Governing Body
RESOURCES COMMITTEE

WEST SUFFOLK COLLEGE

Minutes of the meeting held at 4.00pm on 2 December 2015

Present:	**S Clarke (Chair)**	**R Carter**
	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

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

Action

1 Apologies for absence

Apologies for absence were received from D Wildridge and S Gerber. The Chair of the Corporation and Clerk have received the resignation of F Hotston Moore. Her resignation is with immediate effect. Her career demands outweigh her ability to be able to commit the time to the governor role but she remains a friend and supporter of the College.

The Chair of the Committee proposed introducing a new format to the conduct of meetings. Authors of reports are to report any changes in detail since the release of the papers the previous week. There is an expectation that Committee members will have prepared for the meetings and read the papers in advance and therefore to challenge, scrutinise and question the content at the meetings to those in attendance. The Committee agreed the format of meetings.

2 Minutes of the meeting held on 4 November 2015

The minutes of the meeting were agreed as a correct record subject to inserting the role of M Snell in the list of attendees and amending the word 'it' to 'is' in the last paragraph of item 12 on page 7. JBridges

3 Matters Arising from the meeting held on 4 November 2015

5 *Committee Terms of Reference*

The three terms of reference that use the word 'regularly' have been amended. Members received the amended version.

6 NALEP Property Acquisition Update

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

9 Sub Contract Provision

Contract performance has been added as an agenda item to each meeting of the Committee.

10 Year End Outturn 2014/15

A line underneath the management accounts to show any expected unrealised clawback at the year-end will be added once the SFA reconciliation exercise has been completed. At this stage it can only be assumed that all clawback will be taken.

11 Banking Arrangements

The programme is discussed under agenda item 9 of this meeting.

Action

12 Property Update
A maintenance schedule report (by exception) is discussed under item 11 of this meeting.

13 Capital Programme and Budget
The report has been amended so it now reports on all contracts over £50K and uses the headings of the old report for contracts over £250K.

14 Any other business
Permission has been sought from the Finance Committee of Suffolk Academies Trust to share the quarterly accounts of Suffolk One with the College. The Chair of the SAT Finance Committee will put forward a recommendation to the Board of Trustees at the 14 December 2015 meeting to share the information. An agreement between how the information is shared and queried is to be drawn up and agreed subject to the SAT Board of Trustees approving the recommendation.

Overall the impact of the spending review has not been as significant as anticipated for the College. More details, once known, will be discussed with governors and this will be a focus of the Governors' Conference to be held in January 2016.

At the request of the Chair item 6 was taken at this point in the meeting – refer to page 4)

Finance Items

4 *Finance Report – October 2015*
The only change to report concerned line 1.23, exceptional costs, of the monthly management accounts. The cost of £15,392 has been removed and this adjustment therefore improves the bottom line. This cost related to a prior year payment.

The Committee questioned if there should be concern that line 1.10, teaching staff, is to date overspent and red RAG rated and queried if costs were likely to be recouped in year. The additional teaching costs are for extra posts in Maths and English, Conservatoire East and Counselling. Staffing costs therefore in these areas are not expected to reduce however costs on other staffing areas are being monitored closely to compensate for the overspend. There is also some sickness charge that may have been allocated against the teaching staff budget that is being looked into. Members asked that future reports include a note underneath the accounts to explain that teaching costs are unlikely to return to green status for the year end. SJones

Hourly paid claims are now booked in advance and all requests for hourly paid contracts are authorised by the Vice Principal Finance and Resources and this helps budgeting costs across the academic year. A tough line is taken with managers where hourly paid contracts are offered without the approval of the Vice Principal. The preference is to contract hourly paid staff as opposed to Agency workers unless specific resource is required short term while recruitment to the post is made.

The forecast of partner payments (line 1.20) shows increased costs of £1,454K which relates to the increase in sub-contractor provision. This is approximately 85% of the increase in income of £1.7m, and is in addition to the Inroads increase in partner costs of £194K which was a change to last month's forecast.

Action

The forecast of depreciation (line 1.21) shows reduced costs for depreciation overall of £77K. This reflects the reduced costs of the biomass boiler which is now depreciated over 20 years and not 8 years of £90K.

