**Governing Body**
**RESOURCES COMMITTEE**

**Minutes of the meeting held at 4.00pm on 29 October 2014**

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| **Present:** | **S Clarke (Chair)** | **D Wildridge (Vice Chair)** |
| | **A Gordon-Stables** | **R Carter** |
| | **A Maltpress** | **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.

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| **1** | **Apologies for absence**<br>Apologies for absence were received from S Gerber. | |
| **2** | **Minutes of the meeting held on 2 July 2014**<br>The minutes of the meeting were agreed as a correct record subject to removing the words 'and elected to the role' under apologies for absence and changing the word 'rates' to 'ratings' under Matters Arising – Item 6 Finance Report. | JBridges |
| **3** | **Matters Arising from the meeting held on 2 July 2014** | |
| **3** | **Matters Arising – item 8 Treasury Management Report**<br>The Head of Finance has examined other permitted sources of income under the College Investments Policy and the implication of early redemption of the College's loans. Her report is covered under item 9 of this meeting. | |
| **4** | **Finance Report – May 2014**<br>A reconciliation of the theoretical Fee income for 2013/14 and actual fees received has been undertaken and no significant shortfall has been identified. This requires further work and confirmation that the system of identifying fee income due is watertight. This will be pursued before the end of 2014.<br><br>An update on cash flow is provided for in item 6 below. | DJHowells |
| **5** | **College Budget 2014/15 and Financial Forecast**<br>The content of non-pay costs was provided for within the budget and forecast paper to the Corporation at the 17 July 2014.<br><br>Commentary to Table 1 (Income and Expenditure) 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 financial objectives was added prior to presenting the Budget and Forecast to the Corporation at the 17 July 2014 meeting.<br><br>Borrowing reserves and the gearing ratio and the impact on banking covenants has been revisited. Further details are reported under item 6 of this meeting.<br><br>Item 8 of this meeting includes the action for the Deputy Principal to put the next three years into context and to indicate where further cost savings could be achieved.<br><br>The Committee put forward a recommendation to the Corporation to approve the 2014/15 Budget and Financial Forecast at the 17 July 2014 meeting. | |

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**6 Income Maximisation and Cost Reduction 2016/17**

Members agreed that this report will remain as a standard agenda item, even if there is nothing to report, to track the progress of the opportunities to maximise income and reduce costs.

The report includes how the College is improving Employer Engagement as this is an area absolutely crucial for the College in the future.

**7 Key Performance Indicators**

The RAG rating of the Budget to Forecast KPI has been changed so that Red equals expenditure above budget and Green equals expenditure below budget.

**8 Property Strategy**

The Corporation approved the Property Strategy at the 17 July 2014 meeting.

**Other matters arising raised**

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

- The review of non-pay cost items has been completed by the Deputy Principal. Members had asked that a review took place at the start of the academic year and non-pay costs scaled back where possible. Two months' of consumable budgets (£60K) were held back and meetings held with budget holders to identify where further savings could be achieved. Further work is ongoing and a report will be brought to the Committee after the Senior Management Team has looked at the big ticket items. DJHowells

**4 Committee Terms of Reference**

Each Committee is asked at their first meeting of the academic year to review and approve its Terms of Reference. Due to the changes of governance arrangements and scrutiny of the Financial Regulations the Terms of Reference for this Committee are proposed to change. Terms have been included to cover requirements of the Committee that are detailed in the Financial Regulations such as the requirement to consider and recommend an annual capital budget, major developments in excess of £50K or monitor the performance of contracts in excess of £50K for building works and/or the replacement of equipment. Subsequent to circulating the proposed changes a member suggested further amendments that the Committee agreed in essence do not alter the substance of the original tracked changes. In addition members agreed to delete the second, third and fourth purpose statements as the content of these statements are covered in the actual terms of reference and each term is to be numbered. The word 'estate' will be inserted to the remaining purpose statement between the words 'resources' and 'and assets' to read 'resources, estate and assets of the College'. It was further agreed that the quorum for meetings of the Committee shall be three when advising or making recommendations to the Corporation and; whichever shall be the greater of three or one half (rounded up) of the total membership of the Committee when exercising delegated powers. Powers of the Committee will therefore be Advisory and such specific delegated powers granted by resolution of the Corporation. Subject to these amendments the Terms of Reference will be recommended to the Corporation for approval at the 12 December 2014 meeting. JBridges

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**Finance Items**

**5 Financial Regulations**

Members received a summary of the changes that have been proposed following the annual review of the College Financial Regulations. The list attached to the report (page 4) has been extracted to confirm the contracts awarded over the value of £50K in the 2013/14 academic year. In future the Committee will receive a report at each meeting (if necessary) covering the Committee's responsibility to approve such contracts.

