

The WKCIC Group

FINANCE AND RESOURCES COMMITTEE

Minutes of a meeting held on 9th May 2017

PRESENT	Alastair Da Costa, Simon Pitkeathley (Chair), Kay Willis (from 6:10pm), Anthony Smith, Andy Wilson
IN ATTENDANCE	Claire Collins (Group Director, HR and OD), Graham Drummond (Clerk), Julie Ellis, Caireen Mitchell (Group Director, Planning and Performance), Paul Stephen (Group Finance Director)
APOLOGIES	None
DECLARATIONS OF INTEREST	None

1. MINUTES OF THE MEETING HELD ON 27th FEBRUARY 2017 **Action**

The reference on p1 in Item 3 under Management accounts: January 2017, should read that the Board will be asked to approve the reduction of the operating surplus from £2.5m to £1.295m and the retained surplus from £1.5m “to £700K” rather than “to £800K”.

Subject to this amendment the minutes were **agreed** and signed by the Chair as a correct record:

2. MATTERS ARISING

All matters arising were included within the agenda.

3. HUMAN RESOURCES UPDATE

The Group Director of Human Resources and Operational Development presented an update report highlighting progress made on the priority areas identified to the Committee at its meeting on 27th September 2016. The Committee noted that:

- Following a restructuring process the Human Resources team is now relatively stable after a high turnover of staff. A full time interim Head of Service has been in place since March;
- There have been some difficulties integrating services between the colleges, such as migrating WKC records onto the employee record systems however some progress has been made; for example authorisation of posts, recruitment and appointment is now aligned across the Group;
- There have been team building initiatives and cross-college engagement to encourage colleagues to share practice;
- Remaining areas being consulted upon and reviewed include the probation policy and pay and reward;
- Staff have been consulted on the vision values for the Groups and the results will be fed into the Group Strategic Plan. The staff survey will be launched at the end of May;
- A single central record for safeguarding has been set up to run exceptions reports every two weeks;
- In respect of WKC, a UK Investors in Equality and Diversity readiness audit and an initial consultation with the Investors in People assessor have been carried out as the college works towards Gold accreditation from both UKIED and IiP.

4. REVIEW OF CURRENT FINANCIAL POSITION

The Group Finance Director presented the March 2017 management accounts. The Committee noted that:

- It is anticipated that the Group will maintain its SFA financial health status of outstanding. Solvency and liquidity are strong, with £16.1m in cash and short term deposits. Conditions remain challenging for the Group as the operating deficit is £6m against a planned deficit

of £3.2m;

- The rectification plan put before the Board at its meeting on 29th March has not yet produced the expected upturn, with the bottom line figure presented improving by £22K against a budget targeted improvement of £1.632m. The GLT remains committed to the plan and is continuing to work towards the achievement of a £1.295m operating surplus;
- To mitigate the shortfall of income against the Group's Adult Education Budget (AEB) £1.5m-worth of provision is being sub-contracted and courses are being enhanced to offer more qualifications within the existing curriculum. It was further noted that the Group is facing competition from private training providers for short courses and demand for ESOL courses has been affected by changes in eligibility criteria and increases in the cost of living within London;
- In order to meet the operating surplus budget, the future income plan assumes the generation of £9m, some from achievement funding.

The Committee was of the view that members would have benefitted from a report on enrolments and anticipated income which would have identified specific areas of underperformance; and the level of confidence that the future income plans will be achieved. It was agreed that this should be a standard item on this agenda. The Director of Planning and Performance will produce an update for the Board meeting on 25th May.

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Lastly, it was noted that CONEL Governors have focussed some attention on the performance of the Training Company in the merger discussions and that CONEL has strong apprenticeship provision and therefore collaboration may reduce reliance on sub-contracting.

5. BUDGET 2017/18

The Group Finance Director presented a report to the Committee. The Committee noted:

- The proposed financial objectives for 2017/18 are:
 - Operating surplus to 3% of turnover;
 - Staff costs – no more than 64% of turnover. The sector average is 65% with CIC at 64% and WKC at 72%;
 - 24% of income should be generated outside the EFA/SFA local allocations;
 - There should be an uncommitted contingency fund of £3m; this could be used to support services during integration;
 - Current ratio to be 1.5:1 at year end;
 - Cash days in hand to be at least 60 days through the year;
 - Cash generated from operations should be at least £6.5m for the year.

A detailed, bottom up budget will be presented for approval in July which reflects the agreed financial objectives.

The Committee agreed to recommend the adoption of the 2017/18 Budget parameters as detailed within the report and noted that the full budget would come to the committee's next meeting, and would be presented to the July Board meeting for approval.

