

Minutes of the meeting held at 4.00pm on 24 May 2017

Present: **S Clarke (Chair)** **D Wildridge (Vice Chair)**
 K Golding **S Healey Pearce**
 R Carter **N Savvas, Principal**

In Attendance: **S Jones, Vice Principal Finance and Resources**
P Ewan, Head of Finance
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 were received from C Higgins.
- 2 Minutes of the meeting held on 1 March 2017**
The minutes of the meeting were agreed as a correct record.
- 3 Matters Arising from the meeting held on 1 March 2017**
 - 3 Matters Arising – Key Performance Indicators**
A meeting has been arranged to be held on Monday 5 June 2017 for Committee Chair's to review the KPIs reported to the Corporation and its Committees. The group is also to consider and incorporate the FE Commissioner's targets as detailed within the Area Review process into its discussions.
 - 3 Matters Arising – Property Update**
The Property Task and Finish Group met on 22 May 2017.
 - 5 Full Time Applications**
The meeting to review the KPIs is to also include a discussion to establish a KPI to monitor the application and enrolments of HE students against income. An HE Application Report however is also included under agenda item 10 of this meeting.
 - 6 Finance Report – January 2017**
The analysis of the positive variance on the fee income line (1.05) has determined that the Vocational fee income from companies is showing a positive variance at Mar YTD of £255k which is the largest variance included in this line. Within this there are some areas which have already achieved budget for the whole year and are now over budget by £148k as at April YTD. Overall the fee income on Line 1.05 is likely to exceed budget, but until all elements in total have achieved budget for the year we would not look to amend the forecast income at this stage.
 - 8 Sub Contract Provision Performance**
The due diligence process has been adjusted and discussed with internal auditors, who have approved and issued our certificate of fitness to subcontract.
 - 10 Property Update**
The renewal of the lease at Ip-City was approved by the Corporation at the 24 March 2017 meeting.

The negotiations with Vitec have continued and updates on the progress of the project were reported to the Property Task and Finish Group meeting held on 22 May 2017.

11 Committee Meeting Times

The Corporation approved the schedule of meetings for the 2017/18 academic year at the meeting held on 24 March 2017.

JBridges

Depreciation of Suffolk House

It was noted on Page 1, item 8 there was a discussion around the depreciation of Suffolk House and a detailed proposal has been put to the auditors to depreciate the asset over 15 years and they are satisfied that this can be incorporated into the management accounts.

Finance Items

4 Finance Report

The Finance Report details the financial position as at the end of March 2017 and the Vice Principal Finance and Resources confirmed that the direction of travel is unchanged for the forecast year-end outturn as at the period ending April 2017. There is no confirmation on the level of HE income although the attrition rate is positive but income is still likely to come in £200K under budget.

SFA income is under budget and there is a risk that this will not be achieved although there is confidence that the plan will be delivered and the adult income line brought in on budget.

Funded courses are likely to exceed budget (line 1.05).

In most income lines they are forecast to come in on budget that will help mitigate the shortfall of other income lines such as HE for instance.

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

5 Key Performance Indicators

Enrolment is currently at 2,838 which is 54 short of the allocation. This will not impact the income in 2017/18 but due to lagged funding could impact this income line in 2018/19. The target has to be hit by the end of the academic year to achieve the allocation. There is confidence that the 54 enrolments will be found and the gap has already been closed with only 30 enrolments left to find and further enrolments are planned before the year-end.

S Healey Pearce joined the meeting at 4.30pm.

The total income budget to forecast KPI should be a green status not amber and it was noted that the staff cost to income ratio remains satisfactory.

Cash reserves remain on target at £4m for the year end.

6 Sub Contract Provision Performance

Following the ESFA's announcement they have "paused" the procurement exercise of non-levy paying employer funding and a number of our partners have been left without funding allocations until December 2017. At present, we are reviewing requests for funding in line with our own allocation, planned growth case opportunities but the College has outlined the work it would like to continue with a number of partners. Funding requests are to be approved and the actual

level of funding is yet to be determined as the ESFA remains in purdah and will not commit to announcing the funding allocations to any provider. Due diligence processes are stringent at the College and we are not able to contract work with any provider who is not on the RoATP (Register of Approved Training Providers).

The Committee was unable at this time to approve the partners that the College will work with but will consider the proposal again at the next meeting of the Committee under the approval of the budget as a £250K assumption has been made in the 2017/18 budget for the Committee to consider.

