Governing Body
RESOURCES COMMITTEE

WEST SUFFOLK COLLEGE

Minutes of the meeting held at 4.00pm on 29 June 2016

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

In Attendance: **S Jones, Vice Principal Finance and Resources**
L Moody, Vice Principal Employer Engagement
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 R Carter. Apologies were also received from the Head of Finance, P Ewan.

2 Minutes of the meeting held on 25 May 2016

The minutes of the meeting were agreed as a correct record.

3 Matters Arising from the meeting held on 25 May 2016

2 ***Minutes of the meeting held on 10 March 2016***

The minutes have been amended as requested.

3 ***Matters Arising – 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 have been shared with the Committee by email.

4 ***Finance Report – March 2016***

As requested the April management accounts were shared with the Committee by email.

The forecast year end depreciation has been reviewed in light of the acquisition of the Vintens building and reported in the monthly management accounts.

5 ***Key Performance Indicators***

The Vice Principal Finance and Resources has noted that the budget line of the cash flow graph is to be adjusted so that it is mapped against the cyclical pattern based on the trend of the previous years' cash movement.

The Committee discussed at the last meeting the possibility of introducing a target surplus for the year. The Vice Principal Finance and Resources has reviewed the Financial Objectives and confirmed that this target is not one of them but that options available could be discussed. In simple terms, ensuring a surplus is generated and that unfunded capital investment is kept at an affordable level, the College will increase its cash reserves but this is a simplistic version of a more complex issue.

7 ***Asset Maintenance and Replacement Plan***

Summer works will be largely funded from budget within the current year but where required, the Chair of Resources will be consulted about any works beyond the £10K tolerance.

Action

8 ***Draft Budget 2016/17***
The Committee had asked to see proportionally where variances against previous years' budget lines have been made concerning staffing cost lines. This can be seen in the financial plan (covered under agenda 10 of this meeting) and some detail has been added to the commentary.

The non-cash items in the budget are depreciation and deferred capital grants which add a net £1.3m to the cash flow. The cash flow note in financial statements is the definitive statement of cash surplus/deficit however because the budget does not show movements in the balance sheet and in particular repayments of loan principle payments, the 3 year plan balance sheet will show a more detailed cash flow.

The final budget together with the 3 year forecast is presented under agenda item 10 of this meeting.

9 ***Full Time Applications***
An update on full time applications and enrolments is covered under agenda item 8 of this meeting.

10 ***HE Applications***
An update report on HE applications is covered under agenda item 9 of this meeting.

11 ***Property Update***
The Clerk has convened the first meeting of the Property Task and Finish Group to be held on Monday 11 July 2016 at 9.00am.

Finance Items

4 **Revised Forecast 2015/16**
The Committee received the paper which detailed the reasons why the forecast year end has changed, what action has been take and the implications for the 2016/17 budget.

In summary the report confirms that the College has gone from a surplus position to a forecast operational deficit of £80K principally due to not realising the anticipated apprenticeship income. Up until mid-April 2016, the indications were that the College would go beyond allocation. At the end of April however the figures suggested that apprenticeship activity would not go beyond allocation and therefore the forecast relating to extra apprenticeship income needed to be reviewed and potentially amended. The review concluded that lower than expected apprenticeship income was due to a combination of lower than expected in-house generated apprenticeship income and an over forecasting of increased partner activity. The reduction in income was also masked by a change in the ProAchieve data reported which flattered the projected income until it was subsequently corrected at the end of May 2016 and the cause of this is still being investigated.

In order to redress the position forecasts for income have been reviewed and a series of adjustments made resulting a forecast operational deficit of £80K. At the year-end £291K of rental income from Vintens and funding adjustments from the 2014/15 year-end (unrealised clawback and changes to accounting for apprenticeships) will be added making a total forecasted surplus of £210K.

Action

The lessons learned and measures taken are detailed in the report and progress has already been made since the time of writing the report. In addition to these actions the management accounts to the Committee will include and additional income line relating to partner activity. Further work is also going to be undertaken to ensure the apprenticeship and full cost income budgets in 2016/17 are profiled in such a way as to heighten concerns about performance below budget should that occur.

A number of modifications are being proposed to the draft 2016/17 budget in order to reduce the risk associated with it; full cost income at £500K originally in the budget is to be reduced down to £400K (£100K variance), 24+ loans income at £725K to be reduced down to £700K (£25K variance) and levy income reduced down from £100K to £50K (£50K variance). It is proposed that these budget reductions will be funded from NCS Income and Staffing Cost savings totalling £175K. Staffing costs will be taken as £75K from teaching costs and the remainder from support. If income is strong within the year then the staffing budgets cut can be re-evaluated as required.

