Governing Body
FINANCE AND PROPERTY COMMITTEE

WEST SUFFOLK COLLEGE

Minutes of the meeting held at 4.00pm on 2 July 2014

Present:	**S Clarke (Vice Chairman)**	**R Carter**
	A Gordon-Stables	**D Wildridge**
	A Maltpress	**S Gerber**
	N Savvas	

In Attendance:	**D J Howells, Deputy Principal**
	P Ewan, Head of Finance
	J Bridges, Clerk to the Corporation

No member declared an interest in relation to items of this agenda.

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1 Apologies for absence

There were no apologies for absence. The Committee formally noted the resignation of R Millea, Chair of the Committee and Vice Chair of the Corporation. Thanks were extended to R Millea for his twelve year contribution as Chair and eighteen years as a member. The election of the Committee Chair will take place at the first meeting of the Committee in the new academic year. It is proposed that S Clarke will be nominated. **Proposed** by R Carter and **seconded** by A Gordon-Stables.

2 Minutes of the meeting held on 28 May 2014

The minutes of the meeting were confirmed as a correct record.

3 Matters Arising from the meeting held on 28 May 2014

2 Minutes of the meeting held on 30 April 2014

The minutes have been amended as requested.

3 Matters Arising – Finance report and Mid-Year Forecast

The full draft budget including proposals for the following two years accounts is presented and discussed under item 5 of this meeting.

3 Matters Arising – Item 4 Property Strategy

The revised Property Strategy is presented under item 8 of this meeting.

3 Matters Arising – Item 6 Finance Report

The RAG ratings used in the income and expenditure table have been quantified in the Finance Report. This is covered under item 4 of this meeting.

4 Finance Report

Investigations into the reason why fee income continues to perform below budget are currently taking place and will be reported to the Committee once complete.

The spreadsheet of non-pay costs to show the big value items with costs has been shared with the Committee (link).

Line 1.08 (other Grants) also includes ALS funding received from SCC, which was not budgeted, totalling £289,000 to the end of May 2014.

Action

5 Adult Skills Budget Report

The College continues to enrol new apprentices and anticipates that this will reduce the reported shortfall to £50K or less. The College has decided to outsource this amount of funding in order to fully utilise the £6.2m allocation.

6 Draft Budget 2014/15

The £700K and the £400K figures stated under sub-contract provision income have been checked. The forecast costs for 2013/14 for partner costs was low providing a higher than expected variance between forecast and first draft budget 2014/15. This has been amended and would now show a variance of £700K for sub-contract provision income and £600K sub-contract provision costs.

As agreed the Project line has been removed.

7 Applications

An update on the number of applications for 2014/15 is provided under item 7 of this meeting.

8 Treasury Management Report

The Head of Finance will report back to the Committee on her examination of other permitted sources of income under the College Investment Policy and the implication of early redemption of the College's loans at the first meeting in the new academic year. PEwan

9 Property Update

Confidential item under paragraph 18(2) of the Instrument and Articles of Government

Finance Items

4 Finance Report – May 2014

The accounts show a surplus for the 10 months to the end of May 2014 compared to a budgeted deficit. Income continues to be below budget for the period, savings in both staffing and non-pay costs have exceeded the income shortfall giving the improved surplus.

EFA income continues to show slightly below budget for the year to date but this will come up to budget by the year end and it is anticipated that the College will achieve contract value.

On the profile payments of SFA income the College is running slightly ahead of budget although the achievement of forecast does rely on the outcome payments at the year-end which are normally 20% of the total funding available. In the expectation that the College may be slightly below budget, there is a forecast shortfall of £50K.

Fee income continues to be below budget for the 10 months. It is forecast that the budget will not be achieved with a year to date shortfall of £173K against budget. The forecast increase in shortfall is due to student loan money that falls into 2014/15 as it is paid on a 12 month period and therefore some income rolls into the next academic year. Given the extent of the shortfall the Committee asked that further checks on billing are being carried out to get under the figures and issues at student level to ensure that robust analysis and understanding is ascertained and, if appropriate, used to inform future budgets. The Committee DJHowells

Action

asked to be updated on the issue at the next meeting.

