

Minutes of the meeting held at 4.00pm on 27 June 2018

Present: **S Clarke (Chair)** **D Wildridge (Vice Chair)**
 C Higgins **K Golding**
 N Savvas, Principal

In Attendance: **S Jones, Vice Principal Finance and Resources**
 P Ewan, Head of Finance
 L Moody, Vice Principal Employer Engagement
 R Kirk, Assistant Principal for Higher Education
 A Wright, Head of Admissions and Student Futures
 J Bridges, Clerk

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

1 Apologies for absence

Apologies for absence were received from T Hunt and S Healey Pearce.

2 Minutes of the meeting held on 16 May 2018

The minutes of the meeting were agreed as a correct record subject to amending the word 'including' to 'excluding' in the second paragraph under agenda item 7.

3 Matters Arising from the meeting held on 13 May 2018

2 Minutes of the Meeting held on 14 March 2018

The minutes have been amended as requested.

3 Covenants Resolution

The bank has been asked to facilitate a resolution and this has been received. It was noted that the confirmation required from the bank has enabled the revised bank loan covenants to be signed. In accordance with the delegated power given to the Chair of the Corporation, K Golding and the Chair of the Resources Committee, S Clarke, by the Corporation at the meeting held in March 2018, both are to sign the resolution on behalf of the Corporation.

4 Finance Report

It has been noted that the Apprenticeship income lines in the financial reports are to be condensed without compromising the visibility of any arising income line concern.

The Head of Finance confirmed that the cash position at the end of April 2018 was monies owed by the ESFA.

Further reforecasting of outturn figures have been incorporated in to the April accounts provided for under agenda item 4 of this meeting.

6 Asset Maintenance Schedule

The list of annual statutory compliance obligations was provided to the Committee. The schedule includes checks of Pressure Systems, LEV, LOLER, Fire Risk Assessments, Hard Wire and PAT Testing, Hospitality Risk Assessments, Stock Rotation, Temperature Checks, Asbestos Registers,

Action

JBridges

SSOW, Equipment Servicing and Legionella and all are reported as compliant with all external parties (Fire and Rescue Services, Allianz, Insurers, St Eds EHOs etc). Risk Management Compliance reports are also considered by the Health and Safety Committee at each of its meetings in the year. It was noted that the Corporation receives an Annual Health and Safety compliance report at each meeting held in December. If a compliance issue required financial resource it would be brought to the attention of this Committee if not budgeted for.

D Wildridge joined the meeting at 4.10pm

It was noted that the Committee is to receive the Treasury Management Report requested by the Committee at the meeting to be held in November 2018.

SJones

7 Draft Budget 2018/19

The actual increase in Non-Pay Costs is £315K as per the Forecast and Budget Summary and this figure should have replaced the figure of £406,944 in the text of page 5 of that report.

Finance Items

4 Finance Report

At month nine, the actual net surplus of £688K is higher than the expected budget YTD surplus of £576K.

Total income is £93K better than budget YTD, but this includes Apprentices and Adult ESFA income below budget compensated by Fee Income and other Grant income being over budget. Staff costs are lower than budget by £26K, whilst Non staff costs are very close to budget YTD. Increased income and lower staff costs YTD are contributing to the actual surplus being better than budget at this point.

The forecast has been amended this month and is now showing an expected surplus of £121K prior to the Vintens rental income and includes a budget for costs of the summer works of £220K.

The balance sheet shows that the bank balance has increased from £5,827K to £5,830K in April 2018.

It was noted that some AEB (line 1.03) is to be subcontracted to reduce/erase the shortfall forecast on the AEB line. It was further noted that HE income is to increase by a further £40K as retention has improved and student numbers increased more than forecast.

Apprenticeship income (1.04a) shortfall of £120K has been reduced. This reduction relates to all apprentice income lines and is based on reported forecast income for the year as at April 2018 and doesn't exclusively relate to 16-18 apprentices as the figures on all apprenticeship income lines are now aggregated.

The increase in bank balance of £543K in the month approximately corresponds to the reduction in the ESFA debtor/creditor of £698K. The amount owed to the College by the ESFA was £835K in March and has reduced to £137K owed to the College in April 2018. The balance of funds owed is the difference between what the College has earned April YTD and the cash that has been paid according to the pre-set ESFA payment profile through the year.

The forecast bank balance for the end of the year has been reduced by £231K to £6,107K in line with the reduced forecast surplus. It was noted that this figure is to tally in the KPI Report and the Head of Finance will review the report to address this discrepancy.

PEwan

The Committee was informed that the College would like to make a 1% Bonus (unconsolidated) to staff this year. Those earning £25K or less would receive a £250 bonus, those over that threshold would receive 1% of their pay. The Committee **approved** the award and this would be applied to all staff, including those designated as Senior Post Holders.