The Committee asked to receive an improved best case scenario and national average table (to include comparison with WSC apprentice performance) rather than the one presented on page 3 of the report. The relevant information is to be extracted into the next report.

LMoody

7 Draft Budget 2017/18

A significantly reduced 2017/18 surplus budget of £70,195 is proposed. The Committee considered, scrutinised and reviewed the key assumptions made in the budget.

Starting with the existing 2016/17 budgeted surplus of £151K, the 2017/18 budget has had to contend with the following significant pressures; a reduction in the EFA allocation of £169K; a reduction of the HE budget by £200K; introduction of a full year's cost of the levy at a marginal cost of £44K; incremental pay progression of approximately £233K; and removal of the £100K Vinten's rent.

These pressures total £728K but are mitigated in the budget by; a strong employer engagement performance in 2016/17 that has created the confidence to extend anticipated income streams in 2017/18; the absence of a consolidated pay award during 2016/17 thereby relieving approximately £180K of pressure on the 2017/18 budget; a reduction in LGPS on-costs following the triennial review in March 2016; a reduction in pension on-costs; and some limited cuts to non-pay budgets.

A decision on the ESFA income is unlikely to be announced before the Committee and the Corporation make a decision on approval of the 2017/18 budget. There was acknowledgement that as soon as the ESFA's decision is known, if the outcome is significantly below the approved budget, action may be necessary to mitigate the impact of the reduction without delay.

It was noted that 10% of the employers that we work with are levy payers and apprenticeship income forecast for this academic year is £395K against a budget of £400K.

EFA income is based on the EFA allocation for 2017/18 of £12,930,714 which has been increased by £174K being the amount transferred from the SFA allocations for 19+ continuing learners. The EFA allocation has also been reduced by £169K based on the lagged learner funding methodology thereby giving a net increase of £4,341.

The Adult Education Budget (AEB) is based on the allocation for 2017/18 of £1,880,258 which has been reduced by the same amount £174K transferred to

the EFA allocation for 19+ continuing learners. This was achieved in 2015/16 and is expected to be achieved in 2017/18.

The HE income has been reduced by £200K to £3,379K to reflect the actual income expected for 2016/17. Whilst recruitment is not as high as anticipated in 2016/17, the end of legacy funding arrangements has mitigated this loss to some extent. In the light of the latest report on HE applications the Committee expressed concern that the HE budget may be over optimistic. The Vice Principal Finance and Resources agreed to review the HE income budget in the light of the most up to date HE application figures before presentation of the final draft budget to the Committee at the next meeting.

SJones

Commercial activities income budget is reduced slightly based on actual for 2016/17 to date, but there is a corresponding reduction in costs included in Line 1.19.

Full cost income has been budgeted for at the same level as the 2016/17 budget. Although this income line has been below budget throughout 2016/17, the latter half of the year is showing increased income and a full year at this level of activity would be expected to achieve the budget income.

Staffing costs are based on actual employee costs and in addition the budget has also allowed for; contractual incremental progression costs of £233K plus on costs, which is notably higher than the incremental cost in this academic year (£141K) due to more staff recruited on lower bands of the scales and therefore due an increment come 1 August each year. Also included in the budget is a 1% pay award to staff, which would only be considered if the budgeted surplus was achieved.

It was pointed out that the anticipated rent income from the Vintens site (estimated at £309,000) had not been included in the operations budget but it would be included as income in the year end accounts.

The operational planning process has informed a draft capital budget which is the result of priority/impact and affordability assessment. The capital budget does not include any impact of works at Vinten's because it is expected that initial investment at Vintens will be funded by the LEP and from a revenue budget perspective, no depreciation has been allowed for as it is unlikely that there will be any significant works completed which will need to be depreciated in the year 2017/18.

The Committee expressed concern that the proposed £70K surplus in the draft budget 2017/18 (excluding any Vinten's rental income received in the year) represented only 0.3% of turnover and that this should be the minimum surplus that should be targeted. There is an expectation that the management team of the College will improve the budget position in year making savings and increasing income lines where possible in order to improve the year-end outturn.

8 Full Time Applications 2017/18

The author of this report is to be invited to attend the meetings of the Committee.

JBridges

Extensive work has taken place to ensure there has been early identification of our internally progressing students. The impact of this has meant that all

progressing students will be enrolled onto their next level prior to the end of May.

New applications are slightly down compared to this time last year (122) and although we know we are working against a challenging demographic, we are focussing on increasing these applications to ensure we meet our allocation target.

