Governing Body
RESOURCES COMMITTEE

WEST SUFFOLK COLLEGE

Minutes of the meeting held at 9.00am on 27 May 2015

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

In Attendance: **D J Howells, Deputy Principal**
S Jones, Vice Principal Finance and Resources
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.

		Action
1	**Apologies for absence** Apologies for absence were received from F Hotston Moore.	
2	**Minutes of the meeting held on 26 February 2015** The minutes of the meeting were agreed as a correct record subject to removing the '+' symbol from the second paragraph under item 4. The Deputy Principal confirmed that the 2015/16 year-end cash flow forecast of £6.8m was the correct figure stated under item 6, final paragraph, in the minutes. This figure related to the forecast approved by the Corporation in July 2014. In March 2015 the Corporation approved a revised three year financial forecast and the Vice Principal, Finance and Resources confirmed that the revised 2015/16 year-end cash flow forecast of £5.1m (a £1.7m variance from the forecast approved in July 2014) is correct.	JBridges
3	**Matters Arising from the meeting held on 26 February 2015**	
2	**Minutes of the meeting held on 26 November 2015** Item 10 on page 2 of the minutes of the meeting held on 26 November 2015 has been amended.	
3	**Matters Arising – 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
5	**Finance Report – January 2015** The Head of Finance has profiled a realistic cash flow benchmark throughout the year, worked through on a month to month basis. The Chair of the Committee asked the Head of Finance to prepare a report to detail the minimum cash requirement at any given time of the year for the Committee meeting to be held in July 2015. The positive or negative impact on the bottom line as a result of any prior year adjustment is detailed under the Finance Report, item 4 of the meeting.	PEwan
6	**Key Performance Indicators** Governors were invited to, and attended, a briefing session held in April 2015 on funding methodologies.	

Action

The amendments to the key performance indicator report presented at the 25 February 2015 Committee meeting were made as recorded and the paper was presented to the Corporation at the meeting held on 18 March 2015.

7.i. Three Year Forecast – January 2015

The actions recorded from the 25 February 2015 meeting are all complete. The assumptions to the forecast were either scaled back or increased as agreed by the Committee. The Corporation approved the three year financial forecast at the 18 March 2015 meeting.

8 Treasury Management Report

The Head of Finance has removed the Bank Covenant section from the report as monitoring is achieved by the Committee through key performance indicators.

10 Property Update

The summary asset maintenance and replacement plans are covered under 6 of the meeting.

The budget and capital plans are covered under item 7 of the meeting.

The provision of £20K to £30K each year for emergency repairs to the Barrack Wall is included in the maintenance budget.

The walk around of the main campus prior to the meeting is deferred until June 2015. The purpose of the tour is to review the extent of the summer works proposed and any areas highlighted in the top level survey for future attention. JBridges

Finance Items

4 Full Report – April

The accounts show a surplus for the nine months to the end of April 2015 of £35K compared to a budgeted deficit at this period of £847K. For the nine months to the end of April the previous year the actual figure was a surplus of £99K. The £250K forecast net surplus has reduced to £106K however this is against a £92K full year budget net surplus.

There are some uncertainties on income although despite the accounts representing an expectation that the SFA budget (line 1.03) will be slightly exceeded, the year to date figures are flattered by the phasing of the budget and it is possible that outturn may fall short. Further forecast work to assess the likely SFA Adult outturn is being undertaken and the extended forecast of a further £200K has been reduced accordingly to £100K.

Miscellaneous income (line 1.09) year-end forecast has been reduced by £25K but exceptional costs (line 1.19) increased by approximately £20K. Full cost courses (line 1.05) performance is still significantly below budget in month nine and the reduced year end forecast will be a challenge to achieve. The College has identified this as an area that needs investment and redevelopment in order to achieve increased income. This will be achieved through the provision of commercial gas training as well as domestic and the appointment of commercially focused trained staff.

