

**Minutes of the meeting held at 2.00pm on 10 March 2016**

**Present:**                **S Clarke (Chair)**                                **D Wildridge (Vice Chair)**  
                                 **R Carter**    **S Gerber**  
                                 **C Higgins**    **N Savvas**

**In Attendance:**   **S Jones, Vice Principal Finance and Resources**  
                                 **L Moody, Vice Principal Employer Engagement**  
                                 **P Ewan, Head of Finance**  
                                 **J Bridges, Clerk to the Corporation (Virtual Connection)**

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

- 1      Apologies for absence**  
There were no apologies for absence.
  
- 2      Minutes of the meetings held on**
  - i.    2 December 2015**  
The minutes of the meeting were agreed as a correct record.
  
  - ii.  17 December 2015**  
The minutes of the meeting were agreed as a correct record.
  
- 3      Matters Arising from the meetings held on 2 and 17 December 2015 meetings**
  - 2 December 2015**
    - 2    Minutes of the meeting held on 4 November 2015**  
The minutes have been amended as recorded.
  
    - 3    Matters Arising – NALEP Property Acquisition Update**  
An additional meeting of the Committee was convened and held on 17 December 2015. All governors were invited to attend.  
  
A budget to detail the costs to the College during the initial stage of the project was provided in the summary report at the 17 December 2015 additional meeting of the Committee.
  
- 3      Key Performance Indicators**  
The Committee received the details in the summary report at the 17 December 2015 meeting to show the impact on the KPIs of the LEP property acquisition.
  
- 4      Finance Report – October 2015**  
The Finance Report has been amended to show the previous month's risk rating and movement to highlight changes rather than use a note underneath the accounts to explain that teaching costs are unlikely to return to green status for the year end.
  
- 7      Audited Accounts for the year ended 31 July 2015**  
A note was included in the accounts under loans to explain why the total of loans did not agree with the outstanding amount on loans.

**Action**

The decision was made not to reference Mildenhall in the future developments section of the OFR where the other local learning centres were referenced as provision from Mildenhall is reducing not developing.

The Corporation approved the Report and Financial Statements for the year ended 31 July 2015 at the 11 December 2015 meeting.

**8 FRS102**

The 2014/15 Accounts must be prepared in FRS102 format in order to form the comparative year in the new format. Once clarification on the format of accounts is received from the AoC these figures will be drawn up and reviewed by external audit.

**10 LEP Growth Fund Draft Heads of Terms**

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

The Corporation approved that the application of the Seal could be delegated to the Vice Principal Finance and Resources at the 11 December 2015 meeting if the completion of the purchase was to take place after 18 December 2015 due to her annual leave.

The availability of the Chair and Vice Chair of the Corporation to sign the legal documentation prior to Christmas was ascertained.

**11 Asset Maintenance Schedule**

The schedule has been renamed as the Plant and Machinery Schedule.

**12 Committee Self Evaluation Results**

The Chair of the Committee met with the Clerk on 6 January 2016 to discuss the results of the Evaluation. The Committee received a report that detailed the outcome. It was noted that the delegation of limits is picked up in the review of the Financial Regulations and the Chair is actively seeking the appointment of a Financially qualified governor to join the membership of the Committee.

**14.ii Any other business – Shared Services**

Shared services has been deferred as an agenda item. The Chair of the Committee has discussed the topic with the Vice Principal Finance and Resources.

***17 December 2015 – Additional meeting of the Committee***

**4 Legal Report**

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

**5 Risk Register**

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

**Finance Items**

**4 Borrowing Arrangements Recommendation**

The Committee was briefed about the recent market test of the College's existing loan book and potential future borrowings as a consequence of the reduction in cash caused by the purchase of Suffolk One and the College's financial commitment to the NALEP project on the identified site.

In summary Finalysis was engaged to assist in putting together and managing a tender document and process, providing banking expertise for the College as part of this. Only two of the five banks responded; Lloyds and Santander. The other three were not in a position to respond to the needs of the education sector at this time.

Banks were asked to provide a proposal which offered; a better value alternative to the College's three existing loans; a £1.5m fixed rate loan (to replenish the College's cash reserves following the acquisition of Suffolk One); and a revolving credit facility (RCF) of up to £1.4m some of which would potentially crystallise into a further fixed term loan.

A new loan to replenish cash reserves following the acquisition of Suffolk One could cost the College over £600K in interest over a 20 year period and even more if base rates go up. The College currently receives £80K per annum from Suffolk One for the use of the premises so the suggestion is that if the College can withstand not taking a loan then it should.

