

**Minutes of the meeting held at 4.00pm on 25 February 2015**

**Present:**           **S Clarke (Chair)**                               **D Wildridge (Vice Chair)**  
                          **A Gordon-Stables**                               **S Gerber**  
                          **N Savvas**

**In Attendance:** **D J Howells, Deputy Principal**  
                          **M Wagner, Vice Principal Business and Community**  
                          **P Ewan, Head of Finance**  
                          **A Bingham, Admissions and Customer Services Manager**  
                          **Y Jeffery, Head of Marketing and Communications**  
                          **J Bridges, Clerk to the Corporation**

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

**1 Apologies for absence**

Apologies for absence were received from R Carter and F Hotston Moore.

**2 Minutes of the meeting held on 26 November 2015**

The minutes of the meeting were agreed as a correct record subject to amending item 10 under matters arising on page 2 to read "The bank has confirmed in writing that for the purposes of the surplus covenant "items of an exceptional nature and transfers to and from reserves shall be excluded unless otherwise expressly agreed by the bank".

**3 Matters Arising from the meeting held on 26 November 2015**

**2 Minutes of the meeting held on 29 October 2014**

The minutes have been amended as requested.

**3 Matters Arising**

Internal Auditors have done some work on identifying if the system of fee income due is watertight and confirmed that they did not find any major issues, however the College is trying to put a link in place between the student record system and the finance system. It is hope that this will be implemented for the start of the next financial year.

**3 Matters Arising – Year End Outturn 2013/14**

The Bank will not commit to their position concerning FRS17 until the next set of accounts is published under the new FRS regulations.

**4 Financial Regulations**

The Corporation approved the Financial Regulations at the 12 December 2014 meeting.

**5 Analysis of Non-Pay Costs**

The Deputy Principal has looked at the non-pay costs and a large part of the non-pay cost is either fixed or would have an effect on teaching or learning. Some areas such as staff recruitment costs are overspent reducing short term saving options to around £60K. Probable saving from Biomass boiler and RHI has not been calculated or quantified at present. No savings have been assumed in forecasts.

**Action**

JBridges

Overtime costs are being incurred due to staff shortages and extended opening hours. There is no concern that costs are being incurred unnecessarily.

**6 Finance Report – October 2014**

Between scheduled Committee meetings the Deputy Principal has supplied management accounts in the months of December and January for prior months.

**7 Key Performance Indicators**

The paper has been amended with a yellow indicator to highlight the potential risk in 2015/16 to fall into deficit and breach the banking covenant.

**10 Annual Report and Financial Accounts 2013/14**

The Corporation approved the Annual Report and Financial Accounts for the year ending 31 July 2014 at the 12 December 2014 meeting.

**11 Property Update**

At the request of the Committee the Clerk arranged for the meeting to be held at the main campus and not at the Milburn Centre as initially planned.

**12 Committee Self Evaluation**

The Clerk will convene a task and finish group comprising of Committee Chair's to undertake a review of Committee and Corporation KPI reports in the summer term.

JBridges

**Finance Items**

**4 Full Time Applications 2015/16**

A Bingham and Y Jeffery attended the meeting to report to this agenda item. The paper presented to the Committee reports on the current situation regarding full-time student applications based on targets for the year benchmarked against prior year applications.

Current full-time student applications are comparable to this time last year, however actual offers (students who have attended and interview and been offered a place) are significantly higher compared to this same time the previous year at an increase of 200. There are two open events this week; tomorrow and Saturday.

The 16-18 funding allocation for 2015/16 is 2819 compared to 2805 this academic year. The College is targeting 2855 for 2015/16. Apprenticeship recruitment is being monitored closely and new processes are in place to track apprenticeship applications from the point of enquiry to ensure that the learner is signposted and placed onto the most appropriate course.

There is confidence that the 2015/16 target will be met but it is important not to lose the momentum to entice more. Underpinning the additional recruitment numbers this year is the constant dialogue and communication with students to keep them and their application active. Comparisons nationally and regionally indicate that WSC applications are much higher than those experienced by other GFE Colleges.