SClarke

5 Key Performance Indicators

At the start of May 2018 the actual number of 16-18 students enrolled (as at R09 return to the ESFA) was 2,979 against the 2,910 target (69 above).

Offers made to HE students as at 3 June 2018 for 2018/19 including returning students is 3,073. HE enrolments are currently 22 below the target (489FTEs against 511FTE target).

The target FTE for first year students for 2018/19 is 300. Actual offers made and accepted is 116 (an increase of 26 from March 2018). These numbers will increase throughout the year and right up until the first weeks of the HE autumn term. Comparison figures from the same period last year show that offers made of 322 and offers accepted of 86 are lower than this year.

The forecast surplus has been revised and shows a reduced surplus of £121K which is still £51K better than the original budget, but includes costs for summer works of £220K.

Vinten's rental income of £302K which is now included in the budget has been excluded from the calculations but will increase the surplus year end outturn also.

The staff cost to income ratio calculations for April YTD (which excludes 85% sub contractor income) are calculated at 65.9% which is an increase from the previous month at 65.3% but is still better than the budget target of 68.7%.

The loan covenant calculations have been made based on the old agreed covenants as the revised covenants have only now been accepted (as noted above under matters arising) and the resolution passed. All banking covenants are RAG rated green and are compliant and would also be under the new covenant arrangements.

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6 Supply Chain Fees and Charges Policy

The Subcontracting ESFA External Controls Assurance internal audit took place in January 2017 and in accordance with ESFA funding rules the College's

supply Chain Fees and Charges Policy is subject to annual review and approval of the Committee. Approval is to be sought of the Policy prior to the start of the new academic year.

The Committee considered and **approved** the Policy for those learners that are currently in learning. **Proposed** by C Higgins and **seconded** by K Golding.

7 Subcontracted Provision for 2018/19

All due diligence paperwork is to be sent to Sub-Contractors in July 2018 as paper copies will be required to be returned to the Partners' Manager before 1 August 2018 to enable a sub-contract to be issued for the beginning of August 2018.

The new contract has been produced and complies with the new GDPR.

Due to the changes in sub-contracting rules, College staff will complete part delivery to all sub-contractor provision with starts after January 2018. Discussions are underway with a number of providers and employers for 2018/19 opportunities.

The sub-contractor audit took place on 14 May 2018. The audit went well with only two low risk recommendations to implement next year.

The Committee was pleased to learn that IT Skillsman have had their first WSC sub-contracted learners through end point assessment and all learners who have taken their EPA have passed.

The report provided a summary of the carrying funding for existing sub-contractors for the 2018/19 academic year. Due to the changes in the sub-contracting rules, discussions around delivery models to accommodate the new rules are being held and it was noted that as a consequence of this uncertainty with employers, funding allocations for 2018/19 are not available at this time but would be additional income to us and inflate the budget position. The Committee **approved** the anticipated funding for the 2018/19 academic year as detailed in the report. **Proposed** by C Higgins and **seconded** by D Wildridge.

8 Full Time Applications 2018/19

The report contains information on the Full Time applications for 2018/19 split by age category. As we are now entering our full time enrolment period (enrolment week is this week), it contained details of the number of applicants who have been invited to enrol and therefore have been through the application and interview process and been offered a place. Details of the Level 3 Year 2 progressing students are also included in the figures. Both of these student numbers, compared against enrolment figures last year, give us a far more accurate representation of actual numbers and current status. By just looking at the 16-18 student numbers, the total number of active applications with offers is 45 higher than the same time last year. In addition we still have 134 16-18 year olds awaiting their interview, which will take place prior to enrolment in June 2018. Overall though we are 120 applications down compared to this year which would impact, due to lagged funding, on the 16-18 income line in the 2019/20 budget. Of particular concern was the low number of applicants for engineering courses and the Principal and CEO felt that there were staffing issues that needed to be addressed to improve the quality of the College's offer in this area which was

important to support the Colleges aspirations for excellence in the STEM. We are working with the low recruiting areas and teams to promote and market (targeted) the courses to attract the students. The Committee tasked the management of the College to mitigate the risk of low student recruitment and this of course is priority over the coming months to September 2018.

A Wright left the meeting at 5.10pm

9 HE Applications 2018/19

Applications for degrees at the UoS Bury St Edmunds stands at 365.5FTEs. This is a decrease of 2 at the same point last year. At this stage 172.5FTEs have accepted offers, which is an increase of 133 on last year.

The College has set a target of 257FTEs for September 2018 which will include enrolments with providers other than the UoS, i.e. the London Institute of Banking and Finance (LIBF) and Pearson's for Biology and Chemistry.

In addition, based on data from previous years, it is estimated that the conversion rate for continuing students will be approximately 98% (338FTEs) of the current enrolled Level 4 and 5 numbers (345.19FTEs).

