

**Minutes of the meeting held at 9.30am on 7 December 2016**

**Present:**                **S Clarke (Chair)**                                **D Wildridge (Vice Chair)**  
                              **R Carter**                                                **C Higgins**  
                              **S Healey Pearce**                                **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.

- 1 Apologies for absence**  
There were no apologies for absence.
- 2 Minutes of the meeting held on 9 November**  
The minutes of the meeting were agreed as a correct record.
- 3 Matters Arising from the meeting held on 9 November 2016**
  - 3 Minutes of the meeting held on 29 June 2016**  
The minutes have been amended as requested.
- 5 Committee Terms of Reference**  
Term 14 has been removed as requested.

D Wildridge joined the meeting at 9.40am.

**7 Key Performance Indicators**

A template report for HE has been drafted and shared with members for discussion by the Committee. A KPI will not provide a consistent view as some data will remain the same over a period of months because of recruitment timings. A forward reporting solution and a KPI would not necessarily highlight a financial shortfall or otherwise. The Chair suggested a review of KPIs meeting is held with Chairs of Committees to review the appropriateness of their KPI reports. The Clerk will organise a meeting for the New Year.

The balance of cash at the start of 2016/17 differed from the forecast provided in May because the plan for 31 July 2016 showed a bank balance of £4,646K compared to the actual balance of £3,644. This variance was matched by a corresponding movement in debtors and creditors at the financial year end.

**8 Subcontract Provision 2016/17**

Success rates were only shown where success was due in the previous year. Some providers were not due any achievers but this was not made clear in the report provided to the Committee at the last meeting. It will be made clear in future reports.

Subcontract provision performance is a standard agenda item for the meetings of this Committee.

**9 Year End Outturn 2015/16**

Contact has been made with three of the four sources of funding; one source (EEDA) no longer exists, and two have confirmed directly that evidence does not

**Action**

JBridges

exist (HEFCE and UCS/UoS) and the other (SCC) has provided all that they can find and this confirms that the money was not contractually due to the College or an agency arrangement which means it cannot be treated as a government grant under FRS102 in the Annual Report and Financial Statements for the year ending 31 July 2016.

**11.iii Mildenhall Lease**

There is no progress to report at this time.

**11.iv Microsoft Volume Licence**

This item is covered under item 10.i. below.

**Finance Items**

**4 Finance Report – October 2016**

Year to date September staff costs were £209K under budget and YTD October is now showing £266K under budget. There will be an element of these savings which should project through to the end of the year, mainly due to unfilled vacancies in the early part of the academic year. The Committee questioned if the College was experiencing problems recruiting. The Principal confirmed that we have had to find innovative ways to recruit and an international recruitment campaign has instigated inflated interest in harder to fill posts in Engineering, Plumbing and Electrical. The College is always looking at how the staff compliment can run efficiently, effectively while maintaining financial viability and there have been a number of areas where staff have left and the posts managed differently so that where vacancies have arisen they have been filled internally and the vacating post not backfilled so savings have been achieved by not filling vacancies like for like.

C Higgins joined the meeting at 9.50am

It should be recognised however that there are some areas, like Engineering, where the College is not salary competitive and savings on staff costs are not likely to continue at the same rates across the year. Indeed it is more likely that the savings on Staffing costs YTD are likely to be slowly nibbled away by the year end reducing to a much smaller saving against budget. A proposal for a change in the pay framework is currently being worked through and this will be shared with the Committee once prepared. It was noted that early discussions have started with the recognised Unions and the topic is being approached sensitively.

The Vice Principal Finance and Resources confirmed that the exceptional cost (line 1.24) relates to a severance payment made to a former member of staff.

The Committee was pleased to learn that the performance of full cost work is up but this is not attributable to the provision of Gas and Oil. Other full cost work such as ILM Leadership and Management is outstripping itself and making up for the Gas and Oil shortfall so overall full cost work is predicted to be on budget for the year end outturn.

It was noted that the deferred capital grants in the balance sheet are to be moved above the line in accordance with the accounting treatment under FRS102.

**5 Key Performance Indicators**

The total number of 16-18 funded enrolments stands at 2,757 as at the R04 return at the end of November 2016. This is 135 short of the funding allocation and falls

SJones

within an amber indicator. It is not unusual to be short of allocation at this time of year as the number will increase throughout the year as students enrol onto traineeships, Access to Education courses and Princes Trust.