Closer examination of apprenticeship income will be achieved by establishing extra financial KPIs specific to the apprenticeship teams. This will include reporting and monitoring of caseloads and income per assessor plus a ratio of income against caseload which will calculate the average income per case. The Committee confirmed that it was important to put these measures in place but raised concern that the checks and balances have not been in place to alert the College to such significant risk areas on the budget. The Vice Principal Finance and Resources confirmed that this has not been the case. The monitoring is in place but the data captured in Unit e, extracted by ProAchieve, was not pulling through in an accurate way thus masking the actual income position. There was no reason to suspect that the data was not pulling through as it should until the data was questioned in April 2016 when little movement in the level of income coming through started to cast doubts. As a consequence the ProAchieve data is now reconciled to the SFA FIS data, whilst somewhat labour intensive, the time spent reconciling is justifiable and provides 100% accuracy and assurance.

The Committee questioned the origin of the error asking if this was as a consequence of how the College budgets or if this is due to ineffective monthly management accounts. It was noted that the College was fortunate that contingencies (rental income received from Vintens and the unrealised apprenticeship income) were available to draw upon in the event that this income line was not realised and the Committee was insistent that our future forecasts are not set in a risk adverse fashion; they must be realistic and ambitious and not prohibitive.

D Wildridge joined the meeting at 4.25pm

The Chair commented that it may be prudent to review the forecasting of our income lines more frequently and more robustly. He suggested also that there may be distractions in the management team that allowed a more relaxed focus and perhaps the management team should do a bit of navel gazing into this. In summary the Committee agreed that it was apparent that there was more than one cause to the problem, lessons had been learned and there were clear actions for the executive to address. More detailed KPI reporting will be received by the Committee in the future which the Vice Principal Employer Engagement confirmed would significantly enhance the College’s ability to work more cost efficiently, maximise caseloads and enable ambitious budgeting.

Action

As a side issue the Committee asked if there are any particularly sensitive funding areas as a consequence of the EU referendum result. The College is not dependent upon ESF funding but has submitted three bids for project work but if not secured would not impact the budget or bottom line. The Committee asked that the Principal provides a brief synopsis to the Corporation at the meeting to be held on 14 July 2016 to demonstrate that the risks/issues of the EU referendum impact, financial or otherwise, to the College have been considered. NSavvas

5 Finance Report – May 2016

The Committee agreed that there was little need to dwell too much on the report given the comprehensive discussion held above. However, members did notice the £1.8m additional grant income (for the purchase of land portion of Vintens) shown at the bottom of the income and expenditure table which is required to be released to the Statement of Comprehensive Income under FRS102 but as stated currently shows a consistent operating surplus figure. This of course will provide a positive impact on our banking covenants over the three years and the Committee asked what stance the bank takes in relation to the accounting of FRS102. The Vice Principal Finance and Resources will try to ascertain this at an opportune time with the newly appointed relationship manager of the bank. SJones

It was noted that the FRS102 accounting model used (accruals) is not high risk to the College and would only become so if a capital build was funded by non-government funding. Deferred grants are required to be shown in the top half of the balance sheet thereby reducing the reported net asset position. The deferred grant is then released broadly in line with corresponding depreciation and therefore mitigating its impact in the main. The accruals model lessens the net position due to unreleased grants sitting as liabilities (deferred income) rather than deferred capital grants below the line. Non-governmental capital grants have to be accounted for using the performance based model meaning that the conditions attached to them must be recognised as income when those conditions are satisfied and grants with no performance conditions must be recognised as income immediately.

The costs for national insurance and pension have been reviewed, and after calculating for the increase in NI and pension costs from April 2016 to July 2016 the forecast cost has been revised down by £55K.

At the start of the financial year a proportion of non-pay budget was held back, and it is anticipated that £100K out of the £171K held back will not be used. A further review has identified non-pay savings of £77K which will not be spent. The Committee sought assurance that cuts made were not 'too close to the bone' and the Vice Principal Finance and Resources confirmed that spend is made cautiously and only based on robust discussions with budget holders. Where spend is not required or likely to be made it has been pulled back but only at the agreement with those responsible.