In section 10.3 the level of expenditure not included in the budget has been lowered to £10K in order to minimise an adverse variation to the approved net revenue budget. The Chair confirmed that it is not the intention of the Committee to hinder the managements' ability to make unbudgeted expenditure and recognised that the lower level proposed may delay or restrict expenditure that could potentially create additional income. It was noted that provision in the Financial Regulations to make urgent decisions is delegated to the Chair (or Vice Chair) of the Corporation in consultation with the Chair (or Vice Chair) of the Committee but as the Deputy Principal pointed out this could be a very frequent request in practice. The Deputy Principal will analyse the budget lines where expenditure not included in the budget has exceeded £10K. A review of this section will be carried out and a form of words agreed for proposal to the Committee at the 26 November 2014 meeting. DJHowells JBridges

The monitoring of contracts section (17.8) has also been extended to include contracts for maintenance, improvement or replacement of buildings, building components, assets or equipment and sets an approval level of £50K of the Committee and the Corporation. The Chair of the Committee has a form of report in mind and proposes to put forward a template report to members for consideration at the 26 November 2014 meeting. SClarke

With regard to regulation 21.2c paragraph 2, the SFA has confirmed that no consent from them is necessary to vet the formation of subsidiary companies but it is not confirmed if a requirement exists to have financial years that have the same year end as stated in the fifth paragraph of this section. The SFA have advised that they will find out and will advise the College.

Members agreed therefore that further review of sections 10.3 and 21.2c are to be carried out and the Financial Regulations presented for consideration by the Committee again at the 26 November 2014 meeting. JBridges

**6 Finance Report – September 2014**

The accounts produced are for the two months to the end of September 2014. Income has been accrued to budget for the SFA and EFA. Accurate information on funding generated by student recruitment or work placed activity is not determined until the first funding return is made in November so a number of assumptions are made with regard to income.

EFA income (16-18) relies upon the College recruiting the funding target of 2808 which is likely to be achieved by the year end therefore it has been assumed that two twelfths of the full funding allocation has been achieved within the first two months. Similarly with SFA 16-18s if no more apprentices are recruited in the year the funding allocation will not be achieved. Currently we are profiling where we are at the moment against previous years recruitment so that an assumption of outturn can be forecast. Front loading Functional Skills will give the College better control over the year end outturn as will closer monitoring of the Adult Skills Budget and

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bringing end dates forward so achievement is at the end of June or August and not in July. This will give us more detail of the progress in the year and forecast impact on the year end outturn.

Fee income is below budget. This is an area difficult to reconcile against student numbers as circumstances can be so different; some are self-funded, part funded by the employer or fully funded. Fee income has been achieved in the last two years and there is some confidence that the College is not thousands of pounds adrift from the assumption made for the first two months and therefore it is reasonable to expect that fee income in the year will be achieved.

Full cost courses were significantly below budget last year. The budget remains the same this academic year and it is expected that with the investment in Ipswich the target will be achieved. Business is increasing in Ipswich through the Develop Anglia Brand and delivery of ESOL courses with contacts such as SCC FMS (Facilities Management Services).

Staffing costs overall are under budget for the two months due to a number of carried vacancies, although appointments in the coming months will reduce the savings made. A more realistic position will be available after the half term and when planned vacancies have been filled. Members expressed concern that the College may be cutting it too fine with the number of carried vacancies and questioned how vacancies are covered and/or are to be filled. The Principal confirmed that the 'fat has been taken away'. There are areas where staff had not been appropriately deployed or instances where staff were under deployed and additional staff (hourly paid) contracted. This practice has been stopped and the target of 65% or less staff cost to income set. Admittedly there are some areas where recruitment is needed and we are in a period now of assessing what and where we need the resource so that investment can be made rather than looking at how it can be made leaner.

Spending on premises costs is to be reviewed. Work is being done to phase the maintenance spend so that we can understand how much of the premises costs need to be spent and how much is available for reorganisation and cosmetic works. This will be looked at and findings brought back to the Committee. DJHowells

Cash balances are up which is an improvement from the year end. The cash flow statement provided in the report shows the peaks and troughs of forecast cash balances in the year detailing the lowest points in the year as February and March but this is still above the minimum cash requirement of 35 days in hand.

**7 Key Performance Indicators**

It is too early in the academic year to draw any conclusions from the financial performance year to date. Student enrolment 16-18 classroom based is under target. There will be additional 16-18 enrolments during the year and aggregation as students on more than one part time programme accumulate enough hours to quality as full time. Modelling against prior years indicates that the target of 2808 should be achieved by July 2015. Members asked if early intervention with students is taking place so that they know that there is a future here for them. The Deputy Principal confirmed that intervention has helped a number of students to either move onto an apprenticeship or a more appropriate course. Without this intervention they almost probably would have withdrawn from their course and left the College. The Assistant Principal, Student Support takes responsibility for ensuring that all learners and their progress is monitored and acted upon. Analysis of the impact the creation of

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this post has had to student retention, achievement and their success is to be reported to the Standards and Excellence Committee in the year.