Staffing costs show a saving for the nine months and there is confidence that costs should still come in under budget at the year end. Members commented

Action

that the full year forecast for overtime is double that budgeted for the full year and questioned if overtime costs have increased due to staff taking on additional responsibilities to cover unfilled posts. The Principal confirmed that this is not the case as the posts that have been difficult to recruit to in the year have been covered with temporary staff which are accounted for within the staffing costs. It was agreed that the Vice Principal, Finance and Resources will review this budget line to establish the cause of increased cost or whether it is a line that has been under budgeted for the year. SJones

Non-pay costs (line 1.16) are down against budget for both April and the year to date although there are spend fluctuations within the individual budget lines that make up this heading. It is difficult to pinpoint specific causes but principally it is due to phasing and timing differences and budget holders being prudent. This area will be closely monitored in the final quarter as we approach the year end. Members noted that this was an area where £50K savings had been achieved and asked if particular initiatives had contributed to this saving. It was confirmed that a high proportion of the saving had been achieved by changing our printing resources across the College. Members asked if there were other processes that the College could centralise to achieve savings. Electronic documentation retention and cloud storage may be areas to explore in the future.

Members asked if there should be concern that the cost of commercial activities (line 1.15) is larger than the year to date budget but also by a larger amount than the corresponding income figure. The Vice Principal, Finance and Resources reassured the Committee that this position is due to unrealised income and provision purchase greater than budget. As stocks run down towards the year end the position should improve when compared to income. It is recognised that there may be a need in the new academic year to increase food/drink prices.

5 Key Performance Indicators

The actual number of 16-18 students as at the R09 funding return is one below the 2,808 funding allocation target at the time of reporting.

The total income budget to forecast performance indicator shows a variance under budget and although a relatively small amount at £28K is marked as an amber indicator but is of no concern at this time.

Staffing costs that were under budget earlier in the year are not returning to budgeted levels but remain under target at 64.9% and are forecast to reduce to 64.2% of income by the year end.

The cumulative surplus figures included in the banking covenant table are based on the three year financial forecast approved in March 2015. The figures show compliance in all three years. It was noted that the yellow RAG rate indicator to highlight the potential risk in future years to fall into deficit and breach the banking covenant has been omitted from the report. This key will be reinstated. SJones

The movement in cash reserves performance indicator shows the actual/forecast cash balances at the year-end above minimum cash requirements.

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6 Asset Maintenance and Replacement Plan

Cross College equipment is managed by the Estates team. They have key equipment and maintenance schedules well documented and controlled. This confidence also extends to areas such as Hospitality where the major pieces of equipment, such as cookers, ventilation systems etc., are serviced by external contractors. The Health and Safety Manager is currently in the process of auditing the equipment against the schedules to make sure that all pieces of equipment have been identified and included in the inventories.

The Chair of the Committee asked if the inventories are used to inform cost of replacement budget decisions. This is achieved through the operational planning process the prior year. Managers identify the equipment they will need to replace in the next academic year and put forward a capital expense request as part of their operational plan. The budget is therefore informed by operational planning and not the inventory schedules as although an estimated life span has been predicted for the piece of equipment this does not necessarily mean that it will be replaced at that time.

The Committee challenged the senior management team and questioned how the issues found the previous year within the Engineering department had transpired if the process of operational planning accommodated for cost of replacement and/or servicing/maintenance. The Deputy Principal confirmed that the management, at that time, had made no effort to maintain or manage the equipment appropriately. Now that the inventories and schedules are in place we are able to identify and audit against them to expose any potential servicing or maintenance risks to our assets. It will take time to educate the management team to effectively plan for replacement items so until there is confidence in managers operational plans, £1.8m is set aside each year for the replacement of assets (items over £1K).

The Committee agreed that the process is much improved and confirmed that assurance can be gained from the report but recognised that this is still work in progress. The Chair of the Committee will report this position to the Corporation at the 17 July 2015 meeting. SClarke

7 Draft 2015/16 Budget with Key Assumptions – Revenue and Capital

The schedule presented to the Committee shows the first draft of the income and expenditure budget for 2015/16 showing a slightly reduced surplus of £201K compared to the £210K surplus indicated in the three year financial forecast presented to the Corporation in March 2015. The main variances between the draft budget and the three year plan are a slight increase in income and an increase in staffing costs offset by a reduction in non-pay costs giving an overall negative variance on the surplus of £8K

The assumptions detailed in the report were challenged and discussed by the Committee and the budget will be given further consideration at the 3 July 2015 meeting prior to putting forward a recommendation to the Corporation to approve the budget at the 17 July 2015 meeting.

