

Minutes of the meeting held at 2.00pm on 25 May 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
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 from members. Apologies were received from the Head of Finance, P Ewan.

- 2 Minutes of the meeting held on 10 March 2016**
The minutes of the meeting were agreed as a correct record subject to amending the word 'with' to 'which' in the sentence above item 4 on page 3 of the minutes.

- 3 Matters Arising from the meeting held on 10 March 2016**
- 4 Borrowing Arrangements Recommendation**
The Cash Flow KPI has been modified in the KPI report so this has not featured as a separate agenda item for the meeting as suggested.

The Corporation was informed at the meeting held on 18 March 2016 that the proposals are not to be pursued at this time.

- 5 Financial Regulations Review**
The capital projects section (page 16) of the Financial Regulations were amended as suggested and the Corporation subsequently approved the document at the meeting held on 18 March 2016.

- 6 Full Time Applications 2016/17**
The Committee received a report covering HE applications under agenda item 10 of this meeting.

- 7 Finance Report – January 2016**
It has been confirmed that 16-18 apprenticeship activity above allocation will be funded therefore the previous forecast reported still stands. The Committee received an update on progress against that budget line under the Finance Report and KPIs items of the agenda.

- 8 Key Performance Indicators**
The method of calculation and results concerning the aspects of banking covenants have been agreed by College Bankers, the team and the Relationship Manager. The details of this understanding and agreement are to be shared with the Committee by email.

The KPI report has been modified and how best to express the minimum cash requirement line incorporated into the report.

Action

JBridges

SJones

12 Property Task and Finish Group

The Corporation approved the formation of a Property Task and Finish Group at the meeting held on 18 March 2016.

14 Any other business

The SFA has confirmed that the difference between the grading's of Good financial health is that the underlying grade blends the data from the 2014/15 grade along with the budget in the 2015 financial plan (in this case the 2015/16 plan).

The work to prepare the accounts in FRS102 format is yet to be completed and will be undertaken for review by external auditors.

Finance Items

4 Finance Report – March 2016

The only notable material change between the accounts prepared to the end of March and those at the end of April is the reduced forecast outturn as the £50K shortfall on full cost work is unlikely to be achieved and has been amended to £100K. The increased shortfall is not all directly attributed to Gas and Oil underperformance against budget but it a contributory element. As soon as the monthly accounts are finalised for the month of April these are to be made available to the Committee by email.

SJones

L Moody joined the meeting at 4.10pm

Attention was drawn by members to three areas in the accounts with major variances from budget against forecast; overtime (185%); maternity and sickness costs (135%); and partner payments (454%). The Vice Principal Finance and Resources explained that the overspend on overtime is attributed to an overspill of additional hours to complete summer works. This work was carried out by Estates staff so although overtime was overspent as a consequence their efforts contributed to savings made on contractor expenses. Maternity and sickness costs are difficult to predict and in the year two managers have taken maternity leave thus pushing the costs up. Absence is equally as difficult to predict but effective changes in our absence management processes recently are likely to realise reduced absence costs going forward. The significant variance on partner payments relates directly to the contra subcontract income shown in line 1.04.

D Wildridge joined the meeting at 4.15pm

It was noted that from April onwards the cash paid was set to increase and in April the EFA paid £1.6m which compares to the cash paid in March of £670K. It is therefore expected that the bank balance will increase in relation to the increase cash profile payments.

Members recognised that the prior year end fixed assets sum of £42m is forecast at 2015/16 year end at just shy of £44m meaning that the £4m acquisition of the Vintens building has not been included, thus also impacting the forecast year end depreciation. This is to be reported in the next set of monthly management accounts to the Committee at the meeting to be held in June 2016.

SJones

The Committee noted that the forecast income for HE has been revised down by £100K further to revised forecasting following more detailed information from UCS. The revision has been extrapolated from MI information, student numbers and attrition rates and despite a transparent formula being used it is recognised that there are question marks around some elements such as bursary payments that the students should benefit from but under the current collaboration agreement

with UCS appear are not received yet are paid for by the College and/or deducted from income by UCS. Work is currently being undertaken to review the collaboration agreement with UCS in light of their university status changing with effect from 1 August 2016 as they become the University of Suffolk.