Full cost courses (line 1.06) shows a £39K negative variance against budget to date and this is attributable to the Gas and Oil provision. Other courses are being provided but there is limited assurance that the variance and lag on income will be recovered. The team is absolutely focussed on achieving the higher target of £500K in the year and there are lots of opportunities to improve growth. It was noted that the current Head of Business Development has tendered her resignation and a replacement post is to be advertised.

The forecast year-end bank balance for October has decreased by £66K. This reflects an increase in the surplus of £268K relating to the increase in sub-contracted provision, increased staffing costs, exceptional costs actually paid and the cost of iPads approved by the Committee at the meeting held in November. It was noted that the increased staffing costs of £268K had been checked and was coincidental that this figure matched that of the increased surplus.

5 Key Performance Indicators

It was noted that the 16-18 funding target should read 2839 not 2820 as reported. This includes the 19 students enrolled at Inroads. The total number of enrolments at the time of reporting was 2662 and this has increased to 2749 as at this week. This KPI is not expected to remain red RAG rated and there is confidence that the funding target will be met in year.

The number of 19+ enrolments has fallen by 26 to 427 which is in the main Access to HE students that have withdrawn. There will be Access to HE courses starting in January 2016 which will increase enrolment numbers.

Members raised concern that the percentage target as budget in the staff costs as a percentage of normal operational income has been changed to 68% from 66.5% since the previous report. Whilst accepting that the change has come about due to a recalculation to exclude the 85% direct costs paid out to sub-contractors there was dissatisfaction that the change has been made in year. Members were clear that although the percentage forecast year end is lower (67.5%) than the percentage target as budget at 68%, the measure of 65% staff costs to income percentage, is the target to achieve.

It was noted that banking covenants remain compliant in all three years. For clarification it was confirmed that the minimum cash requirement in the cash flow graph is indicated by the green line at £2.6m.

6 Sub-Contract Provision

Item 6 of the agenda preceded items 4 and 5 to enable the Vice Principal Employer Engagement to present the report before leaving the meeting at 5.30pm.

The Vice Principal Employer Engagement proposed to provide the Committee with a more detailed report at meetings. The report will include details about the targets given to sub-contractors and assurances around financials and/or quality of provision to highlight and contracted provision that may be at risk.

Action

Members asked if the overall level sub-contractor provision by the College should be capped. The Vice Principal Employer Engagement confirmed that the College takes a prudent approach to sub-contracted provision. The College treats this as additional income and contract levels are subject to Committee approval and no additional provision is proposed above the approval given by members at the meeting held in November 2015. It was further noted that there is no intention to recruit further staffing to monitor the additional sub-contracted provision.

7 Audited Accounts for the year ended 31 July 2015

The Chair of the Corporation asked that references throughout the OFR to the Chair or Chairman should be consistent. The term 'Chair' is to be used throughout.

Members asked if any recommendations made by the external auditors have been dealt with. The Vice Principal Finance and Resources confirmed that the external auditor's findings report has been scrutinised by the Audit and Risk Management Committee and the recommendations made. The Corporation will receive the External Auditors report at the 11 December 2015 meeting and the Chair and Principal will be asked to sign the letters of representation for the financial statements and regularity review.

The Head of Finance confirmed that the College's data has been added to the performance indicators table shown on page 3 of the OFR.

Members asked that a note is included under loans to explain why the total of loans does not agree with the outstanding amount on loans. — PEwan

It was noted that the Future Developments section in the OFR made reference to the opening of provision at the Charles Burrell Centre in Thetford but did not mention that the provision at Mildenhall had closed and had been transferred to Thetford. The Vice Principal Finance and Resources confirmed that some delivery still exists at Mildenhall but will give thought as to whether it is appropriate to mention the provision and/or where this should be stated in the OFR. — SJones

Subject to the amendments recorded above the Committee will put forward a recommendation to the Corporation at the 11 December 2015 meeting to approve the Report and Financial Statements for the year ended 31 July 2015. — SClarke

8 FRS102

With effect from financial reporting year 2015/16, Colleges are required to comply with the requirement of IFRS (International Financial Reporting Standards) under accounting standard FRS102.