The Committee commented that the staff cost to income ratio in 2015/16 is budgeted to exceed the 65% target at 66.5% and questioned if this higher ratio is anticipated for in later years. The Deputy Principal confirmed that it is likely over the next couple of years to expect a slightly higher staffing cost to income ratio however efforts to diversify and increase income will help to reduce the ratio to below the 65% target rate. Over the coming years is it important that the College

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continues to invest in and target the markets where income and market share can be increased; full cost work, apprenticeships and by geographical area.

The Committee asked if the full cost work 2015/16 budget was realistic and achievable given the decision at the previous Committee meeting to trim the forecast back. The Deputy Principal confirmed that a commercial manager had already been appointed to the post. The Gas and Oil Centre will be relocated to the Milburn Centre over the summer and the focus is to regain the market that the College has slowly lost over recent years. Without investment in the right people, the facilities and the area the budget will not be achieved.

Equally the non-pay budget has been trimmed across the board by managers and a tight handle will be kept on costs throughout the year. The Committee received assurance that the budget is achievable.

The Chair of the Committee asked to receive a 2015/16 capital investment budget at the July meeting of the Committee. The Deputy Principal confirmed that members had received a programme of summer works detailing a spend of approximately £130K. The summer works programme for 2016/17 will evolve from the operational planning processes in the next academic year and is also influenced by market demand. It is too early, 2014/15, to be planning capital investment in 2015/16.

8 Full Time Applications 2015/16

The College has 3,124 applications (16-18 2616 and 19+ 508) for full time courses starting in September. The number of students who have been offered a place is considerably higher with 1,921 offers compared to the same period last year of 1,555. There are some areas where there are noticeable shortfalls in applications and these are mainly the areas where the College has the share of the market or are due to the reduced population of 16-18 year old people and the reduced number of 14-16 students from feeder schools.

The Marketing team works very closely with both the Admissions and Curriculum teams and have made significant inroads into identifying key target markets for the areas where applications are slow to ensure that the College hits the target for the year. Overall applications look good with some subjects reducing in student numbers and others expanding. Although applications for construction are down overall this is not across the whole subject area but particular courses and there is confidence that numbers will pick up. Members questioned if the College was able to react quickly enough to market demand; in previous year's bricklaying and hairdressing areas have recruited well for example but numbers for 2015/16 are predicted will be lower. The Principal confirmed that the provision is flexible enough to stay in touch with demand and the targeted marketing and recruitment strategies in place are working well. The Committee asked to receive an applications report for the meeting to be held in July 2015. SJones

9 Treasury Management Report

The Bank of England's Base rate remains at 0.5%. This rate has remained unchanged since March 2009 and has continued to limit the College's ability to earn interest on deposits. Marginal interest from deposits for nine months is on target to exceed the level of marginal interest earned the previous year. Despite a decrease in the interest earned from excess balances however the College is on target to achieve a similar level of interest earned the previous year.

Action

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

Property Items

10 Major Property Acquisition – LEP

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

11 Property Update – Procurement of Summer Works

Obtaining quotes from contractors for summer works has been difficult and some prices are significantly higher than expected so some works may be deferred as a result.

In accordance with the Financial Regulations the award of contracts over £50K shall be approved by the Resources Committee. The Deputy Principal confirmed that although the overall cost of the project to relocate the Gas and Oil provision to the Milburn Centre is expected to be around £80K this is comprised of a number of small contracts none of which exceed the £50K approval limit. Members delegated authority to the Chair of the Committee to approve any proposal to award a contract over £50K on the proviso that the total summer works are completed within budget.

The project to develop a maintenance plan for the woodland and to improve it as both a recreational and teaching area for the future are being progressed in partnership with Easton and Otley College.

Members were pleased to learn that the new biomass heating system is working well and it is anticipating there will be significant savings in coming years. The Renewable Heat Incentive (RHI) approved for the biomass boiler and the Gateway building will give us an income based on energy generated over the next 20 years.

12 Any other business

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

On behalf of the Committee the Chair thanked the Deputy Principal for his contribution and service to the College and the Committee over the years. D J Howells is to retire at the end of June 2015.

Date of next meeting

Friday 3 July 2015 at 9.30am. Room TG1.16

The meeting closed at 11.00am