

Minutes of the meeting held at 9.30am on 3 July 2015

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

In Attendance: **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.

1 Apologies for absence

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

2 Minutes of the meeting held on 27 May 2015

The minutes of the meeting were agreed as a correct record subject to amending the word 'have' to 'has' under item 2 of matters arising and amending the end of the second sentence under item 12 to read 'leaving the College with a maximum contribution of £33K'.

3 Matters Arising from the meeting held on 27 May 2015

2 Minutes of the meeting held on 26 February 2015

The minutes have been amended as requested.

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 August 2015. Date to be confirmed.

3 Matters Arising – Finance Report January 2015

A report has been prepared to detail the minimum cash requirement at any given time of the year. This is covered under item 5 of the meeting.

3 Matters Arising – Property Update

The Committee took a tour of the campus on 22 June 2015.

4 Finance Report – April 2015

A detailed review of overtime has been not undertaken but a brief review shows £30K of overtime was against budget lines with no overtime budget and Estates budgets have been exceeded due to extra work requested.

5 Key Performance Indicators

The yellow RAG rate indicator to highlight the potential risk in future years to fall into deficit and breach the banking covenant has been reinstated to the report.

6 Asset Maintenance and Replacement Plan

The position of the maintenance inventories and schedules has been added as a highlighted area in the Committee Chair's Summary report to the Corporation for the 17 July 2015 meeting.

Action

JBridges

JBridges

8 Full Time Applications 2015/16

The applications report is covered under item 7 of the meeting.

9 Treasury Management Report

A review of banking arrangements has taken place and a report is discussed under item 3.i of the meeting.

10 Major Property Acquisition – LEP

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

12 Any other business

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

3.i Banking Arrangements Review

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

Finance Items

4 Finance Report – May 2015

The accounts show a surplus for the ten months to the end of May 2015 of just under £47K compared to a budgeted deficit at this period of £750K. The year-end forecast is at £109K which is just above budget and conservative. Income is forecast to be slightly short of budget at the year end and takes account of a likely provision for clawback for adult skills budget of £110K and a provision for clawback of 16-18 apprenticeships of £179K. Full cost course performance is still significantly behind budget, other grants is reduced by £73K to reflect a reduced amount released to income from deferred capital grants and miscellaneous income shortfall is principally due to the loss of the national careers contract and reduced shop and carpark income.

Cash balances have increased in the month of May 2015 to £5.6m due in the main to higher receipts from the EFA of £1.4m and from UCS of £954K. The cashflow statement shows that the actual cash balances for May 2015 are very similar to the budgeted cash balances. A conservative forecast of cash indicates that it will be just short of £5m; lower than previously forecast. It was noted that the cashflow forecast is duplicated in the Key Performance Indicator report to the Committee. It was therefore agreed that cashflow will not be required to be reported in future as part of the finance report.

5 Minimum Cash Requirements/Cash Flow

The first cashflow diagram in the report is as reported in the management accounts for May 2015. The second diagram shows the daily fluctuations of the cash balance as income comes in and expenditure goes out. The minimum cash balance at the lowest point occurs in April at just above £3m. To add in some flexibility to allow for possible movement in dates, an adjustment of £500K would be prudent therefore providing a £2.5m surplus balance available to place on deposit and/or to use to finance short term asset acquisition.

6 Key Performance Indicators

The actual number of 16-18 students for 2014/15 is 2,820 against a funding target of 2,808. There are some learners in this number that will not contribute to the funding in 2015/16 due to issues with English and Maths but the number is not significant.

As reported under item 4 above the forecast is greater than budget however forecast income is slightly down and total forecast expenditure is slightly better than budget.

Staffing costs to a percentage of normal operational income are forecast at 64.4% but are slightly above the 65% target (65.1%) year to date.

Members agreed that the amber indicator under banking covenants is to be changed to read 'within 20% or £250K of non-compliance (surplus covenant)'. It was further noted that covenant requirement refers to historic cost surplus as opposed to operational/trading surplus as currently reported. For consistency it was agreed that the requirement will continue to be applied until the accounts for this year are audited, after which the KPI will be adjusted.

PEwan

The Vice Principal, Finance and Resources was tasked to establish why year end forecast cash reserves for this year are £5m and £5m again in 2015/16. It would be expected that cash reserves increase over time if the college remains in surplus due to the level of non cash items included in expenditure such as depreciation but there may be reasons to account for this, for example purchasing capital items. The Vice Principal, Finance and Resources will investigate and confirm.

SJones

7 Full Time Applications 2015/16

The schedule shows that the College has 3,297 active applications for full time courses starting in September 2015 (this includes 16-18 and 19+) and 2,720 of those have been offered courses following the interview process. A further 154 are awaiting interview and if all of those convert to offers this will make a total of 2,823.