Lots of time and energy has been taken to analyse the market share of our provision in order to understand our audiences and to target the areas of the market where applications are low or market share indicates growth. In addition there has been lots of school liaison work, working alongside the schools to understand their challenges and needs.

The Committee asked for some commentary on application progress, particularly in those areas of current shortfall, to be reported back through the key performance indicator paper for the May 2015 meeting in order for governors to monitor the progress and impact of the work undertaken between the Admission and Marketing Teams.

A Bingham and YJeffery left the meeting at 4.30pm

## **5 Finance Report – January 2015**

The accounts show a deficit for the six months to the end of January 2015 of £18,201 compared to a budgeted deficit at this period of £762,997 so the position at the six month point is better than expected.

Fee income is running ahead of where it was expected to be. Fee income is notoriously difficult to phase and in the first five months it was tracking slightly below budget, however in the sixth month an influx of funding has been received resulting in a position slightly over budget.

Commercial activities, predominantly Campus Catering income but also includes the College Shop and the Hair Salons, is significantly above budget but there is some concern that this has been achieved at no or reduced margins. This issue is subject to investigation by the Campus Catering Managers and Finance team.

Grant income is performing above budget due to additional contracts secured by the Positive Futures Team.

Staffing costs are showing a saving for the six months of £226K and a forecast saving at the year-end of £170K as the monthly staffing cost is slightly higher in January and is anticipated to continue to the year-end thus reducing the saving.

HE income is accruing to budgeted levels but it is anticipated that this will be exceeded at the year-end by £100K. Additional SFA funding has also been allocated for ESOL and other adult provision and this is being targeted to be utilised in the Thetford area. Overall the management accounts show a forecast £283K surplus against £92K budget.

Full cost course performance is still significantly below budget in month six and therefore the year-end forecast has been reduced accordingly. This shortfall exists due to changes in how certificated training is funded and the College's reducing energy for growth in the area of Gas and Oil in particular. A proposal is currently being worked through to expand our offer of full cost income. Committee members commented that industry contacts had found this provision to be old fashioned in approach and slow in its delivery. Plumbers/gas fitters need the certificated training but are looking for providers who can deliver with as minimal impact on their livelihood as possible. This is perception is not unknown to the College and proposal provides for initiatives to increase availability of provision by delivering out of hours in evenings and at weekends.

The cash flow statement shows that cash balances are conforming to trend based on the previous year and the expectation is that despite running at a slightly lower level, there is reasonable assurance that the year-end forecast of £6.3m will be achieved. The Head of Finance was asked by the Committee to profile a realistic cash flow benchmark throughout the year, worked through on a month to month basis. This will be prepared and reported to the Committee at the meeting to be held in May 2015.

PEwan

The year-end forecast of £283K surplus excludes any prior year adjustments. The Head of Finance is to confirm whether this is likely to positively or negatively impact the bottom line.

PEwan

**6 Key Performance Indicators**

The enrolments KPI has been changed to reflect the number of students enrolled at the census point (i.e. the number of students that the College will be funded for). This figure is higher than the actual number of students as for different reasons students have left after the census point but the College will still receive the funding for them. The KPI shows that the College still needs to recruit 52 students in the year to achieve the funding target. It was agreed that for the purposes of this Committee the KPI will be reported in this way. The Standards and Excellence Committee receives reports on actual student numbers and early leaver and withdrawal reasons. The Committee talked about the complexities of the funding situation and asked the Clerk to arrange for all governors to be invited to attend a briefing session on funding methodologies in March/April 2015.

JBridges

It was noted that the £200K additional SFA Adult income has been omitted from the budget to forecast KPI and therefore does not reconcile with the management account figures reported earlier. The total surplus forecast in the KPI paper should show £283K (not £263K) with a variance of £190K (not £171K) and the total income forecast should read £25,843 (not £25,644) with a budget figure of £25,748 (not £25,740). The paper will be amended.

DJHowells

Staffing costs are currently running at a slightly higher percentage to target ratio (65.1% YTD against 64.9% target). The green status indicator is to be changed to reflect that staffing costs are higher than target (red).