Assuming that the target of Level 4 enrolments (257FTEs) is achieved the total anticipated enrolments for September 2018 therefore is 595FTEs. This year we enrolled 497FTEs. Low recruiting areas are Computing, Graphic Design and Interior Design. We may need to suspend courses and give students an alternative offer if viable numbers are not achieved.

We are still recruiting new students and a robust programme of advertising and marketing for a clearing recruitment schedule is in place. In addition we are working with the UoS on a funded project (NEACO) to reach 18 year olds from areas of High Deprivation across Norfolk and Suffolk.

R Kirk left the meeting at 5.20pm

10 College Budget 2018/19 and 3 Year Financial Forecast

The proposed budget remains a draft operating surplus of £133K which compares to a budget surplus in this year of £70K and reflects the application of a draft capital budget excluding the Vintens project of £631K. With the addition of the Vintens project, this will take the capital budget to £5,331,853. There are some very minor changes since the last budget considered by the Committee but the net surplus remains the same.

As with previous years, income lines have been assessed realistically but do rely on comparable student numbers to 2017/18 being modestly exceeded again as has been managed in the current year. The budget also assume a targeted saving on staffing costs as was the case this year. The proposed financial objectives for the year and the populated ESFA Three Year Financial Plan that reflects the budget proposed was also considered by the Committee. Both the budget and the three year plan are for the approval of the Corporation at the meeting to be held on 5 July 2018 and are to be filed with the ESFA by the deadline of 31 July 2018.

As indicated above, some minor changes have been made to the budget but the proposed surplus position remains the same at £133K. These changes relate to a reallocation of budget within sub-headings of staffing and a small increase for some project staffing of just under £13K that is cancelled out by

extra budgeted project income. Another adjustment has been a reduction in the expenditure budget for the cost of coaches for which a commensurate reduction in the anticipated income has been made in order to leave the expected margin to remain static.

The key assumptions and pressures were outlined in the report. Overall, the starting circumstances of the 2018/19 budget are more favourable than this year. Although the College will benefit from a healthy increase in the ESFA 16-18 allocation in 2018/19 and fared well compared to other Colleges in the take up of new apprenticeship numbers during the year, the College has increased its staffing post approval of the 2017/18 budget which has had a significant full year impact in 2018/19. This has been intentional in order to provide the College with the necessary capacity and profile to become the leading College in the East but also to ensure that as the student demographic decline comes to an end, that the College can optimise its numbers and related income streams.

Additional pressures in 2018/19 that have been budgeted for include incremental pay awards of £275K, provision for a cost of living award of 1% equating to £185K and allowance for a suspected rise in the employer on-costs for the Teacher's Pension Scheme which is expected to take effect in April 2019, amounting to £52K. The Committee acknowledged and **approved** the intention to make a 1% consolidated pay award to all staff in 2018/19. This is to apply to those staff also designated as Senior Post Holders and this recommendation is to be presented to the Corporation at the meeting to be held on 5 July 2018.

SClarke

Staffing costs have increased between the budget set for this year and that proposed for 2018/19 by £1.1m which is an increase of 5.9%. Almost 50% of this is due to contractual incremental progression, provision for a pay award and anticipated TPS on-costs as reported above. The remainder however is as a consequence of ensuring the College is resourced and has the capacity for a strong performance in 2018/19 into 2019/20.

Although at 5.9% the increase in staffing costs is high, it needs to be considered in the context of growth in income of 5.1% so whilst it has increased by more, the marginal percentage increase is only 0.8%.

In the 2018/19 budget, staff costs stand at 68.7% of income which is the same as the budget this year (excluding sub-contracted provision). This is still high compared to the long term objective of achieving 65% but given that the 65% benchmark was quantified some years before the funding was cut and since then with the levy and pension on-costs increasing adding a double pressure it is no surprise that the budget finds itself still 3.7% behind. To achieve the 65% staffing budget target it was noted would require a cut of over £1m.

The proposed draft capital budget is for £631K excluding the Vintens project of £4.7m. With the addition of the Vintens project, this will take the capital budget to £5,331,853. A significant amount relates to plant and equipment replacement and purchases including £104K in support of capital equipment for engineering to support work to develop modern engineering training capability for which reserves have been boosted by grant funding. Computer spend relates in part to addressing GDPR compliance for laptops not currently capable of being encrypted. The Committee **approved** the Capital Budget.

D Wildridge left the meeting at 5.25pm

The Committee considered the six financial objectives set for the College and these were agreed. The only concern of the Committee is around capital investment of property/estate related costs as we no longer hold contingencies and in the absence currently of an assessment report of the condition and repair of the estate there is nervousness around future capital investment and the impact this may have on the year end outturn and surplus position.