8 College Budget 2015/16 and Financial Forecast

The budget brought to the May 2015 meeting of the Committee showed a planned surplus for the year of £201,752 and the proposal is to reduce this to £166,852 further to a thorough review of all budget lines. Both the 2015/16 budget and the 2015-18 financial forecast require approval of the Corporation at the 17 July 2015 in order to be submitted to the SFA by the deadline of 31 July 2015.

The five financial objectives have been modified slightly and the key assumptions in consideration of the budget detailed in the report. It was noted that the impact of the College's sponsorship of Suffolk ONE has not been accounted for in the budget or SFA financial plan and the budget does not include any figures for the LEP grant and procurement of a site for an engineering centre due to a number of uncertainties around amounts and timing; by including them it was felt would distract from the core operations of the College. When greater clarity on those projects is determined a revised plan can come back to the Committee.

EFA and SFA income has been budgeted based on the allocations provided by both the EFA and SFA with the exception of 24+ Loans where the allocation of £1.4m is unlikely to be achieved and therefore an amount of £600K has been budgeted for. HE income is budgeted to increase based on growth in student numbers and staffing costs include provision for incremental increases and a non-consolidated (one off) pay award of 1% with effect from 1 August 2015. It was noted that approval of the Committee to make the award was not required as the Principal has been authorised by the former Finance and Property Committee in July 2014, with agreement of the Corporation, to negotiate a staff pay increase up to the provision of a 2.1% award spread equally over three years (2014/15 to 2016/17).

The budget also includes significant cost increases in respect of National Insurance and pension contributions during 2015/16 and modest increases of 0.8% included for 2017 and 2018 non-pay costs which is above current inflation (0.1%) but below the Bank of England target of 2%.

The proposed capital budget remains at £130K for 2015/16 for equipment not buildings. Members asked the Vice Principal, Finance and Resources to verify the £60K land and building additions in 2015/16 under schedule 2a of the financial plan. It was confirmed that the sum was allocated for the new provision at Newmarket. The Committee agreed therefore that the total capital budget planned for 2015/16 was £190K, not £130K as reported.

The financial plan shows a reduced surplus in 2015/16 and moderate increase the following year. It was noted that the staffing cost to income ratio (table 4) increases to over 67% next year and the two years thereafter. Management teams have been challenged to reduce staffing costs down to 65% or lower without implementing redundancies.

With the figures as they are, the SFA formula still calculates the College's financial health as Good and then increasing to Outstanding in 2016/17. Subject to amending the fourth financial objective to state the minimum cash days in hand as 35 instead of 40, the Committee agreed to recommend the budget and financial forecast to the Corporation at the 17 July 2015 meeting.

SClarke

9 Depreciation Proposal – May 2015

Members considered the proposal to create a new category for Plant and Machinery which has a longer useful life of 20 years and depreciate those assets over the 20 years.

The cost of biomass boilers is currently depreciated over 8 years but it would be more relevant to depreciate over 20 years which is the anticipated useful economic life of this asset. Advice has been taken from External Auditors and their opinion is that it is reasonable to apply this approach to this asset for this financial year. This will reduce the cost of depreciation for the biomass boilers by approximately £90K per annum and there will be five months depreciation included in the accounts for the year ending 31 July 2015. The Committee approved the proposal to create a new category for Plant and Machinery with a useful economic life of 20 years.

10 2015/16 Insurance Renewal

The award of contracts over £50K are to be approved by the Resources Committee. It is recommended that insurance arrangements for 2015/16 remain with current Brokers who have not only offered a saving on premium but insurers offer rate stability for the next three years (to 31 July 2018). The Committee approved the contract.

Property Items

11 Property Acquisition Proposal – LEP

Confidential item under paragraph 18(2) of the instrument and articles of government

12 Property Update

The summer works detailed in the paper total £270K. £50K is to be funded from the minor works budget, £150K SFA Capital Grant and £70K over provision for clawback. The proposal leaves £100K of clawback provision unallocated that will

be brought into revenue to add to the existing forecast surplus so there is flexibility in the accounts to utilise. The Committee approved to proceed with the summer works as detailed.

13 Any other business

The EFA has approached the College concerning the Inroads education service based in Stowmarket that caters for individuals from the age of 16+ and offers bespoke, community and classroom based education curriculum. The organisation recently had an Ofsted inspection and was graded inadequate. There are 17 high need learners that the EFA would like to transfer to the College. The funding contract has a value of £400K and will be delivered through an offsite collaborative provision (franchise) contract/agreement.

The Financial Regulations require the approval of the Committee for non-budgeted items that exceed £10K cost. The College proposes to purchase approximately 130 tablet/laptop devices at a cost of £21K plus VAT. The devices have a useful life of 2-3 years. The Committee approved the purchase based on the positive outturn forecast.

On behalf of the Committee the Chair thanked A Gordon-Stables for his commitment and valued contribution to the work of the Committee since joining the College as a Governor in 1989.

Date of next meeting

Wednesday 4 November 2015 at 4.00pm. Room TG1.16

The meeting closed at 11.55am