A modest summer works budget has been assumed and only essential works, such as roof repairs to be carried out. There is a desire to do more so the Committee asked that the Vice Principal Finance and Resources looks at the requests made under operational planning that were declined in a measured way to view what could be completed in years to come that may inform the property strategy. SJones

Action

6 Key Performance Indicators

The 16-18 funding allocation has been exceeded by 12 enrolments so this in year growth will be a positive contributory factor to secured income in 2017/18 (due to lagged funding allocations).

The staff cost to income ratio calculations for May YTD have increased to 67.3% compared to YTD of 66.8%. The year-end forecast percentage has also increased due mainly to the reduced forecast on income (reported above) although this has been offset by a reduction in forecast staffing costs.

Cash balances should continue to rise now to the end of the financial year. The Committee asked if the College's ability to generate cash could be quantified. The Vice Principal Finance and Resources confirmed that if depreciation was added back into the surplus in the year and the deferred capital grant release and repayment of loan principle was deducted then this would provide a more meaningful cash generated figure although movements in balance sheet items will also impact on cash balances. Taking next year as an example, with a surplus of £151K and adding back depreciation and deducting grant release and loan principle payment, this would generate a cash surplus excluding balance sheet movements of about £950K.

7 Sub Contract Provision

The Vice Principal Employer Engagement confirmed that there were no issues arising from the report. There are no concerns on quality of subcontracted work and the College is still pulling in the proposals for the subcontractors that want to work with us next year but at this stage there are no proposals to undertake any new subcontracted work in 2016/17 and no offers have been made. Subcontracted work is now subject to SFA approval and will be the scope of mandatory certificated audit.

Members noted that the Partner Relationship Manager has resigned from her post and questioned if this posed a risk to effective oversight of this area of the business. The Vice Principal Employer Engagement confirmed that she is currently working through a handover and considering a number of options to see if this is an efficiency saving that can be made without impacting the assurance of quality. There will be a need to agree how partner payments will be managed but this vacancy may afford us the opportunity to make savings on staffing costs.

8 Full Time Applications and Enrolments 2016/17

The Committee received a tabled paper that detailed the enrolments to date for the 2016/17 academic year. A total of 646 students (573 16-18 and 73 19+) have enrolled and non-attendance over enrolment week is being chased up to keep those who have applied warm and rearrange enrolment slots. Courses that do not enrol will not run or where there are low numbers may be run as apprenticeships or as an attachment to another course. At the request of the Committee the KPI report to the Corporation at the meeting to be held on 14 July 2016 will provide an update on enrolment numbers and acknowledge if numbers are comparable with previous years. CShaw

9 HE Applications 2016/17

Applications overall are positive. There are some areas that aren't recruiting as expected; Business Management and Tourism, although analysis suggests that

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numbers were inflated in the previous year due to double counting those who had applied for two/more courses thus applications were counted twice.

As at 6 June 2016 there were 462FTE applications compared to 446 on the same date in 2015. This is an increase of 16FTE or 4%. The Committee asked if a conversion rate could be quantified in order to ascertain the likely number of students expected to arrive in the new academic year and asked that the KPI is updated and reported to the Corporation at the meeting to be held on 14 July 2016. RKirk

It was noted that UCS BSE is ahead on recruitment compared to the other Colleges in the UCS Learning Network but the Committee asked if the 4% increase in recruitment was reflective of the sector and if there was a way to benchmark our recruitment against other HEIs. If this can be ascertained in time it is to be reported as part of the KPI report to the Corporation at the meeting to be held on 14 July 2016. RKirk

10 Draft Budget 2016/17

There have been no changes to the net surplus budget proposed since the last meeting of the Committee other than some changes within the overall budget as reported earlier to reduce some of the risk in the budget. Overall a net surplus of £151K is still planned with a capital budget of £300K.

A member questioned what purpose achieving a surplus posed for the College; was it to be used for reinvestment or there to repay on investments made or loans? The Vice Principal Finance and Resources explained that it is a simple measurement of the financial performance. At the end of the period the surplus will lead to an income and expenditure reserve; a by-product of which means that College cash reserves increase enabling the College to reinvest in the estate or curriculum for example.

The Committee noted that the budget assumes that 19+ apprenticeships will go beyond allocation but questioned the level of confidence the College had to achieve the growth of this income stream. The Vice Principal Employer Engagement confirmed that the College is resourced to deliver it and the SFA will need to confirm that they will fund over allocation and the indications are there that the growth case is supported.

Miscellaneous income has been increased significantly to reflect rental income from Vintens until January 2017 and if they stay in occupation beyond January 2017 then additional unbudgeted income will be received. Increased income is also expected from Suffolk Academies Trust by way of a Service Level Agreement and also the annual rental payment of £80K.

