

Minutes of the meeting held at 4.00pm on 9 November 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 Election of Chair and Vice Chair

The Corporation reviewed the appointments of Committee Chair and Vice Chairs at the 14 July 2016 meeting. S Clarke remains Chair and D Wildridge as Vice Chair to the Resources Committee.

2 Apologies for absence

There were no apologies for absence.

3 Minutes of the meeting held on 29 June 2016

The minutes of the meeting were agreed as a correct record subject to amending the wording in the second paragraph of item 8 under matters arising at the top of page 2 to read 'which add a net £1.3m to the cash flow'.

4 Matters Arising from the meeting held on 29 June 2016

4 Revised Forecast 2015/16

The Strategic Activities paper to the Corporation at the 14 July 2016 meeting detailed the potential risks/issues of the EU referendum impact.

5 Finance Report – May 2016

The banks position concerning the FRS102 impact on banking covenants has been ascertained. Contact was made in September and October 2016 and on 2 November 2016 a response was received. In summary the bank has confirmed that if a covenant 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 breach is down to true financial difficulties then that would be treated separately.

The summer works requests made under operational planning for this academic year were considered under agenda item 10 of this meeting.

8 Full Time Applications and Enrolments 2016/17

The KPI report to the Corporation at the 14 July 2016 meeting provided an update on enrolment numbers as requested by the Committee.

9 HE Applications 2016/17

The KPI report to the Corporation at the 14 July 2016 meeting provided an update on predicted HE enrolment numbers as requested by the Committee. Benchmark data against the sector was also included in the report.

Action

JBridges

SJones

10 Draft Budget 2016/17

The three requests of the Committee to review and amend the financial objectives were all completed as specified in the minutes. The Corporation approved the 2016/17 Budget and three year Financial Plan at the meeting held on 14 July 2016.

13.ii Any other business – Third Line Support Contract

The Vice Principal Finance and Resources emailed a proposal to the Committee to approve the award of the College's Third Line Support Contract. The proposal was **approved** by the Committee by unanimous vote in the favour of Green Duck.

5 Committee Terms of Reference

Each Committee is asked at their first meeting in the academic year to review and approve its Terms of Reference. There were no proposed amendments to the terms approved by the Committee last year.

It was commented that in general the Committee does not receive an annual planned programme of building maintenance as stated within the fourteenth term of reference. The Committee confirmed that it does receive property and maintenance related reports at its meetings in accordance with the Financial Regulations and therefore this term was met and captured elsewhere and could be removed. Subject to this amendment the Committee **approved** the terms of reference. **Proposed** by D Wildridge and **seconded** by R Carter.

JBridges

A question was raised as to how and where members gain assurance that maintenance of equipment and College assets are being undertaken and that the checks and equipment are compliant with the relevant regulations. The Principal confirmed that assurances are provided through the Health and Safety Committee and this Committee also receives regular property updates and has sight of the asset maintenance inventory which keeps a record of the equipment held, servicing and maintenance schedules and an audit of inspection dates. It is recognised that other inspections (non-asset related) such as Legionella, LOLER, PUWER etc don't appear on the central maintenance inventory but are carried out at the required intervals and are compliant with the regulations. Any material concern would be brought to the attention of the Committee.

Finance Items

6 Finance Report – September 2016

It was noted that line 1.09 miscellaneous income is comprised of lots of smaller income streams such as car park charges, room hire and interest received etc.

The Vice Principal Finance and Resources confirmed that the next set of management accounts would be more meaningful. The accounts prepared for the meeting only show the position as at the end of month two (September) where income is slightly better than budget and both staffing and non-pay costs are less than budget. In reality we are starting to now see a shortfall in line 1.06 Full Cost Courses as Gas and Oil is not performing as strongly as it needs to and HE income (line 1.02) is not as fruitful as initially thought so forecast adjustments will need to be made. The accounts as at month two however show positive variances on both of these lines so it was important to bring these shortfall issues to the attention of the Committee. In addition it was noted that the negative variance on the SFA Income – Adults (line 1.03) is due to a phasing issue as apprentices are put on programme and receipt of the funding is then received.