DJHowells

The cumulative surplus figures included in the banking covenant KPI are based on the three year financial forecast approved by the Corporation in July 2014. Revised figures detailed in the proposed three year financial forecast (refer to item 7 below) show compliance (green status) in all three years. The Chair suggested that the key includes the definition of yellow status and that this should be determined as 'within £250K of a breach in covenant'. The Committee agreed and the report will be updated.

DJHowells

Current cash reserves are £4.25m. Indicative figures for the year forecast a year-end cash flow of £6.5m and £6.8m in 2015/16 if the forecast £283K surplus is achieved.

**7 Income Maximisation and Cost Reduction 2106/17**

**i. Three Year Forecast – January 2015**

The Chair asked the Committee to challenge the assumptions in the three year financial forecast in order to be comfortable to recommend the forecast for approval to the Corporation in March 2015. In summary the discussion points were:

EFA Income 16-18	The allocation for 2015/16 has been received. Due to lagged funding student numbers in 2014/15 is the income allocated in 2015/16. Recruitment is going well. The Committee confirmed that they were satisfied that student numbers are realistic and achievable.
HE Income UCS	The forecast assumes an additional 5% top slice. The forecast increase in student numbers (667 to 695 and then 800) is of concern. Members asked to see current student numbers and applications to enable the Committee to make an informed judgement of whether forecast student numbers is reasonable or not. The report is also to include where our students come from.

MWagner

**Action**

JBridges

	The report is to be circulated electronically to members so that a decision as to whether or not the forecast is to be scaled back can be made before the forecast is presented to the Corporation for approval.
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S Gerber left the meeting at 5.15pm.

SFA Adult Classroom Based provision	The SFA funding allocation has not yet been received. Members agreed the forecast should assume 20% cut in 2015/16 and 2016/17 and 0% in 2017/18. Deputy Principal to change.	DJHowells
Apprenticeship income 16-18 and 19+	A proposal will be presented to governors to increase our wider area market share. The forecast assumes more effort into 'selling' and delivering apprenticeships. Members agreed that they were comfortable with the forecast.	
Fee income and student loans	Fee income and student loans and fee income from employers are to be taken as one line. It is assumed that growth in the economy will lead to growth in fee income from employers. A 4/5% year on year increase is realistic.	
Fee income from employers		
Full cost courses	An area of challenge and one that needs to be commercially focussed. The College has allowed Gas and Oil to decline and will need to introduce a key post to drive and sell the provision. The Committee recognised the ambitions of the College but asked that the forecast is reduced to £450K in 2015/16, £550K in 2016/17 and £600K in 2017/18.	DJHowells
Commercial activities	The assumed 3% inflationary rate applied was agreed as prudent.	
Miscellaneous income	The Committee asked to reduce 2015/16 to £325K, 2016/17 to £350K and 2017/18 to £375K. Perhaps a more prudent approach is to assume at 3% rate of inflation.	DJHowells
Other grants	The forecast assumes a decrease in income for the three years based on an assumption that SCC is set to cut grant income but there is a suggestion that funding will exist from other pots and avenues. On this basis members agreed to increase to £850K each year.	DJHowells
Staffing costs	Assumed and agreed to remain at 65% cost to income.	
Premises	3% rate of inflation agreed	
Cost of sales	Margin of stock needs to be worked through. The YTD figures are known to be overstated and will be looked at with the view that it will go down rather than up and is likely to be no more than inflation. Deputy Principal to check.	DJHowells
General non-pay costs	The Committee agreed that the assumption in the forecast should be based on inflation only. For budgeting purposes it could be brought down to a much lower level so definite savings are there to be realised.	DJHowells
Exam costs	The forecast assumes the need to economise on exam fees and challenge that this is a controllable cost. The 2015/16 cost is assumed at the same level as this year. Members agreed.	
Partner payments	SMT has agreed partner payments of £390K each year. Employers include Marshall, Hutchinson Port, and West Suffolk Hospital. Forecast to be adjusted.	DJHowells
Interest paid	Agreed no significant impact. The only variation on interest rate is with the £3m loan.	
Student numbers	Numbers agreed.	
Funding rates per student	Members agreed the assumed no inflationary increase.	