General non-pay costs have increased by £537K, mainly due to extra costs associated with project income so do not impact the bottom line significantly but other costs budgeted for such as website investment, Golley Slater and associated VAT on costs make up the balance of the increase.

Full cost income has been budgeted at a lower level than the 2015/16 budget, although the budget proposed (£400K) is still higher than the 2015/16 forecast the Committee made it clear that there was an expectation that this income line would be achieved.

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	During the 2015/16 year the College complied with all financial objectives set with the exception of objective number 4 (maintaining 35 cash days in hand each month) which the College did not fulfil for approximately 7 months of the year due to the reduction in cash reserves arising from the purchase of Suffolk One. The Committee asked that this objective be rephrased as 'making sure that the College has sufficient cash balances to enable us to meet all of our commitments', or words to that effect. This objective will be achieved through efficient cash profiling and KPI reporting.	SJones
	At the request of the Committee the second objective is also be amended to read 'the budgets plan for positive cash generation which will enable the College to contribute to capital investment in its estate'. As discussed earlier the crude sum of £800K cash generation calculated should be debated over the course of the next academic year or perhaps is to be the consideration of the Property Task and Finish Group who as part of their terms of reference have responsibility for the review and development of the Property Strategy.	SJones
	The Committee asked the Vice Principal Finance and Resources to consider including an additional financial objective around the longer term aspiration to achieve a 65% staffing cost to income ratio.	SJones
	The Committee **approved** the budget and a recommendation will be put to the Corporation to approve the budget 2016/17 at the meeting to be on 14 July 2016.	SClarke
	The new format financial forecast has been amended to incorporate some of the features of FRS102 but also include the SFAs new financial health criteria which have been amended also. The Vice Principal Finance and Resources explained that the version (1.2) completed and received by the Committee has been superseded as a number of bugs had been found and as a consequence the sensitivities sheet within the forecast could not be completed. The SFA has released version 1.3 but has advised that those who have compiled the forecast using the earlier version are not required to reconfigure their plans using the updated copy. It was noted that comparable with previous years the College has provided an additional years' forecast (to 2018/19) than required.	
	The Committee thanked the Vice Principal Finance and Resources, the Head of Finance and the Finance team for their hard work completing and producing the budget and forecast. Members **approved** the three year financial plan and will put forward a recommendation to the Corporation to approve the plan at the meeting to be held on 14 July 2016. Subject to the approval it will be then submitted to the SFA by 31 July 2016.	SClarke
11	**2016/17 Insurance Renewal** In accordance with the Financial Regulations, approved by the Corporation in March 2016, where contracts are over £50K three competitive tenders are required in order to comply with the College tendering procedures.	
	In March 2014 four insurers were approached to review College arrangements and test the market for competitive providers and rates and the premium for 2015/16 (approved in July 2015 by the Resources Committee) brought in a 17.5% saving on previous College insurance arrangements. The intention this year was not to move current arrangements away from the incumbent as premiums sourced for 2015/16 have been held for the next two years (to 2017/18). During 2017/18 the	

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College Secretary will enter into a competitive tender exercise to test the market again. The Committee **approved** the renewal.

Property Items

12 Property Update

There were no items to discuss other than to note that the first meeting of the Property Task and Finish Group is convened to be held on 11 July 2016. The Project Manager, Michael Peachey, is making good progress and building positive relations with the current occupants.

13 Any other business

i. Cleaning Contract

The Committee received a proposal from the Vice Principal Finance and Resources via email between meetings of the Committee to support a recommendation to change cleaning contractor for the 2016/17 academic year. While members recognised that the quality of the work of the new provider could not be guaranteed there is satisfaction that the provider is reputable, will maintain the existing staff through TUPE transfer and that the contract will be effectively managed by the College. The award of the contract to the new provider was **approved.** The change achieves a saving against budget.

ii. Third Line Support Contract

Due to time constraints of the meeting the Committee agreed to receive a proposal concerning the IT Third Line Support Contract by email from the Vice Principal Finance and Resources. Members were asked to cast their vote electronically.

SJones

Other items of interest

A member had overheard a parent after the Celebration of Achievement Ceremony on Monday this week congratulate their son on what they had achieved.

The Chair thanked S Gerber for his support and contribution as a staff governor and as member to this Committee over the nine years that he has held the role. He is to step down in July 2016.

Date of next meeting

Wednesday 2 November 2016 at 4.00pm. Room TG1.16

The meeting closed at 6.20pm