5 Key Performance Indicators

The Vice Principal Finance and Resources confirmed that the cash flow graph has been modified as requested by the Committee to show accurate tracking of forecast cash balances. The green minimum cash requirement line shows the fluctuations of cash movement based on 2014/15 cash balances and members noted that the red actual cash balance line should not stray too close to the green line as this would indicate a concern. The Committee observed that the blue line (the budget line) did not follow the pattern of the green or red lines and asked that following agreement to next year's budget this is adjusted so that it is mapped against the cyclical pattern based on trend of the previous years' cash movement. The Vice Principal Finance and Resources will look at this for future reporting.

SJones

The Committee was pleased to see from the report that the 16-18 funding allocation has been met as 2,839 students were enrolled. There will be a small number of students added during the last two months of the year so the outturn will be slightly greater than allocation.

The Committee discussed the suggestion of introducing a target surplus for the year. Members agreed that as a not for profit organisation the incentive to flatter the bottom line is from securing additional income from alternative income streams. Cash reserves are to increase by approximately £1m each year so this enables the College to build upon its cash reserves in order to invest in the future. The Vice Principal Finance and Resources was asked to give thought however as to how these strategic methods could be expressed as a financial objective in the College's financial annual report.

SJones

6 Sub Contract Provision

The Vice Principal Employer Engagement confirmed that those that are delivering apprenticeships are delivering outstanding results. There are some issues with some providers but there is confidence that the appropriate swift and decisive action is being taken.

There is a lot of uncertainty in the sector around apprenticeship funding next year and what the funding model will look like. Potentially this means that the College will be looking at managing 8 different funding models that come into effect in April 2017 and it is unlikely that anything will be subcontracted next year that is not an apprenticeship for SFA funding. Many employers are exercised about how they are to recoup their money through the levy and the College is engaging with as many as possible to ease and encourage them through the process.

Work has begun to run pilot schemes with a number of local employers. Work is also underway to model a direct relationship with the NHS Trust and a better working arrangement with West Suffolk Hospital has been brokered. This has improved our relations with the trust and potentially opened the door to other NHS hospitals who now consider WSC as their provider of choice for apprentices. Discussions are also underway with UCS around the provision of nursing apprenticeships and there may be opportunities to work in collaboration with the University although not exclusively.

The Committee was concerned to learn that the apprenticeship success rates of a provider are at 0%. The Vice Principal Employer Engagement confirmed that this contract involved just 3 learners and the quality issues were at a local level not national. No new starts with this provider are allowed until quality has significantly improved and the College is monitoring and working closely to provide the support to the practice and improve the quality of its provision.

It was noted that the approval of the Committee was not required concerning the subcontracting arrangement with the provider named in the report however the Committee did agree with the recommendation that once the learners have completed their programmes with the two identified subcontractors in the report the College would not work with them in the future.

7 Asset Maintenance and Replacement Plan

The Committee expressed their satisfaction that the asset maintenance plan is working well and is effective. They were pleased to note that no items are classified as Red RAG rated (out of a total of over 300 items) and that the 32 items for which service is due within the next three months are identified and flagged for service/maintenance work to be completed. This management tool now enables effective monitoring of asset maintenance and provides assurance that equipment is appropriately maintained and safe.

During the year a potential summer works list has been maintained for planning purposes and in addition this information has been supplemented by requests made by budget holders through the operational planning process. It is no surprise that the requests outweigh the available budget, but the College finances will accommodate unbudgeted work to some extent. The Committee received a first draft of the potential summer works list and were asked to consider the items and their associated priority. It was noted that the partitioning work at Sudbury currently prioritised as low is likely to be escalated to medium as an additional classroom at the centre will generate income with quick return on investment. The College will need to obtain the permission of the landlord to erect the partitioning and will be required to absorb the cost of their surveyor's fees (estimated at £800) before undertaking the work. The Committee agreed that the medium ranked priority to replace the asbestos pipe work under Edmund House needed to be carried out. The College holds a comprehensive asbestos register and is mindful of the need to manage the work efficiently and at minimal disruption to service, staff and students.

The Committee agreed that it is premature to approve all of the items listed and more work to determine the priorities is to be undertaken. The Chair has offered his help and support to the Vice Principal Finance and Resources to work through this with him if required before proposing what is affordable to take forward as part of the budget at the next meeting to be held in June 2016.

