**Governing Body**
**RESOURCES COMMITTEE**

WEST SUFFOLK COLLEGE

**Minutes of the meeting held at 4.00pm on 4 November 2015**

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| **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**
**A Small, Partner for StoneKing LLP Property Team**
**M Snell, Governance Consultant**
**J Bridges, Clerk to the Corporation**

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

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**1 Election of Chair and Vice Chair**

The Corporation reviewed the appointments of Committee Chair and Vice Chairs at the 17 July 2015 meeting. S Clarke remains Chair and D Wildridge as Vice Chair to the Resources Committee.

A Small, Partner for StoneKing LLP was welcomed to the meeting. He has been appointed by the College to undertake the LEP property acquisition.

M Snell, Governance External Consultant, was welcomed to the meeting. He has been contracted by the Corporation to conduct an evaluation of board effectiveness through the Learning Board programme. He will be interviewing governors and observing our Corporation and Committee meetings as part of the programme.

**2 Apologies for absence**

Apologies for absence were received from F Hotston Moore.

**3 Minutes of the meetings held on:**

**3.i 3 July 2015**

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

**3.ii 7 October 2015 – Confidential item**

The minutes of the meeting were agreed as a correct record subject to removing the word ‘attachments’ from the third paragraph of item 3 on page 2.

**4 Matters Arising from the meetings held on:**

**4.i 3 July 2015**

**2 *Minutes of 27 May 2015***

The minutes of the meeting have been amended as requested.

**3 Matters Arising**

A meeting was held on 25 August 2015 for Committee Chairs to review Committee and Corporation KPI reports.

**3 Matters Rising – *Confidential Item***

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

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**3.1 Banking Arrangements Review**
*Confidential item under paragraph 18(2) of the Instrument and Articles of Government*

**6 Key Performance Indicators**
The amber indicator has been amended to read 'within 20% or £250K of non-compliance (surplus covenant)'.

The year-end forecast cash reserves from 2014/15 were £5m and £5m again in 2015/15; this is due to the cumulative effect of inter year movements relating to liabilities to Funding Body figures. Detailed analysis is available from the Vice Principal Finance and Resources should members wish to review the detail.

**8 College Budget 2015/16 and Financial Forecast**
The Corporation approved the Budget and Financial Forecast at the 17 July 2015 meeting.

**11 Property Acquisition Proposal – LEP – *Confidential Item***
*Confidential item under paragraph 18(2) of the Instrument and Articles of Government*

**4.ii *7 October 2015 – Confidential item***
*Confidential items under paragraph 18(2) of the Instrument and Articles of Government*

**5 *Committee Terms of Reference***
Each Committee is asked at their first meeting in the new academic year to review and approve its Terms of Reference. No changes were proposed to be made however the Chair and the Clerk will review the three terms that use the word 'regularly' as it was felt that this is an erroneous word and should be changed. Subject to this amendment the Committee approved the terms of reference. SClarke JBridges

**6 NALEP Property Acquisition Update**
*Confidential item under paragraph 18(2) of the Instrument and Articles of Government*

A Small left the meeting at 5.00pm

**Finance Items**
**7 Finance Report – September 2015**
The accounts show a loss for the two months to the end of September 2015 of £86K compared to a budgeted loss of £454K for the same period. The forecast is already ahead of budget and this improved position is in part attributable to the in-year increase of EFA allocation to fund the High Needs Learners at Inroads, Stowmarket. This is the provision that the EFA has transferred to the College and is being delivered through an offsite collaborative agreement.

The accounts have also benefited from the rent received from Suffolk One on the property and the management services provided to the Academy were not budgeted so also contribute to the positive £107K variance between budget and forecast.

The Committee noted that full cost courses are £15K behind budget and questioned if the increased budget this year was at risk of not being achieved. The Vice Principal Employer Engagement confirmed that additional short

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courses are being provided which should help to make up the current shortfall on budget.

Members asked how and if the budget has been affected by the decision made last academic year to change the depreciation policy by including a category for plant and machinery which has a longer useful life of 20 years. The change has not yet been included in the forecast and it will positively affect the bottom line.