6. FACILITIES MANAGEMENT

The Group Finance Director presented a report to the Committee. A tender evaluation for the provision of services from Mott MacDonald was attached. The Committee noted:

- The report included a recommendation that a contract is awarded to Kier to provide FM services over the next five years, with the option to extend for a further two years;
- This will result in a £500-700K saving per annum. It commits to £6.5m investment in the estate while delivering £0.5m per annum savings on running costs (if inflation and LLW are factored, the savings could be up to £750K per annum);
- There will be a £400K investment in year 1 to improve buildings;
- Low level repairs (up to £1K per item) will be the responsibility of the facilities provider;
- It is proposed that some of the savings be ring-fenced and held by the Group Finance Director as follows:
 - £50K for a contingency fund to cover costs such as unscheduled late night openings;
 - £100K for an annual sinking fund for emergency repairs;
- There was a discussion about employees that would transfer to the Group if Kier were to

be awarded the contract, for which there is a confidential note.

The Committee further noted that:

- Kier have appointed the Collab Group as national apprenticeship levy provider, with the Group as a lead provider in FM apprenticeships;
- The GLT is evaluating bids from Caterlink, Aramark and Churchill with the objective of having a catering contract in place to run from 1 August 2017. Students will be engaged in the process to provide tasting menus;
- All three bids are within subsidy levels paid across the Group, so members were asked to approve appointment out of the formal committee cycle by way of Chair's action, e-mail exchange and verbal update to ensure the timely commencement of any contract.

The Committee **APPROVED** the award of the FM contract to Kier;

The Committee **APPROVED** the process proposed for selecting the catering provider.

7. IT STRATEGY

The Group Finance Director presented a report to the Committee. The Committee noted:

- The standard of IT provision and support requires c£2m investment to address areas requiring improvement including Wi-Fi coverage, system resilience, telephony, services and storage; a report from HHES was annexed which detailed the shortcomings of the present arrangements and the business case for investment;
- The programmes and procurement design has been shaped by the need for IT to support the way technology is to be built into curriculum delivery, to be scalable in an expanding group and to be at an acceptable cost;
- The Group will retain strategic and helpdesk functions, but will increasingly turn to commercial suppliers for the provision and maintenance of commodity IT infrastructure;
- The GLT is satisfied that the procurement process will ensure these objectives;
- The first tender will be back within the week and the GLT asks that it be approved out of Committee so long as it is within 10% of budget.

The Committee **AGREED**:

- To approve in principle an investment of £2m exceptional capital expenditure in IT infrastructure;
- To approve the overall strategic direction, in particular the proposal to use managed service contracts over the next 12 months.

8. CAPITAL EXPENDITURE PROPOSAL

The Director of Finance presented an oral update on this matter as it was expected that his successor-in-post would present a full proposal to the Committee in July. This was expected to include the consideration of the financial and sustainability advantages of moving from halogen/fluorescent bulbs to LED lighting, a change that would result in payback within three years.

9. CONEL UPDATE

The Chief Executive gave an oral update to the Committee. The Committee noted:

- A full paper would be presented to the Board on 25th May setting out the case for merger;
- Members of the Board and Executive of CCCG and CONEL were meeting for the third time this week to discuss the viability and implications of any merger. Specific issues that have arisen include:
 - composition of the Board and Committees;
 - CONEL are looking for an investment in its Tottenham centre of £50m; the sale of land including residential would be required.

10. UPDATE ON IOTS AND SKILLS FOR LONDONERS CAPITAL FUND

It was noted that the prospectus for Institutes of Technology has not yet been published.

11. FEES POLICY

A report was considered, noted and received.

The Committee **APPROVED** the fees policy as detailed within the report.

12. ESTATES UPDATE

The Group Director of Finance presented a report to the Committee. The Committee noted:

- The Group has made two pre-planning applications in respect of a roof-top extension to the Angel and an outdoor dining terrace to the Victoria sites respectively. These test the in-principle acceptability of proposed designs without binding parties;
- The Mayor has announced £114m of capital funding to be available over 4 years. Expressions of interest will be invited in the first £40m tranche in June 2017; CONEL will be bidding to support the costs of the Tottenham development.

13. ALEXANDRA COLLEGE

A report was considered and received. It was noted that this proposal would be considered by the Curriculum and Performance Committee and would be presented to the Board at its meeting on 25th May. The paper had been included within the agenda for this committee for information purposes.

14. SUB CONTRACTED PROVISION

A report was presented to the Committee on sub-contracted provision for the 2016/17 academic year. The Committee noted:

- The declaration of subcontractors was made to the SFA on 29th March 2017, as required by regulations;
- The annexed tables show the value in respect of the delivery areas of Adult Education Budget, Apprenticeships, Loan Delivery and the ESF, with the aggregate at c.£3m.

The next meeting is scheduled for the 28th June, but will now be held on 5th July, venue to be confirmed.

Signed as a correct record: _____

Simon Pitkeathley, Chair of the Committee