SJones

C Higgins left the meeting at 5.05pm

8 Draft Budget 2016/17

A detailed and consultative process has been undertaken this year through a new operational plan process which has informed the production of the draft budget 2016/17. The result of this process is a draft surplus budget of £151K which reflects the application of a draft capital budget during the year of £300K. A number of key assumptions have been made that determine how the final figure has been established. It is proposed that the discussion at this meeting will inform a review of the draft before bringing it back to the meeting to be held in

June 2016 accompanied by a 3 year forecast which is to be submitted to the SFA. Both documents require the approval of the Corporation further to the recommendation of the Committee.

The Vice Principal Finance and Resources was asked to provide more detail to the next meeting against the staffing cost lines so that the Committee could see proportionally where variances against previous years' budget lines have been made.

SJones

A frank discussion was held concerning full cost work and the management team were challenged to explain how this budget line would be achieved when governors were given the reassurance last year that investment would reap increased income yet the area is under budget and the forecast reduced. The Committee was assured that significant effort in the year has been undertaken to deliver the budget target in 2016/17. Further to a management change the Business Development Team has been restructured, processes have changed, people have changed, there is better planning and accountability and individuals working to individual targets. There is greater awareness, ownership and competition to succeed. Better engagement with employers so that we deliver what they want rather than stick to what has been delivered in the past and there is an appetite to find the business rather than wait for the business to come to us. The Committee remain sceptical but enthused that those who have responsibility have been tasked to deliver it so there is an expectation by the Committee in 2016/17 that this budget line will be achieved.

The Committee were pleased to see that the budgeted staff costs as a percentage of income stand at 66%, which is an improvement over the 68% of 2015/16. The Vice Principal Finance and Resources was tasked to show the impact of non-cash items if they are removed from the budget. This will be prepared for the meeting to be held in June 2016.

SJones

The agreement of the Committee for the Vice Principal Finance and Resources to continue the preparation of a budget resulting a small surplus of on/around £150K was provided and the final budget together with the 3 year forecast will be brought back to the Committee meeting to be held in June 2016.

SJones

9 Full Time Applications 2016/17

Although application numbers are below target compared with this time last year, the current number of offers (i.e. applicants that have applied and attended their interview) are substantially higher (525 more) than the same time the previous year. The challenge now is to convert all of these offers into enrolments and retain the students beyond the first six weeks of the start of the academic year. Conversion into enrolments historically has averaged at 75% but lots of work to improve the rate is taking place to provide students with a great experience at enrolment and induction to encourage students to stay the course. The Committee asked to receive an update on enrolments at the meeting to be held in June 2016. Due to timing and availability of enrolment data it was agreed that if necessary the report could be tabled.

SJones

10 HE Applications

As at 16 May 2016 there were 423 FTE applications compared to 412FTE on the same date the previous year. This is an increase of 11FTEs or 3%. The Committee asked to receive an update report at the meeting to be held in June 2016. The largest growth is in the computing curriculum area and the Committee questioned

SJones

if this growth can be sufficiently resourced. The Vice Principal Finance and Resources confirmed that accommodation will undoubtedly be tight however through clever timetabling capacity can be found and of course the Vintens building will significantly ease the stretch on classroom availability and other resource.

Property Items

11 Property Update

The College has appointed a Project Manager for the Vintens project. His background has been with Suffolk County Council, the Facilities Manager at Suffolk One and a career in Engineering so he's best placed and experienced to manage the project for the College. The Clerk is to convene the first meeting of the Property Task and Finish Group for the second week in July 2016.

JBridges

The Vice Principal Finance and Resources informed the Committee that the signature of the Chair of the Corporation will be required in order to comply with the Financial Regulations concerning lease and rent arrangements. This concerns the property that the College intends to lease from Havebury Housing to provide temporary accommodation to international staff the College has recruited.

The Principal reported that the College has submitted an expression of interest for £8m in response to the third round of GCGP and NALEP bids for potential capital funding.

12 Any other business

The Clerk will note the apologies of R Carter for the meeting to be held on 29 June 2016. It was noted that the meeting will commence at 4.00pm as planned rather than moving it to the proposed earlier time of 9.00am.

JBridges

Date of next meeting

Wednesday 29 June 2016 at 4.00pm. Room TG1.16

The meeting closed at 5.45pm