**8 Treasury Management Report**

The Chair, with the agreement of the Committee, took this agenda item prior to item 7 above in order for the Head of Finance to attend to an urgent issue.



The report summarises the treasury activity for the financial year to date. There are no risks arising from the report.

Where possible surplus cash balances are invested in fixed term deposits. A new 95 day notice account has just been opened and this will pay an interest rate of 0.8%. This rate is comparable with placing funds on deposit for six months currently.

The Committee agreed for the Head of Finance to remove the Bank Covenant section from future reports. Bank Covenant monitoring is achieved by the Committee through the Key Performance Indicator and containing the data in this paper is a duplication of reporting.

PEwan

P Ewan left the meeting at 5.05pm

## **9 SFA and EFA Funding Allocations**

The paper provided members with the latest information regarding funding allocations from both the EFA and SFA for 2015/16. There is no indicative indication concerning adult funding at this time and the final allocation is unlikely to be known until March 2015. Classroom based and work place training for adults is however likely to be reduced by as much as 20%. The EFA funding model conversely indicates that the College could receive additional funding. The major source of this increased funding is split between programme funding, based on the number of students, and disadvantaged funding, which is a formula based on the prior year cohort of students and their additional support needs.

## **Property Items**

### **10 Property Update**

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

#### *Items not marked as confidential:*

The inventory of maintenance/servicing schedules is all complete except for engineering, which is predominantly new equipment. There are some issues with costing some works and a large percentage of servicing in the craft areas is undertaken by College employed Technicians. The procurement team is continuing to identify probable costs. The estates department has a mature system of recording and measuring essential maintenance to all building and health and safety systems, which is fully documented. It is the responsibility of the Committee to approve the asset maintenance and replacement plan and to provide the Corporation with the assurance that the plan is adequate and effective. The Deputy Principal will provide a summary report to the Committee at the 27 May 2015 meeting.

DJHowells

Operational planning meetings with managers are now being finalised. Schedules of proposals will then be prepared for SMT to consider. A number of items identified on the Preventative Maintenance Plan will be procured before the end of July and accommodated for in the current year's budget. This includes new windows to Edmund House (eastern elevation), roof coating above the Suffolk House extension and replacing the Bistro roof.

The three year financial forecast includes an estimated £300K for capital investment in equipment. The budget and capital plans will be presented to the Committee at the meeting to be held in May 2015.

DJHowells

Easton and Otley College is helping WSC to develop a Woodland Maintenance Plan for approval by St Edmundsbury Borough Council. A risk analysis of the condition of the trees has been carried out and a number of 'unsafe' trees removed and other scheduled for maintenance in the Spring. The full management plan will be considered by the senior management team and any future agreed developments will be included within budget plans/proposals.

The College has a reserve, in the accounts, of £80K for emergency repairs to the Barrack Wall. The Committee agreed that provision of £20K to £30K should be made each year.

DJHowells

Pick Everard has been commissioned to carry out a top level efficiency, flexibility and electrical services survey of the older buildings on the campus. The Deputy Principal will programme a walk around of the main campus prior to the 27 May 2015 Committee meeting, the purpose of which is to review the extent of the summer works proposed and any areas highlighted in the top level survey for future attention.

DJHowells

It was noted that the College intends to tender its cleaning contract in 12 months' time. There will be a number of proposals to consider and review at the end of this year.

**11 Any other business**

The Clerk confirmed that the next meeting of the Committee scheduled for Wednesday 27 May 2015 at 4.00pm will remain as planned. Subject to members availability it is proposed to move the 1 July 2015 meeting to Friday 3 July at 9.30am in order to increase attendance of Committee members.

The Chair confirmed that following discussion with the Principal and Deputy Principal any financial implication to implement the digital strategy considered by the Corporation at the 12 December 2014 meeting will be reported to the Committee at the appropriate time which is unlikely to be before the start of the next academic year.

**Date of next meeting**

Wednesday 27 May 2015 at 4.00pm. Room TG1.16

The meeting closed at 6.35pm