The top line of the SFA income for adults under the partner income and costs compared to budget KPIs looks as though it is underperforming but it was noted that this is due to the timing of invoices. As at the R04 return the forecast for the year is £1.2m against a £2m target. The Committee was reassured that performance is much better at the end of November 2016 and it will be important to control the oil tanker and not let it roll over the target. The trick is to contain performance against target not to overshoot it.

Staff costs as a percentage of normal operating income are calculated at 64.6% which is lower than forecast for the year. There were no issues/comments raised by the Committee.

Banking covenants all remain green (compliant status). The Vice Principal Finance and Resources has made contact with the relationship manager of the Bank and once the Annual Report and Financial Statements are signed off they have confirmed that they will assess their position concerning FRS102 and the impact on banking covenants. They have already confirmed in writing that if a breach is forecast purely due to the accounting changes then a waiver letter to the client for that year would be issued as long as it was very clear that was the only reason for the breach. If the covenant is down to true financial difficulties then that would be treated separately.

The current cash balance is £5.4m which shows an increase in the balance at the end of September 2016 which was £4.5m. An additional amount of funding was received in October which explains the spike in the actual cash balance. The Committee raised concern that the actual cash balance was close to the minimum cash required level in November 2016. The Vice Principal Finance and Resources confirmed that there is a £500K safety net (factored contingency). It was agreed that the purple line indicating the 35 days working capital is to be removed from the cash flow graph.

SJones

The Chair of the Corporation confirmed that he has received a letter from the SFA advising that they have assessed the financial health of the College, based on our financial plan, as Good for 2015/16 (the latest outturn forecast year) and Outstanding for 2016/17 (the current budget year). This will be reported to the Corporation at the meeting to be held on 15 December 2016.

RCarter

## 6 **Sub Contract Provision Performance**

The Vice Principal Employer Engagement reported that there is some concern with the performance of Construction Skills but this will not impact on the overall success rates.

The SFA is yet to confirm acceptance of the College's growth funding application.

An employer intends to transfer some learners from another provider that they are concerned about so there are lots of opportunities out there currently to attract additional income off the back of other provider's inadequacies.

The Committee commented that the Institute of Recruiters has the highest contract value with the College and members asked for some background information about them. The Vice Principal Employer Engagement confirmed that

that they deliver the advanced apprenticeship in recruitment. They are a large corporate company and professional body involved in writing the new standards around recruitment. They only deliver one qualification. The College has been offered free membership and subscription to the Institute of Recruiters. The Director of HR is in contact with them to demonstrate how the College meets the recruitment standards.

**7 Annual Report and Financial Accounts 2015/16**

The impact of the major changes in format arising from presenting the Annual Report and Financial Statements under FRS102 were highlighted to the Committee. Income and Expenditure is now called the Comprehensive Statement of Income. Under the FRS102 accounting rules the costs of short term employee benefits such as holiday pay are also to be recognised as a liability and an expense. The annual leave year runs to 31 August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 22 days unused leave for teaching staff and 9 days unused leave for non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received so an accrual of £720K was recognised at 1 August 2014, £752K at 31 July 2015, and £808K at 31 July 2016.

At the bottom of page 24 the actuarial loss in respect of defined benefit pension scheme is recognised and of course the principal difference in the balance sheet is the treatment of deferred capital grants showing in reserves. The underlying issue is the treatment of government and non-government capital grants which the College has had to change in relation to the treatment of the UCS capital grant for the refurbishment of Suffolk House. The impact of this will be a reduction in release of deferred capital grant income in 2015/16 and the subsequent three years amounting to £216K per annum and then a reduced amount for a further four years until the grant would have been fully written down. It is the intention of the Vice Principal Finance and Resources to review the depreciation rule of this asset. His findings are to be shared with the Committee at the next meeting to be held in March 2017. The Committee asked if any documentation existed that confirmed that the capital grant funding from UCS had to be used for the specific purpose of refurbishment to Suffolk House. There is confidence that the grant money received was for the College to use at its discretion and chose to refurbish the building that the College owns.

SJones

N Savvas left the meeting at 10.50am

The Chair of the Committee invited comments on the Annual Report and Financial Statements by members as follows:

Pages 1 to 10. It was noted that the figure of £0.757m at the bottom of page 2 does not appear anywhere else in the accounts as this is a calculation of the three year surplus excluding all pension adjustments. It was agreed that the statement on page 7 suggesting that some of the operations at the Vintens site will be ready for use from September 2017 was correct at the time of writing and therefore will be left in the annual report. The reference made in the annual report to the 'southern end of the main campus' under the Resources heading on page 7 will be changed to read 'the side of the main campus'.