Fixed assets have increased from the year end to the end of September 2015 by £1,544,454. This is mainly due to the purchase of Suffolk One land and buildings at £1.5m which has also reduced the bank balance. External Auditors are to advise if this transaction is to remain in fixed assets or to move into investments.

It is too early to predict where the College will end up financially at the year end. Of main concern is ensuring that staffing costs remain within budget. As a positive, the early indication of apprenticeship income is that it will grow on the 2014/15 year which will be of benefit to the final outturn position but that growth is partly dependent on using the income to fund equipping apprenticeship staff with the technology to sign up and monitor progress and carry out teaching and learning for apprentices more efficiently. The Committee considered the proposal under item 9 of this meeting.

**8 Key Performance Indicators**

The 16-18 funding target should be 2839, not 2820 as reported, to take account of the 19 additional students at Inroads. Enrolments are below target currently but there is confidence that the target will be achieved as students enrol across the year onto Princes Trust, Access to Education and Traineeships. At the same point in 2014/15 the College had enrolled 2687 students (2672 YTD).

The forecast staff costs of 65.8% are slightly lower than the target of 66.7%. Although the actual costs as a percentage of September YTD income are at this point higher than the target (at 71% against 66.7% target) this reflects the timing of staffing costs and income received or earned, and is forecast to reduce by the year end. The Committee was reminded that the staffing cost to income ratio has been forecast to be higher (around 67%) over the next two years rather than the target of 65%. The Resources Committee and the Corporation has challenged the Senior Management Team to look at the ratio and rein it back to more acceptable levels. The strategy is to increase income rather than reduce staffing costs.

It was noted that banking covenants are currently compliant across all three years. The minimum cash balance equates to £2.7m. This means that placing funds on long term deposit should be capped at this figure (green line of cash flow graph in the report). The gap between the budgeted year end cash balances (blue line) and the forecast balances (red line) reflect the £1.5m acquisition cost of Suffolk One which the forecast assumed would be funded by loan financing but to date has been funded by cash reserves.

The Committee asked to receive a paper at the additional property meeting to show the impact on the KPIs of the LEP property acquisition. The Vice Principal Finance and Resources will provide the top line detail in a report. SJones

**9 Sub Contract Provision**

The proposal seeks to increase subcontracting of apprenticeship provision by a maximum of £1.7m and apply for an SFA growth case to increase our

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apprenticeship contract to just over £5m (growth of 51%). This is in support of the government's commitment to grow apprenticeship starts in this parliament and the SFA has confirmed that all growth cases in apprenticeships will be paid.

The College is currently inundated with training providers wanting to work with us and seeking funding to deliver apprenticeships. The College is ultimately responsible for all provision that is delivered by subcontractors. By outlining the risk management and due diligence process, the College ensures that each subcontractor is in good financial health and has the capacity and capability to manage a contract, including quality of delivery, equality, diversity and ethical values.

Members asked the Vice Principal Employer Engagement to highlight the risks to the College. The quality of subcontracted provision is a risk together with financial implications and reputational loss to the College. In reality this is a low risk proposal to grow the College's position in the East of England region as we have excellent procurement and monitoring processes in place and all contracts can be called off/cancelled if any concern over performance, quality, financial or otherwise is exposed.

The advantage to a provider to work with the College is that we secure the funding for them that otherwise would not be accessible. The College takes a top slice of 15% and in some cases more if the due diligence assessment suggests that a higher commitment by the College would be required; those with higher numbers of learners and no/minimal track record would be charged a higher slice.

The impact of subcontracted provision is subject to scrutiny of the Resources Committee and they are to consider the risk factors associated with proposed partnerships and agree appropriate entries in the college's financial forecast; i.e. contract values. The quality of subcontracted delivery is to be reported to the Standards and Excellence Committee but contract performance reported as a KPI to the Resources Committee. LMoody

As proposed earlier approval of the Resources Committee was also sought to agree a purchase of 3G enabled iPads to enable work based learning assessors to work flexibly and virtually paperless by way of electronic submission of documentation. This purchase at £50K will provide the College with a unified and digital solution and will significantly contribute to achieving efficiencies and increasing the bottom line by £267K if full contract values are delivered.