The Committee was disappointed to learn that the performance of Gas and Oil has not been strong. £200K of the £413K budget for the year is apportioned to the

provision of Gas and Oil. There are some issues around Gas and Oil which are not just around the ability to deliver it; staff have been on long term absence so the ability to deliver commercial work has reduced thus impacting income. A new Executive Director for Science, Technology, Engineering and Construction has been appointed and she takes responsibility for this commercial target and budget line. None-the-less it was reported that this line is still likely to fall short of the budget but a detailed business plan is being drawn which will provide a better forecast of student numbers and likely outturn. The other £213K of the Full Cost Courses income line is performing well; ILM Leadership and Management and Health and Safety for example.

Staffing costs are generally low in comparison to budget for all staffing categories, mainly due to vacancies which have either been filled later than expected or which are still to be filled. This is reflected in the lower staff costs as a percentage to income ratio which is at 64.2% for the period ended September 2016.

The balance sheet reflects a number of expected changes at this time of year, notably that the EFA/SFA creditor has increased significantly due to the phasing of these receipts from the funding agencies and debtors has increased due to the higher number of sales invoices in existence at this time of year.

7 Key Performance Indicators

The actual number of 16-18 students enrolled as at 20 October 2016 is 231 below the funding allocation of 2,892. Student numbers will increase throughout the year as students enrol onto traineeships, access to education courses and Princes Trust. There is confidence that the funding target will be achieved and there is confidence in the accuracy of the current student numbers enrolled. The Committee asked that the KPI report includes HE enrolment measures. The management accounts show this income line against budget so governors are able at a glance to see where and by how much a negative variance has impacted the budget but members said that they would be interested to know the conversion rate by course from application to enrolment so a realistic budget and/or forecast of HE income could be determined. It was agreed that a template report would be provided for the next meeting of the Committee to substantiate if this was to be a standard agenda item or to be reported under the KPI report.

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There were no issues to report concerning the budget to forecast KPIs.

The report has been modified and now includes KPIs to monitor the performance of partner income and costs compared to budget. The schedule shows the SFA income split by WSC and partners for each category of funding and also shows the partner costs budget and actual. Line 1.03 is the area of most concern as any overachievement of this budget line is not funded. Currently there is a negative variance on budget which is good but the trick is to steer the jumbo jet onto the postage stamp as close as possible to the full year budget.

The staff costs to income ratio for September 2016 year to date as reported above is at 64.2% which is lower than forecast for the year. This reflects the position of staff costs being under budget by £209K.

There were no issues to report concerning the status of our banking covenants.

The Chair of the Committee asked why the balance of cash at the start of the 2016/17 year differed from the forecast provided in May 2016 for the same time. The Vice Principal Finance and Resources confirmed that the figure had been

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reset in August 2016 to match the actual opening cash balance and the reason for the difference will be reported back to the Committee.

8 Subcontract Provision 2016/17

The Committee noted that the report draws out a number of performance issues; QAR and success rates for example, of some subcontractors but not of others. They asked that the report takes a consistent approach to the application of the performance measures used and reported.

L Moody

The Vice Principal Employer Engagement confirmed that the College is not proposing to engage in new contracts with two of the named subcontractors in the report and is proposing not to engage with any unknown (new) subcontractor in the academic year.

The total subcontracted value to outsource for the 2016/17 academic year is £500K. Due to the proposed changes in apprenticeship funding from May 2017 with the levy the College is working with a number of subcontractors to work in collaboration rather than in competition because as of this month they and other training providers (including the College) have the opportunity to become apprenticeship training providers in their own right by applying to register on the RoATP (Register of Apprenticeship Training Providers).

