

Minutes of the meeting held at 4.00pm on 26 November 2014

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

In Attendance: **D J Howells, Deputy Principal**
 M Wagner, Vice Principal Business and Community
 P Ewan, Head of Finance
 J Bridges, Clerk to the Corporation

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

	<u>Action</u>
1 Apologies for absence There were no apologies for absence.	
2 Minutes of the meeting held on 29 October 2014 The minutes of the meeting were agreed as a correct record subject to adding the words 'and prosecuted' to the penultimate sentence of the 'Case of Fraud' item on page 7 to read 'The offender was found guilty and prosecuted...'	JBridges
3 Matters Arising from the meeting held on 29 October 2014	
2 Minutes of the meeting held on 2 July 2014 The minutes have been amended as requested.	
3 Matters Arising – item 4 Finance Report – May 2014 Work to confirm that the system of identifying fee income due is watertight has progressed and will continue to be pursued for the end of 2014.	DJHowells
3 Matters Arising – item 8 Property Strategy An analysis of Non-Pay costs is provided for and discussed under item 5 of this meeting.	
4 Committee Terms of Reference The amendments (as minuted) have been made as requested and added to the agenda for the 12 December 2014 Corporation meeting for approval.	
5 Financial Regulations The Deputy Principal has discussed the budget lines with the Committee Chair where expenditure not included in the budget has exceeded £10K. A review of sections 10.3 and 21.2(c) has been completed and a report is provided for and discussed under item 4 of this meeting. A template report for the monitoring of contracts is provided for under item 11 of this meeting.	
6 Finance Report – September 2014 Work has been completed to phase the maintenance spend for central resources but is on-going for curriculum areas. These have now been received but data is to be collated to one central resource and some clarity required for some inventory items before the record can be finalised. This piece of work is	

being carried out currently and will be completed for reporting to the Committee at the 25 February 2015 meeting. This will inform the budgeting process for 2015/16.

8 Income Maximisation and Cost Reduction Update

An analysis of the 65% staff costs split between teaching, work place learning, business support etc was provided to the Committee. Of the 65% staffing cost budget 68.7% are student facing, 12.1% are back office and 19.2% is oncosts.

9 Treasury Management and Investments Report

The table of information has been updated to record that the 6.195% interest rate is fixed until 2018 and then variable.

10 Year End Outturn 2013/14

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". Lloyds have not confirmed that FRS17 is specifically an exception of the calculation of the surplus covenant and the Deputy Principal is to clarify this point with the bank and will report back to the Committee.

The Committee Chair has reviewed the draft accounts and financial statements. These are provided for under item 10 of this meeting.

11 Property Update – Maintenance Plans

Work has been completed to phase the maintenance spend for central resources but is on-going for curriculum areas.

12 Capital Programme and Budget

A template report for the monitoring of contracts is provided for under item 11 of this meeting.

4 Financial Regulations

A review of sections 10.3 and 21.2(c) of the Financial Regulations has been completed. Members did not agree the wording suggested in the report for section 10.3 and asked for this to be changed to read as follows:

Section 10.3 Expenditure not included in Approved Budget

10.3.1 Staffing Costs

Expenditure in relation to staffing costs must be kept within the percentage costs approved in the budget unless any variation is approved in advance by the Resources Committee.

10.3.2 Non-Pay Costs

The Principal may vary non-pay expenditure up to £10K per budget heading but any such variance must be reported to the Resources Committee at its next meeting.

Non budgeted expenditure of £10,000 or more must be approved in advance by the Corporation on the recommendation of the Resources Committee but if an urgent decision is required the decision to vary can be taken by the Chair or Vice Chair of the Corporation in consultation and agreement with the Chair or Vice Chair of the Resources Committee.

DJHowells

The Principal has the discretion to authorise expenditure up to the value of £50K where non-pay expenditure is matched by guaranteed income. Any such authorised expenditure and income should be reported to the Resources Committee at its next meeting.

10.3.3 References

All references to budget headings in this section relate to budget headings in the management accounts reported to the Resources Committee.

Members agreed the wording suggested in the paper for section 21.2(c). Subject to amending section 10.3 the Committee will recommend to the Corporation to approve the Financial Regulations at the 12 December 2014 meeting.

SClarke

Finance Items

5 Analysis of Non-Pay Costs

The report identifies the non-pay cost items that exceeded budget by more the £10K in 2013/14. This will inform where potential non-pay cost savings could be made in year; i.e. building maintenance, lease of equipment and software licences. The Deputy Principal will look at the non pay costs in the October management accounts to assess where potential savings could be made and/or to identify where there is a risk of overspend against budget. Periodic review of this budget will be carried out throughout the year in order to anticipate potential saving/overspend. The breakdown of overtime spend will also be looked at to identify any potential concern there.

DJHowells

DJHowells

6 Finance Report – October 2014

Staffing costs continue to be below budget although the savings gap is narrowing. Currently costs are six posts below budget. Non-pay costs are £45K below budget for the quarter but this is attributed to mostly phasing variances. As agreed in the previous item this is to be monitored closely.

Income has been accrued from the EFA (line 1.01) in line with the budget and contract. Currently the College is about 6% below the target number of students to draw down the full contract value, but it is anticipated that the College will enrol additional students during the year. A provision for any possible claw-back has been provided for in line 1.20 (Contingency – provision). As student recruitment comes in this will eradicate the contingency line and monitoring of this will be included as part of forecasting in the New Year. The Deputy Principal, between scheduled meetings, is to supply the Committee with monthly management accounts and KPI reporting via email. Forecast against budget headings will be included in the management accounts. The Chair of the Committee suggested members use the 'reply to all' option when replying with comments to the reports.