In accordance with the financial regulations non budgeted expenditure of £10K or more must be approved in advance by the Corporation on the recommendation of the Resources Committee. As is the case here, if an urgent decision is required the decision to vary may be taken by the Chair of the Corporation in consultation and agreement with the Chair of the Resources Committee. The £50K non budgeted expenditure to purchase the iPads was **proposed** by R Carter and **seconded** by S Clarke. Members were **all in favour** to increase subcontracting of apprenticeship provision by a maximum of £1.7m and apply for an SFA growth case to increase our apprenticeship contract to just over £5m.

L Moody left the meeting at 5.50pm

**10 Year End Outturn 2014/15**

The overall position at the year-end is an operating surplus (excluding FRS17 adjustments) of £297K, which is an improvement on the surplus forecast in June

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2015 of £202K. FRS17 (pension actuary) adjustments reduce the surplus to £88K.

The improved outturn position of forecast and better than budget is flattered by the credit adjustment of £170K relating to prior years unrealised clawback. Additionally the surplus figure allows for clawback relating to the 2014/15 year of £300K relating to the Adult Skills Budget. The Committee asked that the position of clawback is explicitly detailed in the management accounts going forward. The Vice Principal Finance and Resources confirmed that a line underneath the management accounts will be included in future to show any expected unrealised clawback at the year end. SJones

The Committee raised concern that some budget lines have significantly shifted since being reported to the Committee in July. The Vice Principal Finance and Resources is looking at improving forecast on grant income and expenditure in the year and producing an annual reconciliation of HE forecast is also being reviewed as currently this is a manual process.

The Annual Report and Financial Accounts for the year ended 31 July 2015 will be presented to the Committee at the 2 December 2015 meeting. Members noted that the five financial objectives set out for the year were all achieved.

**11 Banking Arrangements**

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

**Property Items**

**12 Property Update**

There are no immediate issues of concern on the College sites. The summer works approved by the Committee in July 2015 were started during the summer and with the exception of the Gas and Oil training centre block at the Milburn Centre and the FE Music Technology replacement accommodation, all projects were completed prior to the start of term. This included roofing repairs to the Bistro and COVE roofs, works to the HE Music Technology accommodation to help reinforce JAMES accreditation, creation of two new classrooms at the Milburn Centre and formalising a teaching space for the MESS (Maths and English Study Space).

The new Gas and Oil training centre at the Milburn Centre is scheduled to be ready for initial courses this month. This has been a challenging project logistically but the main contractor used finished in time and within budgets agreed with the College. It is expected that the total cost will exceed the estimated budget of £130K but not significantly. Reported spend is £159K.

A modest plan of maintenance and works were scheduled for the October half term. These were detailed in the report.

The asset maintenance schedule is being continually refined and is proving to be a useful tool to plan timely servicing and quantify future budget needs. It was agreed that the Vice Principal Finance and Resources will provide the Committee with a report (by exception) and link the maintenance schedule for reference. The report will be presented to the next meeting of the Committee in December 2015. SJones

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The operational planning process for 2016/17 is to include a formal accommodation dimension in order to clarify any extra summer works needs sooner than was determined in 2015. The process will be introduced to managers at the strategy day on 20 November 2015. The degree of resources available for summer/capital works will become clearer once the impact of the comprehensive spending review on BIS and DfE allocations to the SFA and EFA translate into College allocations.

**13 Capital Programme and Budget**

For 2015/16 only one contract falls into the more than £50K category and equates to work undertaken in support of the Gas and Oil training centre and the Milburn Centre by a pipe service company. Members agreed that the two levels of values; contracts over £50K and contracts over £250K were not required. The report will be amended so it reports on all contracts over £50K but will use the headings of contracts over £250K (i.e. the report includes the actual finish date, cost to date and final cost. — SJones

**14 Any other business**

On behalf of the Committee the Chair thanked the Head of Finance for her hard work and commitment in the year.

Permission will be sought from the Finance Committee of Suffolk Academies Trust to share the quarterly accounts of Suffolk One with the College. Rights of access will be raised with the Committee by C Higgins who is a Trustee of SAT and a Governor of the College. — CHiggins

**Date of next meeting**

Wednesday 2 December 2015 at 4.00pm. Room TG1.16

The meeting closed at 6.25pm