PEwan

Pages 11 to 20. On page 11 it was noted that the American spelling of 'program' appears in the second paragraph. This is to be changed to the English spelling (programmes). A number of changes to the Corporation membership are to be

made on page 15 of the report. The Clerk passed the changes to the Head of Finance for amendment. It was noted that a resignation date for J Bloomfield of 31 July 2016 is to be inserted with a co-opted appointment date of 1 August 2016.

PEwan

PEwan

Pages 21 to 30. On page 23 it was noted that the first bulleted point under the Opinion on the financial statements heading reads that the auditors 'give a true and fair view of the College's affair as t 31 July 2016 and of the College's deficit of income over expenditure for the year then ended' yet the accounts show a surplus. The Head of Finance will ask the Auditors to amend the statement. It was noted that the College is to be mindful not to change the structure of the relationship with Suffolk Academies Trust. On page 29 of the annual report Auditors have confirmed that as only 4 Trustees are either employees or governors of West Suffolk College the College does not control SAT and on that basis the financial statements have not been and will not be consolidated whilst this remains the case.

PEwan

Pages 31 to 40. The Committee questioned what the actuarial adjustment on page 37 related to. The Vice Principal Finance and Resources confirmed that this is the actuarial pension adjustment required under FRS17.

Pages 41 to 50. The Committee asked the Vice Principal Finance and Resources to confirm what the 'inherited assets' of the College are. He confirmed that these are the site and the buildings; Suffolk House (pre refurbishment), Edmunds House (pre refurbishment) and Australia House. IT was noted that under the covenants of the land the site cannot be used for anything other than for educational purposes.

Pages 51 to 56. The Committee had no comments or issues arising from the content of these pages.

Subject to the amendments noted above the Committee resolved to put a recommendation to the Corporation at the meeting to be held on 15 December 2016 to approve the Annual Report and Financial Statements for the year ending 31 July 2016.

SClarke

### **Property Items**

#### **8 Asset Maintenance Schedule**

The Committee reviewed the exception report and noted that at the time of writing there were two items that had fallen outside of due servicing date but both had imminent service dates scheduled and have been approved for continued use by the Health and Safety Manager.

Members commented that 8 of the 10 items on the schedule had exceeded their life expectancy date and questioned how equipment would be identified for replacement. The Vice Principal Finance and Resources confirmed that service technicians advise if equipment has exceeded its useful life and that replacement is needed sooner rather than later plus if there have been consistent breakdowns with particular items this would also indicate that replacement is likely. Operational planning each year also picks up the requests for resources/equipment replacements.

#### **9 Property Update**

The Vice Principal Finance and Resources confirmed that the half term (October) maintenance programme went through successfully. The toilet

blockages in/around Suffolk House have been resolved. The works created some access restrictions to Central Admin but the schedule was managed effectively and staff were very accommodating to the disturbance. The heating issues in Leonardo House are being managed. The system is to be flushed so work to resolve the identified problem is already underway.

N Savvas joined the meeting at 11.30am.

The Vice Principal Finance and Resources is working up detailed designs/visuals of the Vintens site in preparation of delivering a substantive item at the Governors' Strategic Conference in January 2017 around the College's Property Strategy. A meeting of the Property Task and Finish Group will be convened to pick up any fallout work to progress from the conference.

JBridges

The Vitec Group has approached the College to ask if we can consider extending the longstop date of January 2018 to 10 March 2018. They are experiencing some planning issues with their relocation site and will have to go through a judicial review which is holding up their ability to vacate the site. The Committee questioned what impact an extension of the longstop date would have on the College. The Vice Principal Finance and Resources confirmed that this would have to be worked through as some access to refurbish the site could still be available but a scope of works would have to be drawn together. The LEP would have to be informed as there is an expectation from them that the College would take occupation and the centre open for business in September 2018 plus any changes to the legal documentation would have to be at the cost of the Vitec Group so lots to negotiate upon.

D Wildridge left the meeting at 11.40am

**10 Any other business**

**i. Microsoft Volume Licence**

The Committee received the proposal to enter into a 3 year contract with Eduserv which will secure the right for the College to procure software licenses pre-Microsoft increases. The committee **approved** the award of the contract. **Proposed** by R Carter and **seconded** by C Higgins.

**ii. Confidential item**

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

**Date of next meeting**

Wednesday 15 March 2017 at 4.00pm. Room TG1.16

The meeting closed at 11.50am