Staff costs as a percentage of normal operating income are 4.7% below target due to a number of carried vacancies in August and September that will contribute to the savings made to date.

A forecast deficit in 2016/17 will mean that, without additional income or expenditure savings, the College will breach the banking covenant to achieve a surplus in every three year period. A Red RAG rating was applied to this section of the report. The following item of the agenda outlines the strategies designed to increase income and/or reduce costs during that period and thereby balance the budget or produce small surpluses against forecast deficit in the year.

**8 Income Maximisation and Cost Reduction Update**

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

**9 Treasury Management and Investments Report**

The Bank of England's Base Rate remains at 0.5%. This rate has remained unchanged since March 2009 and continues to limit the College's ability to earn interest on deposits. In the past the College has chosen to deposit its surplus cash balances with low risk investments, an approach also adopted by the Local Authority but using major UK banks and on occasion Irish banks. Interests rates earned are very similar to those that the College has achieved and it should be recognised that moving money between banks on a regular basis attracts extra costs and interest could be lost in transit. The Committee agreed the proposal to continue to monitor interest rates paid by other major UK banks but that the College's first choice for cash balance deposits remains with its current banking provider.

An analysis of the loans as at 31 July 2014 was provided in the report. It was noted that the loan with 6.195% interest rate is fixed until 2018 and then variable. The Committee agreed that having regard to the penalty required by the bank early repayment of the loan should not be pursued. The table of information in the report will be updated to specify this level of detail. The College remains compliant with the bank covenants concerning these loans. PEwan

**10 Year End Outturn 2013/14**

The accounts show an operating surplus before prior year and pension adjustments. These adjustments should result in a published deficit in the order of £7K although this has yet to be finalised. The operating surplus is considerably less than the forecast surplus due to decisions made concerning minor works over the summer that had not been planned when the forecast was done in May 2014 and a number of other major variances detailed in the report.

Decisions made after the May 2014 forecast to refurbish the Library, purchase additional furniture, network, cabling and electrical works impacted the outturn. The biggest impact was line 1.16 non-pay costs which includes approximately £200K of additional costs relating to the additional grant income in line 1.08, and also includes £90K worth of non-reclaimable VAT, which is more than anticipated as well as additional investment in IT infrastructure.

Members recognised that a reporting vacuum has appeared between the May 2014 forecast position and the outturn. It was suggested that we need to better

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| | plan and think about how collectively we can plan for decisions to be made that will impact the outturn, perhaps this could be achieved through a contingency provision or communicating with members where costs/proposals could potentially impact. This could be achieved via electronic meetings for example. There are lessons to be learned from this experience and while members recognised that the right decisions for improvement were made for the right reasons communication with the Committee is important. | |
| | The Deputy Principal was asked to contact the bank to clarify the definition of the surplus covenant and specifically whether the impact of pension adjustments was included in the surplus calculation.. | DJHowells |
| | As soon as draft Accounts and Financial Statements are prepared these will be forwarded to the Chair for review prior to presenting to the Committee for consideration at the 26 November 2014 meeting. | DJHowells |
| | **Property Items** | |
| 11 | **Property Update**<br>***Biomass Boilers*** - The Biomass project is currently running three weeks late due to a delay in the delivery of the boilers. Heating is to be commissioned next week and is anticipated to be fully operational within two weeks. | |
| | ***Maintenance Plans*** - Department managers have been supplied with a template to schedule equipment in use in their areas. This will be used to co-ordinate maintenance needs and responsibility for arranging servicing. Members asked to view the plans that are available at the 26 November 2014 meeting. | DJHowells |
| 12 | **Capital Programme and Budget**<br>The Chair intends to develop a template report with the Deputy Principal for contracts and capital programmes that can be used to help the Committee to plan for and monitor proposed capital projects and detail a programme of works for this academic year. | SClarke<br>DJHowells |
| 13 | **Any other business**<br>***Case of Fraud***<br>*Confidential item under paragraph 18(2) of the Instrument and Articles of Government* | |
| | ***SFA Financial Health***<br>The SFA has concluded that the appropriate assessment grade is Good for 2013/14 (the latest outturn forecast year) and Good for 2014/15 (the current budget year). The concept of an underlying financial health grade is based on a college's grades for the immediate past and current years. The SFA has concluded that the underlying grade for West Suffolk College is Good. | |
| | ***FE Commissioner Letter (June 2014)***<br>Governors have previously received a copy of the Commissioner's letter dated June 2014. Members commented that they found the content of the letter useful and reassurance that the College is above the levels of performance and standards expected. | |
| | **Date of next meeting**<br>Wednesday 26 November 2014 at 4.00pm. Room TG1.16 | |

The meeting closed at 6.15pm