Health and Social Care and Performing Arts (Media) applications are down. Targeted marketing to increase applications is taking place to help promote the courses and encourage interest.

An additional Open Event is planned for 1 July 2017 and will be focussing on the students who have just sat their GCSEs and are now unsure of their options.

9 HE Applications 2017/18

The Committee expressed concern at the application numbers detailed in the report. There are four areas where applications are significantly down compared with the enrolments attracted this year; Business management (BA), Counselling (FdA), Applied Interior Design and Psychology and Sociology.

It is anticipated that we can expect approximately 300 returning students in 2017/18 based on the percentage of returning students in previous years. Recruitment of new students continues and there is an intensive marketing campaign aimed at the 22+ year old students. In addition the College is working with the UoS on a funded project to reach 18 year olds from areas of high deprivation across Norfolk and Suffolk.

Details of the latest application numbers are to be presented to the next meeting.

SJones

**10 Property Items
Plant and Machinery Schedule**

Concern was raised that some items requiring more regular maintenance and servicing may be overlooked in the schedule, as the frequency of checks is annual. The Vice Principal Finance and Resources confirmed that Technician Demonstrators in these areas are required under their roles to regularly maintain and service the equipment to ensure that they remain fit for purpose throughout the year prior to the required annual contracted service of engineers/equipment suppliers.

The Committee was asked to consider to what extent they wished to commit investment on the proposed £261K schedule of summer works. In considering the relative priority of the works the Principal confirmed that in his view all the works were essential. At this stage in the year, as detailed in the discussion held above, £250K is about the maximum that it is suggested should be consumed from the stronger financial performance. The Committee **approved** the spend of £250K on summer works in this academic year, subject to the projected surplus identified by the Vice Principal earlier in the meeting being achieved.

The final strand to the anticipated summer works is the progression of some works to the Barrack Wall using funds that were set aside in previous years (107K remaining) to prepare for the obligation that the College has to keep the

wall in repair. The Committee agreed that the Vice Principal Finance and Resources should continue to negotiate on the price of tenders received and report back to the Committee at the next meeting to be held in June 2017.

SJones

11 Property Update

The Property Task and Finish Group met on 22 May 2017 and made a number of decisions including to extend the lease to Vitec for a 3-month non-negotiable extension to April 2018. The notes of this meeting will be made available to members and the group is due to meet again on 3 July 2017.

JBridges

12 Any other business

i. Letter from Peter Lauener, Chief Executive of the ESFA

A generic letter has been sent to Colleges nationally by the Chief Executive of the ESFA, Peter Lauener. His letter reiterates the importance of strong financial management and governance and to share some of the findings from recent assurance work.

The Vice Principal Finance and Resources reported responses against the pertinent points that the Chief Executive makes in his letter and confirmed that the College feels it would be able to demonstrate examples of high quality management information through KPI reporting and recognition over time on how our data and reporting can be improved. The Corporation formally adopted the Code of Good Governance for English Colleges and while the Vice Principal Finance and Resources has not seen the compliance evidence, the Clerk does hold a comprehensive assessment.

The financial health of the College has been assessed by the ESFA as Good, the College was rated by Ofsted in May 2016 as Good and the Area Based Review team were satisfied with the financial health of the College.

Debt and cash appears to be key in the Chief Executive's letter and the College is better in this respect than most of its peers. The college financial planning handbook Checklist referred to in the letter which supports the annual financial plans was shared with the Committee and the Corporation last year with the budget and the same approach will be undertaken this year.

The above examples are all testament to the strong governance that is in place that holds the College leadership and management to account. The College has also used high quality self-assessment tools to enable appropriate independent challenge that tests the College's position.

The Vice Principal Finance and Resources confirmed that the ESFA is yet to release the financial plan template for the budget and financial forecasts and these are now not expected to be received until after the election, which leaves limited time for Financial Directors of College to produce their budgets and three-year financial forecasts in the format required.

L Moody left the meeting at 6.10pm.

An assessment of the points in his letter is to be produced to evidence that the College is meeting the expectations as set out and the letter shared with all governors for the Corporation meeting to be held on 7 July 2018.

SJones

Action

ii. Apologies

The Clerk is to record the apologies for absence of K Golding for the 28 June 2017 meeting of the Committee.

JBridges

Date of next meeting

Wednesday 28 June 2017 at 4.00pm. Room TG1.16.

The meeting closed at 6.15pm