that the College had been successful in obtaining contracts worth a total of £35m, of which the management fee earned would be between 3% and 5%.

65 The total number of employers benefitting from the Skills Service contracts had increased from 304 to 622. Although figures on financial performance were not yet available, some learners had already progressed or achieved their qualifications, which attracted higher levels of funding from the Skills Funding Agency.

66 Overall, the contracts had been slow to commence, but it was noted that the funding was weighted towards outputs. ESF funding had a finite date due to “Brexit”, which meant that the College would need to ensure that it achieved the projected profile for delivery of this work to avoid any potential clawback from the ESFA.

67 The Committee queried the differential between the two profiles set out in the report. The Deputy Principal advised that the ‘contracted’ profile related to the ESFA’s projected timescale for the contract, but that this did not include the six month delay in its own tendering process. A further meeting with ESFA officers would take place in late May to discuss the emerging actual profile and it was possible that some monies would be clawed back by the ESFA if delivery had not been completed by the end of the academic year.

SUB-CONTRACTING PROVISION

68 In accordance with ESFA guidance on sub-contracting provision, governors received a report on performance against sub-contracting arrangements in 2016/2017, together with proposals for further contracts.

69 The College currently sub-contracted with 2 partner organisations, Sora and Project Challenge, to deliver core programmes. Project Challenge delivered to hard to reach groups of learners, for whom attendance at mainstream College programmes was unsuitable.

70 Both organisations had been RAG rated in the report according to the level of risk and it was noted that each had been assessed as ‘green’. Robust quality assurance measures were in place to ensure that each partner organisation met the requirements of the College and of the Education Skills Funding Agency. This included an extensive due diligence process prior to the commencement of any new partnership and announced and unannounced visits by College staff.

71 The Deputy Principal presented proposals for a procurement procedure for subcontractors for non-core programmes to ensure compliance with the regulatory requirements of the Education Skills Funding Agency. A list of current sub-contractors was received by the Committee and assurance was given by management that all had been graded as ‘green’ in terms of their risk profile. This list of sub-contractors would be updated regularly in order to meet the contracted outputs.

72 **Resolved -** 1 That the Board **be RECOMMENDED** to approve Sora and Project Challenge as sub-contractor organisations for 2016/2017, together with the level of activity outlined in the report

2 That the Board **be RECOMMENDED** to approve proposals for the procurement of non-core sub-contractors

16-18 RECRUITMENT

73 In response to a request from the Committee at its December meeting, the Deputy Principal presented a report on 16-18 recruitment.

74 Currently, there was a shortfall of 144 learners against the profile for 2016/2017. Although this had no financial implications in this academic year, in 2017/2018 the ESFA allocation will be reduced by approximately £400k - £500k.

75 Governors were concerned that this formed part of a three year downward trend in performance. The Deputy Principal responded that there had been a change in the profile of learners, with fewer undertaking part-time provision, which negated some of the reduction of funding. Additionally, the College had achieved a smaller market share in an increasingly competitive local market.

76 Despite its poor Ofsted rating, a new entrant to the 16-18 market now had a cohort of approximately 150 learners. The Committee was informed that this was partly due to the geographical location of the institution, together with the close relationship with an Academy Trust, which positively encouraged learners to progress within the organisational 'family'. Additionally, there had been an expansion of Level 3 vocational options within local schools, which had proved to be attractive to post-16 learners.

77 The College was currently considering whether it had the appropriate range of curriculum opportunities to increase the number of learners. Management responsibilities for areas such as marketing had been realigned.

78 The first phase of the internal progression programme known as "Step up to Success" had been completed, with the progress coaches recording intended progression routes for all 16-18 learners to mainstream College courses. These students would be enrolled before they left the College at the end of the Summer Term and a 'keep warm' strategy was in place to maintain contact during this period.

79 Work was underway on attracting increasing numbers of 16-18 learners from external sources. A marketing agency had been engaged to support the process and, in response to questions on cost effectiveness of this strategy, the Deputy Principal reported that this route was more efficient than maintaining a full internal team.

80 Governors questioned whether any benchmarking information on choices between further education institutions was available other than learner feedback. The Deputy Principal advised that some analytical data would be available shortly.

81 The Committee asked about the process used to ensure that learner number projections for 2017/2018 were realistic. Currently, the College was preparing a draft budget and targets had been identified for an 8% increase in the conversion of applications to enrolments, together with 8% more learners.

82 A further report on the outcome of the 16-18 recruitment strategy would be presented to the December 2017 Committee meeting. It was agreed that a trajectory for the number of applications would be added to the monthly College performance report.

ITEMS TO BE REPORTED TO THE BOARD

83 The Committee agreed a list of items that would be reported to the Board on 6th April 2017:

- Successful completion of the Capital Project – “Unlocking Potential” within time and budget.

- Recommendation of an amendment to the College’s contribution towards the cost of the Project to a maximum of £4m recommended for approval by full Board

- Financial monitoring report was received for information - concerns expressed over under-recruitment of learners in the 16-18 cohort and the adverse impact on the funding allocation for 2017/2018 of approximately £400-£500K. Operating surplus likely to be £200k, not £300k as in the original budget

- Monitoring reports received on delivery of Skills Service project, Joint Venture company and bank covenants

- Report received on 16-18 recruitment and actions to address the shortfall in learner numbers

- Process for procurement of sub-contractors for external funding recommended for approval by the Board, together with sub-contracts for core provision for 2016/2017

DATE OF NEXT MEETING

6th July 2017, 4.45 p.m.