Of the three existing loans, £3.1m is a variable rate loan at 1.5% over LIBOR and the other two are fixed at 6.195% and 2.345% on approximately £2m and £2.5m respectively. Although the first of the fixed rate loans is at a high percentage, the cost of the breakage alone would exceed the cost of interest for the period from September 2016 to the fixed rate maturity in June 2018. Lloyds have offered a "blend and extend" rate at 3.3857% which clearly is lower than the 6.195% but this would require a further fixed commitment, likely to be five years minimally. Given than it is anticipated that variable rates are likely to remain low certainly for the medium term it was agreed that no change in arrangement would be made but the position reviewed leading up to the 6.195% rate expiration in June 2018.

Whilst a revolving credit facility provides a flexible financing vehicle for a project such as the Engineering and Innovation Centre, this flexibility comes at a cost. Currently although the LEP project as agreed on the basis of a gradual project over 5 years, the combination of the logistical and cost benefits of a more compressed works programme make a shorter project more attractive. Depending on the LEP's ability to fund such a proposal, if it happened it would make the use of an RCF less necessary and the use of straightforward capital and interest loan of more interest and affordability. It is therefore suggested that no revolving facility be taken on but that a fixed term rate for a loan of circa £1m be considered but that a decision is not required to be made now until more clarity is available about the timescale of the LEP project.

It was agreed that the College's cash flow position is unlikely to be affected short terms and that any future project or potential merger unlikely to necessitate a loan at this time. The Committee however insisted that close monitoring of the College cash flow will be paramount until such time as the Committee needs to reconsider its loan arrangements. Cash flow will feature as an agenda item for the May and July meetings of the Committee.

The Committee agreed that it will report to the Corporation at the 18 March 2016 meeting that as a consequence of the review of our banking arrangements it is agreed that the proposals are not to be pursued at this time.

JBridges

SClarke

**5 Financial Regulations Review**

The Financial Regulations are reviewed annually to ensure that they remain relevant and up to date and where required are modified accordingly.

There are no significant changes proposed to the regulations but in summary, with the exception of some minor clarifications and elaborations the two principal changes proposed relate to capital projects (section 9.5), and unbudgeted expenditure (section 10.3).

Subsequent to the proposed changes concerning capital projects it was suggested that the word 'prior' be inserted to the paragraph commencing 'The Director of Finance will also establish procedures....' on page 16 so that the section read "and where this affects the College's funding contribution that this is highlighted and the prior approval of the Resources Committee is obtained as below". The Vice Principal Finance and Resources was asked to consider the consequences of this insertion as members were mindful that necessary capital budgeted purchases would be required and therefore they did not want to restrict the ability by insisting that the Committee have approval prior to any purchase. Subject to this consideration the Committee agreed the amendments and approved the document. A recommendation to approve the amended Financial Regulations will be put to the Corporation at the 18 March 2016 meeting.

SJones

SJones

**6 Full Time Applications 2016/17**

The report provided an update regarding full time student applications for 2016/17 based on funding targets for the year benchmarked against prior year applications.

The funding allocation for 2016/17 is 2,892 compared to 2,839 in 2015/16; an increase of 53 students which will realise additional income.

Applications and offers compared to the previous year are significantly up and this is as a consequence of a number of key improvement strategies that have enabled swifter application processes for students.

Members expressed their concern that the number of applications for Automotive courses are down comparatively but recognised that targeted marketing is in place. The College is also looking at the curriculum offer to ensure that the right course is available to the right student and how progression onto apprenticeships can be expedited.

For clarification it was noted that Inroads is the inadequate provision that the EFA and the County Council approached the College to improve. The College receives the income and subcontracts the provision to SENDAT in return for a small contribution. It was noted that the quality of the provision is already much improved.

The Vice Principal Finance and Resources was asked to provide the Committee with a report on HE applications at the meeting to be held in May 2016.

SJones

**7 Finance Report – January 2016**

The Committee was informed of an issue concerning 16-18 apprenticeship funding. Despite apprenticeships being a high profile target set by the government, the DfE appears to have some budgetary challenges and some concern has been raised in the sector about the funding for 16-18 apprenticeship

activity above allocation. It is expected that the position will be clarified in the wake of the Chancellor's budget statement. The financial forecast is to be revised to ascertain the potential impact for the College.

SJones

The Committee raised concern that line 1.06 Full Cost Courses remains behind budget. A significant marketing campaign has been launched and this has provided a marked increase in the number of bookings for gas and oil provision which should be recognised in the next Financial Report to the Committee. The active marketing and renewed sense of urgency to make headway against the shortfall in budget is likely to produce a £50K forecast deficit against the £500K. The recent change in management is realising an improved income position in just one month so there is some confidence that income will increase against this optimistic budget line. The Committee will be informed of progress against the budget at the meeting to be held in May 2016.

SJones

There were no other issues arising from the report.