The Committee discussed the risks associated with approving the proposal to award the value of £500K to subcontracted work and determined that this was a low risk strategy. Members **approved** the proposed partners and contracting values as detailed in the report en bloc and asked that the Vice Principal Employer Engagement kept the Committee informed of contract performance and progress.

L Moody

L Moody left the meeting at 5.20pm

9 Year End Outturn 2015/16

Some contra movement has taken place since the last meeting of the Committee in May 2016. These movements in the accounts have posed no material variation and the accounts have stopped moving bar one adjustment that is opposed between the College and the Financial Auditors. The financial statements have been prepared in accordance with FRS102 but this currently reflects the treatment of UCS grant funding as non-government funding, in the absence of evidence that reinforces the funding as government grant. The Committee asserted that this funding was from government sources (HEFCE, SCC and EEDA) but via UCS and should therefore be treated as such, but the College has not been able to provide the auditors with documentary evidence supporting this view. In the absence of such evidence, the grant must be fully released to the income and expenditure reserve prior to the 2015/16 year and 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. This makes no difference to the financial well-being of the College and effectively is just bringing forward the income to the Income and Expenditure reserve prematurely but presentationally this will make the Statement of Comprehensive Income look weaker for several years to the lay reader. If the College insists on using this treatment then the auditors will provide a qualified opinion which then presents additional challenges.

The Vice Principal Finance and Resources is to make contact with the four sources of funding for the refurbishment work to seek confirmation from them that they were all part funding contributors. It is hoped that this can be resolved

S Jones

to our satisfaction in time for this Committee to consider the final draft Financial Statements and Annual Accounts in December and enable them to recommend their approval to the Corporation at the 15 December 2016 meeting.

The year-end outturn is a surplus of £376K compared to June's forecast surplus of £210K, after including rental income for Vintens and the SFA income adjustment relating to 2014/15. The year-end performance was better than forecast in June and this was in part due to a concerted effort to restrict expenditure in order to drive an operational surplus which was subsequently achieved. Clearly the advent of FRS102 is going to present a challenge in the way in which the accounts are shown but in the interest of consistency, substantial FRS102 items will be highlighted and shown 'below the line' in order to present the true operational position to the Committee.

Property Items

10 Property Update

The Committee asked if any delay of the occupants vacating the Vintens site would cause any issue for the College. It was confirmed that some accommodation issues on the main campus would have been eased by occupation at Vintens and although initially it was thought that they would vacate in January 2017 it was thought that some occupation in September 2017 would be available but that now appears unlikely. There may be a need to consider a short term arrangement for accommodation and this will be subject to scrutiny by the Property Task and Finish Group that will meet in the next couple of months to establish what needs to be done next. It was noted that under the lease of the Vintens site the occupiers hold responsibility and liability for insurance, maintenance and health and safety arrangements.

11 Any other business

i. Third Line Support Contract

Members received a proposal via email in June 2016 to award the IT third line support contract to Green Duck. It was noted that each member had voted in support and a two year contract has been awarded as **approved** by the Committee.

ii. MFD Contract

Members received a proposal via email in July 2016 to award the MFD and Print Software Contract to Xerox. It was noted that each member had voted in support and the contract has been awarded as **approved** by the Committee.

iii. Mildenhall Lease

The College is looking to assign the lease of the property at Mildenhall. The lease is not due to expire until January 2018 and a company has expressed interest in taking on a sub-let arrangement. The College feels that this is a risk worth taking as it is better to have someone in occupation rather than paying out for premises that aren't in use by the College. It was agreed that the Chair of the Committee would be given delegated power to approve the sublet at the point the College is in the position to assign the lease.

SClarke

iv. Microsoft Volume Licence

The Vice Principal Finance and Resources is to prepare a proposal paper for the Committee to consider at the meeting to be held on 7 December 2016.

SJones

Date of next meeting

Wednesday 7 December 2016 at 9.30am. Room TG1.16
The meeting closed at 6.05pm.