To make the management accounts clearer, as agreed at the previous meeting of the Committee, the National Apprenticeship Scheme (NAS) has been excluded from the Other Grants line (1.08) and non-pay costs (line 1.16) as it is an identical amount although it will need to be written back in the year-end published accounts. The Committee queried how much of the positive variance against budget of the Other Grants income line was unexpected. The Deputy Principal confirmed that the College had been successful in securing additional learning support funding from SCC of £289K and a prudent £100K has been assumed in the budget for 2014/15.

When queried by the Committee, the Deputy Principal confirmed that the major shortfall in miscellaneous income (line 1.09) is interest receivable. Income on this line has been overestimated in the year attributing to the variance on budget. As agreed at the meeting held on May 2014 the Head of Finance is tasked to examine other permitted sources of income under the College Investment Policy and explore the financial viability to pay penalty fees for early loan repayments or viability of renegotiating more favourable rates. Her report will be presented to the Committee at the first meeting in the new academic year. PEwan

Members observed that premises costs continue to be underspent but recognised that planned summer works will be higher than budgeted levels over the next months which will bring actual spend close to budget at the year-end.

The year-end forecast surplus has increased slightly as savings made on staffing costs have been revisited. The staff cost to income ratio has been aligned with this concentrated focus on staff savings. The Committee confirmed that no pay increase for 2013/14 had been budgeted for or awarded in the year.

With the receipt of the additional learning support funding from SCC in the year which was not budgeted this increases the overall forecast surplus for the year end to £385K. Members asked to receive an update on cash flow performance in the key performance indicator report to the Committee and that the RAG rating definition be clarified to be consistently applied to income and expenditure. DJHowells

5 College Budget 2014/15 and Financial Forecast

The report details the key assumptions included in the budget for 2014/15. The EFA and SFA figures included for 2014/15 are those notified by the funding bodies and an assumption made that all of the adult funding will be utilised. A small increase in fee income has been forecast and staff costs built up from permanent and fixed term contracts, and the balance of £1m comprising part time and £400K hourly paid contracts.

Since preparing the budget it was reported that three managers have resigned who will not be replaced at the same level of staff cost and there are a number of requests to recruit staff that are pending the approval of the Senior Management Team which brings further opportunity to save more than budgeted. Any savings made in the year will need to be protected for the following year which reportedly will be more challenging.

Concern was expressed at the increase in the level of non-pay costs. This area will continue to be scrutinised and challenged with the individual budget holder who submit their needs via the operational planning process. These requests

Action

are moderated by the Senior Management Team and inflation only increases on non-pay costs have been forecast for 2016 and 2017. The Committee asked the Deputy Principal to clarify the content of non-pay costs. This will be provided within the budget and forecast paper to the Corporation at the 17 July 2014 meeting. Non-pay costs usually comprise items such as advertising, marketing costs, software licensing (for OneFile, ProMonitor, ProAchieve etc). It was agreed that a full review of these items is required at the start of the academic year and scaled back where possible.

DJHowells

It was noted that the staff costs included a contingency equivalent to 0.7% of staff salaries in the next three years (2014/15, 2015/16 and 2016/17). The Principal confirmed that he has received a 2% pay claim from the lecturer's recognised Union, UCU for 2014/15. The Principal was authorised by the Committee to negotiate an increase not in excess of this sum (2.1% increase over three years) that could be used as leverage with the recognised Unions to introduce a new teaching hours' proposal that the Principal explained to the Committee. Provision for increased pension and NI contributions has been included in the budget. The budget planned shows a surplus of £93K

Based on the assumptions reported the subsequent two years financial forecasts show a deficit (£168K in 2015/16 and £96K in 2016/17). The Committee considered the reputational risk to the College of publishing predicted deficits in the years to come and agreed that our financial position should be published accurately but with the proviso that positive action needed to be taken to ensure that the Colleges strategic financial objectives were met..

Members were asked to approve the listed financial objectives for the next three years in the Financial Plan to the SFA. The Committee asked for the first bulleted objective to be changed to read 'The College generates a minimum break-even in the three year rolling period'. A fifth bulleted objective will be added to explain the requirement to meet all bank covenants. The Deputy Principal will also add a commentary to Table 1 (Income and Expenditure) as suggested by the Vice Chair, S Clarke, to explain that the College recognises the forecast deficit budgets for 2015/16 and 2016/17 and the negative impact this has on the achievement of the financial objectives approved by the Corporation but that it has charged the Senior Management Team to develop an effective plan and monitor progress to achieve the financial objectives in these years. On this basis the Committee agreed the financial objectives and these will be submitted to the SFA, subject to the approval of the 2014/15 Budget and Financial Forecast by the Corporation at the 17 July 2014.