## **8 Key Performance Indicators**

As per the R07 return funded enrolments are now at 2,808 against the 2,839 funding target. There are new enrolments each month due to Traineeships, Prince's Trust, Inspire, and also this month three transfers in from other Colleges so the target enrolment numbers should be achieved.

It was noted that the total expenditure budget to forecast is slightly above budget (by £2,111K) and therefore is RAG rated Red. The Vice Principal Finance and Resources confirmed that this was as a consequence of the sub contracted work referred to above.

It was noted that all banking covenants are compliant. The Head of Finance is waiting for written confirmation from Lloyds on the aspects of the banking covenants and these are to be shared with the Committee when received.

SJones

The Committee raised concern that the current cash position shows the balance dipping (in January 2016) below the minimum cash requirement which is members assumed to be the minimum amount of cash required in order to avoid going overdrawn at the bank when cash flow during the year is at its lowest. The Vice Principal Finance and Resources advised that this was not the purpose of the minimum cash requirement line in its current position. While it was recognised that cash balances dipped in January below the minimum cash requirement line of £2.6m the actual cash balance sat at £2.1m so all financial commitments could still be met. There would clearly be more concern if actual/forecast cash balances were at or predicted to be much lower and closer to zero. Members asked that more analysis is undertaken in order to provide the Committee with the assurance that cash balances throughout the year are always sufficient. The Vice Principal Finance and Resources agreed to review how best to calculate the position of the minimum cash requirement line to meet the Committee's requirement.

SJones

## **9 Sub Contract Provision**

It was important to note that under SFA funding rules subcontracted provision has for the first time been subject to independent external audit at the expense of the College. This took place in January 2016. A subcontractor controls report has been produced with no major issues identified.

Members were alerted to the concerns surrounding Central Veterinary Services and were pleased to learn that the relationship with them has been terminated positively.

The College has been given notice that the Papworth Trust site in Bury St Edmunds is due to close at the end of February 2016 so provision will not continue. We are supporting the tutor to successfully complete the 22 active learners who are on track to complete and achieve their programme of learning prior to closure. The anticipated success rate is 93% which is well above the national rate.

The West Suffolk NHS Hospital Trust subcontract agreement with the College was terminated at the end of December 2015. However the highly successful collaborative working arrangement will continue as all learners have successfully transferred to the College with the knowledge element of the framework still being taught at the hospital's training centre under a new Service Level Agreement with the College.

Members were pleased to learn that a large number of training providers have approached the College wishing to join under a subcontract agreement. Only a few have passed the due diligence process.

**10 SFA and EFA Funding Allocations**

The SFA allocation has yet to be confirmed. The EFA allocation has been received and shows an improved income of £580K as a result of increased student numbers and the mix of funding band. There will however be new financial pressures on the budget in 2016/17 as the full year effect of employers rebate removal comes into play as well as increased pension contributions.

**Property Items**

**11 Property Update**

It was noted that the meeting scheduled to be held with the project manager of the Borough Council about the masterplan for the Western Way Industrial Estate has been rescheduled for Monday 14 March 2016.

The Project Manager post for the Engineering and Innovation Centre is out to advert with interviews to be held later this month.

There were no other issues arising from the report.

**12 Property Task and Finish Group**

The Committee was asked to consider establishing a Task and Finish Group to progress the STEM and Innovation Centre project and College Property Strategy. Draft Terms of Reference were considered by members and it was agreed that subject to inserting an additional term to enable the group to agree the award of contracts or sub contracts for the project between the value of £50K and £1m and within the overall project budget, a recommendation will be put to the Corporation at the 18 March 2016 meeting to establish the Task and Finish Group. All members of the Corporation will be invited to join the membership of the group. Initial expressions of interest from the Resources Committee were received from R Carter, S Gerber and C Higgins.

**13 Committee Meeting Times**

The Clerk to the Corporation will arrange for meetings to continue to be scheduled for a Wednesday at 4.00pm.

JBridges



**14 Any other business**

Each year all FE College are required to submit a financial plan and a return called the Finance Record. The SFA uses these documents to assess the financial health of College and confirms the outcome of this assessment in writing.

The College has just received this assessment and the headline assessment is that the College's financial health for 2014/15 is classified as "Good" and the underlying financial health grade is also classified as "Good".

The letter from the SFA sets out the source data that the grades are based upon which in essence is the financial plan submitted in July 2015 and the audited financial statements for the year ended July 2015 which were submitted to the SFA in December 2015.

Two grades are created by the SFA; financial health and underlying financial health although it is not entirely clear what the exact difference between the two are, since the letter from the SFA says that both grades are based on the same thing. As it happens both are graded "Good" but it was noted that further enquiries will be undertaken to clarify what the difference is between the two financial health categories.

SJones

**Date of next meeting**

Wednesday 25 May 2016 at 4.00pm. Room TG1.16

The meeting closed at 3.55pm