DJHowells

It was noted that commercial activities (line 1.07) expenditure has exceeded budget for the first three months of the academic year. Part of this overspend is thought to be due to phasing and in part due to purchasing large quantities of stock at discounted rates which should then even out across the year. It is not a concern at this time.

The cash flow has been revised. There is some movement in working capital but essentially the actual/forecast cash balance is following the curve against budget. Cash balances around March 2015 are close to the minimum cash requirement but will be subject to concentrated focus by the Head of Finance around this time.

7 Key Performance Indicators

At the time of reporting the College had 2,632 16-18 students enrolled. At the funding census point there were 2,649 students and the College will be funded for that number unless the numbers increase during the year.

Staff cost is 62.5% of normal operating income against a target of 64.9%. As reported in item 5 above, a number of carried vacancies in August and September have contributed to savings achieved to date.

The report shows a potential breach in bank covenant in 2016/17. Members asked that the report highlights the 2015/16 £178K surplus column as amber status indicating the potential risk to fall into deficit and breach the covenant. Members considered whether or not the College should approach the bank to renegotiate the loan terms. Further to discussion the Committee agreed that it would not be appropriate at this time. The strategy that the College is working to is not to break the covenants.

DJHowells

8 Off-Site Collaborative Provision (Subcontractors) Report

The report provided members with an oversight of the College's collaborative provision and how it is planned to distribute the approved budget for subcontractors in the year. Each subcontractor is subject to due diligence process and this process is a mandatory focus of internal audit work.

The level of allocation to each subcontractor is set out in the report. All subcontractors, bar one, are either local providers or they are employers. It is too early at the time of reporting to indicate how much of the allocation has been consumed but this will be reported to the Committee at the meeting to be held in February 2015.

In accordance with the requirement under section 15.3(c) of the Financial Regulations members were satisfied to agree the maximum contract value and schedule of providers for 2014/15 as detailed in the report.

9 Income Maximisation and Cost Reduction Update

As a standard agenda item the Committee will receive an update report on progress against the opportunities to maximise income and/or reduce costs in 2016/17 designed to balance the budget or produce small surpluses against forecast deficit in the year. Further to the report received at the 29 October 2014 Committee meeting no further progress has been made at this time but this item will remain on the agenda and progress reported at timely intervals.

10 Annual report and Financial Accounts 2013/14

The Annual Report and Financial Statements for the year ended 31 July 2014 were presented to the Audit and Risk Management Committee for scrutiny and comment at the meeting held on 25 November 2014. There were no issues arising.

At the time of reporting in October 2014 to the Committee, the accounts show a published deficit of £5,469. An adjustment has been made since this report and the decision agreed by external auditors not to accrue one item has now provided a published surplus of £3K.

Members agreed that there has been no substantive change to the accounts since the meeting held in October 2014 and were satisfied, subject to some minor textual changes, to recommend to the Corporation to approve the

Financial Statements and Annual Accounts for the year ended 31 July 2014 at the 12 December 2014 meeting.

Property Items

11 Property Update

The Biomass Boiler project is complete however the overall cost of the project has increased by £140K from the cost approved by the Finance and Property Committee last year. The original estimate did not include the provision of heat and hot water to Australia House and in addition the specification was modified in order to incorporate some maintenance issues as well as dealing with some unforeseen expense; foul drain upgrade and dirt separator for example.

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

The Estates Team is preparing a new Preventative Maintenance Plan and this will inform the budget for 2015/16. Subject to receiving an acceptable quotation the Deputy Principal is also proposing to commission a top level feasibility report on older buildings within the estate. Both of these pieces of work will be used to identify the main issues that will need to be addressed over the next five years and to inform changes to the Property Strategy. Members asked the Clerk to change the venue of the meeting to be held in February 2015 to the main campus in the event that the feasibility report is completed as members wanted to visit the areas of the site where maintenance/improvement work has been identified.

JBridges

More details have been submitted to NALEP regarding funding for the purchase of freehold premises. To date there has been no confirmation of when or if any funding will be available. It is unlikely that the College will hear any more until the New Year but in the meantime the College is continuing with negotiations with the owner of the premises identified regarding the possible purchase.

Members agreed the template format for reporting Preventative Maintenance Contracts and Non-Capital Improvements. Once the maintenance schedule has been prepared members agreed to look at the threshold levels and set as appropriate.

12 Committee Self Evaluation

The Committee reviewed the results of the self-evaluation for the Finance and Property Committee for the 2013/14 academic year. Other Committees have focussed their attention on the scores below 85% of which for this Committee there were none.

The areas in which the Committee could improve however produced a common theme and consensus from governors that membership should be bolstered with someone who has a strong financial background/qualification. A panel of Governors has been convened to interview a potential member tomorrow who is a Forensic Chartered Accountant. A proposal to appoint, if appropriate, will be put to the Corporation at the 12 December 2014 meeting.

Other areas the Committee suggested could be a focus is to follow up with an external review of the changes to our governance arrangements and presentation of data through developing our KPI reports. The Clerk was asked to convene a task and finish group comprising of Committee Chair's to undertake a review of our Committee and Corporation KPI reports.

JBridges

13 Any other business

- *Confidential item under paragraph 18(2) of the Instrument and Articles of Government*
- The Committee Chair acknowledged the decision of the Deputy Principal to retire in 2015 and thanked him for his huge contribution to the life and success of the College, its significant achievements and financial stability. D J Howells retires in the summer term 2015.

Date of next meeting

Wednesday 25 February 2015 at 4.00pm. Room to be advised.

The meeting closed at 5.50pm