DJHowells

Key indicators in the ratio analysis table are cash days in hand which remain healthy throughout the period and current ratio which again remains well above a minimum of 1. The comment made in relation to borrowing reserves and the gearing ratio will be revisited as the impact on bank covenants in the period are not predicted to remain within compliance with forecast deficit in 2016/17.

DJHowells

The Committee asked that the Deputy Principal provides the Corporation with an easy to view format of the financial forecasts for 2015/16 and 2016/17 to put the next three years into context and to indicate where further cost savings could be achieved. Relevant KPIs in respect of these two years are also to be reported to the Corporation so that any breach in covenant can be anticipated in advance and the appropriate action planned.

DJHowells

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	The Committee will put forward a recommendation to the Corporation to approve the 2014/15 budget and financial forecast for 2014-17 at the 17 July 2014 meeting.	SClarke

D Wildridge joined the meeting at 5.20pm.

6 Income Maximisation and Cost Reduction 2016/17

Confidential item under paragraph 18(2) of the Instrument and Articles of Government

7 Key Performance Indicators

The overall target number of applications is the number of students that the College would expect to retain by the end of the first six week of the autumn term. The figures exclude those who have already withdrawn their application or that may have applied for two or more courses. Historically the College has enrolled an additional 500 students after GCSE results in August and in this week alone the College has invited over 2000 young people through the doors for enrolment days.

The Deputy Principal was asked to find a better way of RAG rating the budget to forecast KPI so that the coloured rating is applied on the basis of the variance being less positive than budget rather than under budget. DJHowells

Property Items

8 Property Strategy

The Committee agreed that the strategy is a much improved document and despite little reference to how the College's overall strategy infiltrates down into the property strategy it is considered to be in a position for the Committee to put forward a recommendation to the Corporation at the 17 July 2014 meeting that the strategy is approved. SClarke

9 The Bridge – Collaboration with School

The College has been approached by the Principal of Castle Manor Academy in Haverhill who is leading an initiative to bring together a monitoring facility for all secondary schools in one location. This is being funded by Suffolk County Council. The proposal is that the Council will fund the renting of 70sq.m of office space (identified in the Cove) from the College at a cost of £14K per annum. It is felt that this will both strengthen links between the College and the High Schools and will also put the College in a good position to recognise their issues and support the College's work in partnerships.

10 Property Update

Summer Works

The Deputy Principal confirmed that the final tenders for the Biomass Boilers to replace the gas boilers in Edmund House are coming in. The other projects, previously reported to happen over the summer, are all planned although in some cases (laboratories for example) the work will not be completed as timely as hoped so provision will not be ready until the first or second weeks of September. This is unlikely to impact teaching.

Engineering

The move of our Engineering facility to the Milburn Centre has been postponed. A number of advisors have assisted the College in this decision. Investment will be made to refurbish or replace some machinery and equipment that has either been deemed as unsafe or needs refurbishment and/or to be upgraded to

Action

industry standard. The issues with the equipment not going through a regular service or maintenance cycle have become evident further to investigation into the management of this area. The College has learned from these lessons and an annual programme of service and maintenance for this equipment is to be put in place so that an inventory and programme is managed centrally and not held under the responsibility of the Head of School. The Principal assured the Committee that the steps taken will minimise the risk of the poor standard of equipment not being addressed in all other relevant parts of the College.

The Governor Representative for Health and Safety, A Gordon-Stables, commented that a working group is meeting later this week to look at the structure and effectiveness of its health and safety committee and representatives' arrangements and this will also help to identify earlier identification of health and safety concerns in high risk areas of the College. The Principal confirmed that the equipment identified to be refurbished or replaced will be carried out over the summer. When decisions are received from the LEP concerning whether any capital investment funding is available the property strategy for an Engineering move will be revisited at that time.

11 Any other business

None.

Date of next meeting

To be confirmed

The meeting closed at 5.55pm