To date, the College has been required to account under UK Generally Accepted Accounting Principles (UK GAAP). The introduction of FRS102 will effect changes that have a notable impact on the presentation of the financial statements and the Committee's view was sought with regard to which action should be selected where discretionary accounting treatment is permitted.

The Committee's view was sought to agree the application of the accruals or performance models in respect of the treatment of government grants. It appears that most Colleges are following a similar path and the proposal put to the Committee is to continue to follow the accruals model. Using this model will create less fluctuation in the accounts with only a slight modification on deferred grants that will be required to be shown in the top half of the balance sheet which thus

Action

reduces the reported net asset position. The performance model in contrast means that grants issued with performance conditions attached to them must be recognised as income and therefore has the potential to present a disproportionate income receipt in the accounts, increase depreciation (not mitigated by grant releases) and put pressure on the bottom line in future years. The Committee concurred with the opinion of the Audit and Risk Management Committee to adopt the accruals model; given the intention to purchase the Vinten's building adopting the performance model would distort the income position in the accounts and increase depreciation costs. Members asked what covenants banks are putting in place in respect of FRS102. The Vice Principal Finance and Resources confirmed that this has been asked as part of the review of our banking arrangements within the RFP (Request for Proposal) that is to be issued to prospective banks tendering for a costed loan portfolio to suit the College's needs.

At the point of transition (1 August 2015) from the UK GAAP to the IFRS the College is required to consider its policy in relation to revaluation of fixed assets. The three options available to the College are to adopt the cost, deemed cost or valuation methods.

Due to the covenant restrictions on the College site valuation would serve no purpose other than strengthening the balance sheet and lessening the effect of pension deficits on the net position. This would also lead to additional administration and costs in the form of impairment reviews and valuation reports at a time when the College needs to be reducing its cost base.

The Committee agreed that there was no compelling reason to change from the cost method and the Committee's opinion will be put to the Corporation at the 11 December 2015 meeting.

Once the accounting treatment has been ratified by the Corporation the 2014/15 closing balances under the new arrangements can be finalised and it is suggested that the accounts for the year ended 31 July 2015 are produced under FRS102 and a process of confirmation undertaken by external auditors in early 2016 to ensure compliance. The result of which will be shared with the Committee, if possible, at the meeting to be held in March 2016. SJones

9 Banking Arrangements Programme

The Committee agreed to establish a Task and Finish Group for the purpose of considering the submissions and presentations of the shortlisted banks in response to the RFP. The group will comprise, S Clarke, R Carter, N Savvas and S Jones together with the representative of Finalysis who are co-managing the process with the College. It was noted that the indicative timeline proposed in the paper may be subject to change but the intention is to complete the process in time for the working group to put a proposal to the Resources Committee in March and for a recommendation to go to the Corporation at the 18 March 2015 meeting.

Property Items

10 LEP Growth Fund Draft Heads of Terms

Confidential Item under Paragraph 18(2) of the Instrument and Articles of Government

		Action
11	**Asset Maintenance Schedule** The Committee commented that they were satisfied with the content of the report. It was noted that the filtered extraction system for the plumbing workshop has now been serviced, the two dust extractors, Festool units and fume extractor are all to be serviced on 16 December 2015 and a local contractor is currently being sourced to service the Kpx Epocure dryer. The Health and Safety Manager for the College has confirmed that all items are safe to remain in use. Members asked that the schedule is renamed as the Plant and Machinery Schedule.	SJones
12	**Property Update** There were no other property items for discussion.	
13	**Committee Self Evaluation Results** It was agreed that the Chair will meet with the Clerk to look at the suggested ways in which the Committee could improve and if appropriate agree an improvement plan.	SClarke JBridges
14	**Any other business**	
i.	**SFA Financial Health Grade** The Chair confirmed that the SFA has concluded that the appropriate assessment grade, based on the College's financial plan, is Good for 2014/15 (the latest outturn forecast year) and Good for 2015/16 (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.	
ii.	**Shared Services** The Chair would like to explore how and if the College has progressed any shared services. This is to be added as an agenda item for the next meeting of the Committee.	JBridges
	Date of next meeting The Committee agreed to move the next meeting of the Committee from Wednesday 2 March 2016 at 4.00pm to Thursday 10 March at 2.00pm. Room to be advised.	JBridges

The meeting closed at 6.25pm