The forecast shows that for 2017/18, the College will achieve all objectives and the three year plan shows that all but one are predicted to be achieved in full. The exception is the final objective which although in the spirit of the wording the College will “seek to achieve” the starting position of the budget means that performance will have to exceed budget for the 3% to be reached. The current prediction is that it will reach the 2.5% mark and this reduction is due to the loss of Vintens rent which has been required to be included in the financial plan data. The adjusted surplus position of 3% will require an outturn better than budget by just under £150K. The other target that is proving challenging is the long term objective of returning to staff costs being below or at 65% of income as mentioned above.

The Committee considered the robustness of the budget and risk(s) associated with it, as detailed in the report. In summary the Committee recognises the small surplus budget of 0.5% of turnover and whilst this is small, it is an improvement on the 0.3% of the budget this year. The Committee also noted that the 2018/19 budget does rely on a modest increase in student numbers for both HE and Apprenticeships and any early concerns about these lines are to be addressed quickly and accordingly.

The Committee recognised that the staffing budget does rely on a targeted savings budget to be achieved and this is already work in progress prior to budget approval. As is normal, it was noted that it is possible that some of the discretionary capital budgets may not be spent or at least will not be spent until later in the year plus there is the usual flexibility with an element of the non-pay budget which is ring fenced initially. A financial performance that is better than budget is expected by the Committee and close monitoring of budgets will continue to ensure this opportunity is optimised.

The Committee considered and **approved** the 2018/19 Budget, Capital Budget, Financial Objectives and the ESFA Three Year Financial Plan. The Chair noted that the Committee has assessed its financial grade and concurs with those calculated by the auto grade generated from the Three Year Financial Plan as ‘outstanding’ in Years 1, 2 and 3. **Proposed** by C Higgins and **seconded** by K Golding. The Committee will recommend the approval of the budget, capital budget, financial objectives and three year financial plan to the Corporation at the meeting to be held on 5 July 2018.

SClarke

11 2018/19 Insurance Renewal

In accordance with the Financial Regulations, approved by the Corporation, the College Secretary is responsible for the College’s insurance arrangements. Where contracts are over £50K three competitive tenders are required in order to comply with the College’s tendering procedures. The award of contracts over £50K are to be approved by the Resources Committee.

The College Secretary invited the incumbent Broker to test the insurance market in the year to secure the best terms and rates for 2018/19 renewal. A full property and contents valuation (cost of rebuild/replacement) has also been carried out.

The report detailed the Commercial Combined, Motor Trade, Excess Layer, Lorega Loss Recovery, Engineering Inspection and Insurance, Motor Fleet, Breakdown Cover, Management Risks, Group PA and Travel and Brokerage arrangements for the 2018/19 academic year. The Committee felt assured that a full and thorough renewal and test of the insurance market has been undertaken and the Committee **approved** the renewal of our insurance arrangements as detailed in the report for a further 3 years. The College Secretary is to secure and negotiate the payment arrangements with the Broker and agree either direct payment to the insurer or payment by instalment in the year rather than an upfront payment arrangement to the Broker. **Proposed** by S Clarke and **seconded** by C Higgins.

JBridges

Property Items

12 Property Update

Summer works planning is progressing and there are no adverse price variances known yet, we are tying down some detail around the works for the kitchen extraction and the passage of time combined with the specialisms required mean that we will not be seeking three quotations as required but just two. The decision on the contract award was delegated to the Chair of the Committee, S Clarke. There is also some investigative work to be undertaken this weekend in connection with asbestos in Edmund House, the findings of which may impact on the pipe relocation project.

The Vintens project is progressing well with only planning determination being a potential concern. The Property Task and Finish Group is due to meet on 4 July 2018.

Parts of the Copse is currently closed due to a significant bough dropping off a Beech tree yesterday. As a consequence all Beech trees have been taped off (Heras fencing to follow) pending detailed consideration by specialists and any required work. The Committee felt it may be appropriate in future to close the Copse area between the months of June and August inclusive.

13 Any other business

i. SAN Procurement

The College SAN (Storage Area Network) is over 5 years old and some deterioration has been experienced during the early part of 2018, both in terms of overall performance but also hardware failure requiring renewal. It is proposed therefore to renew the SAN funded from the capital budget and three separate quotations for the hardware have been sought. As the cost of this investment is above the £50K threshold requiring the approval of the Resources Committee, the Committee was asked to consider the purchase of this capital cost. The Committee **approved** for the supply of the hardware required to renew the SAN which is to be installed over the summer of 2018. **Proposed** by K Golding and **seconded** by C Higgins.

ii. Annual Leave Entitlement

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

Date of next meeting

Wednesday 7 November 2018 at 4.00pm. Room TG1.16.

The meeting closed at 6.25pm