Governing Body
RESOURCES COMMITTEE

WEST SUFFOLK COLLEGE

Minutes of the meeting held at 2.00pm on 13 December 2018

Present:	**S Clarke (Chair)**	**D Wildridge (Vice Chair)**
	E D'Souza	**K Golding**
	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

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

Action

1 Apologies for absence
Apologies for absence were received from C Ridgeon. It was noted that T Hunt has resigned from the Corporation due to other commitments.

2 Minutes of the meeting held on 7 November 2018
The minutes of the meeting were agreed as a correct record.

3 Matters Arising from the meeting held on 7 November 2018

3 ***Minutes of the Meeting held on 27 June 2018***
The minutes have been amended as requested.

5 ***Committee Terms of Reference***
The combined Terms of Reference have been reviewed and were shared with the Committee for discussion. These were accepted by a show of hands.

As requested item 18 of the WSC Terms of Reference for this Committee has been removed.

6 ***Year End Outturn 2017/18***
The full set of accounts are covered under item 6 of this meeting.

7 ***Financial Report – September 2018***
The reforecast figures are included in the October Finance report as requested, covered under agenda item 4 of this meeting.

10 ***Subcontract Provision 2018/19***
The process for bringing new subcontractors will be reviewed for approval in the future along with a strategic reason for subcontracting and the associated risks. The due diligence remains as is. It was noted that there are no new subcontractors at this time. The format of the report is to be agreed having regard to the role of the Committee in the approval of sub-contractors. — LMoody

11 ***Property Update***
The Vice Principal Finance and Resources is to liaise with the Chair of the Committee on the design of the report format concerning new contracts and variations to existing contracts.

Action

Finance Items

4 Finance Report – October 2018

At month three, the actual net loss of £201K is lower than the expected budget YTD surplus of £133K. This is due to income being £666K lower than profiled budget YTD compensated by staff costs being lower than budget by £294K and non-staff costs being lower than budget by £37K.

The year-end forecast has been revised this month to incorporate the reduced HE income offset by a number of other forecast changes which compensate for this. The revised surplus of £155K is £21K above budget.

HE income is showing as behind budget and the forecast has been amended in line with this to reduce the income for the full year from £3,572K to £3,247K. This reduction in income is due to lower recruitment mainly in year 1. The Committee was concerned that low recruitment has had such a significant impact on income particularly in light of the College bidding for capital funding for the EIoT project which will be to deliver more HE degree provision. The CEO explained that comprehensive planning is in place and student numbers can be recovered as our offer for the EIoT and the UoS at WSC will be the most attractive offer to students and we know our market.

D Wildridge joined the meeting at 2.15pm

ESFA Income - Adults (Line 1.03) – relates to the AEB. This income line is showing as behind the budget by £424K. The income will continue to increase throughout the year as additional enrolments are added.

ESFA Income - 19+ apprentices (Line 1.03a) and 16-18 apprentices (Line 1.04) are both showing as under year to date budget by £96K and £18K respectively. There continues to be enrolments processed.

Teaching staff (Line 1.10) – Costs are showing as £143K below budget at Oct YTD. The forecast spend has been reduced by £100K which is the savings already achieved from later than budgeted staff recruitment this financial year, where the budget was provided from August, but staff actually started later in September or October, thus making savings of 1 to 3 months' salary.

Workplace delivery staff (Line 1.11) – Costs are currently under budget by £19K Oct YTD, but the forecast costs have been increased by £16K to cover additional support costs for apprentices. The forecast income on Line 1.04 has been increased to cover these additional costs but it is possible that with the savings to date that the year-end position could be better.

Student support staff (Line 1.13) – Income is showing as better than budget by £85K at Oct YTD and the forecast costs have been reduced by £20K which again are savings made from staff recruited later in the term than anticipated in the budget.

Non pay costs (Line 1.20) – Forecast costs have been increased by £90K to cover the increase in costs identifying students eligible for additional learner support where the income is showing in apprentice income lines 1.03a and 1.04. Current spend is lower than profiled budget but at this stage is being regarded as a timing difference rather than a saving.

Action

Partner payments (Line 1.21) - Forecast costs have been increased by £314K for the year. These costs relate to the increase in partner income in Lines 1.03a and 1.04 of £390K giving a net increase to surplus of £76K.

The balance sheet shows that the bank balance has increased from £8,648K in September to £8,668K this month. The current bank balance of £8,668K compares to the balance of £6,837K as at October last year which reflects to a large extent the cash generated from operations by the College in 2017/18 of £1,988K.

5 Key Performance Indicators

The College has enrolled a higher number of 16-18 students this academic year compared to the same reporting period 2016/17 (2,943 against 2,879). We are 52 fundable enrolments below the funding target of 2,995 but enrolments continue to come in from the NCS, Princes Trust and courses with January 2019 starts. At the same reporting period 2016/17 we were 31 fundable enrolments below the funding target of 2,910 so there is every confidence that the funding target of 2,995 this year can be achieved.

HE enrolments are behind target by 78 FTEs. Lower Year 1 recruitment in the main is the cause for the shortfall in HE income as the target FTE for first year students for 2018/19 is 254.5FTEs and actual offers accepted to date are 212.5FTEs; which is 42 below the target. The Committee are willing to support the Assistant Principal for HE to keep up to date and monitor student numbers, helping with recruitment initiatives where possible.

Budget to forecast total surplus and income are within acceptable tolerance levels although the forecast surplus has been increased by £22K to £155K and is therefore Red RAG rated to highlight that the forecast is above budget at this reporting time.

The staff costs to income ratio calculations for Oct YTD (which exclude 85% sub-contractor income) are calculated at 70.7% which is higher than budget of 68.9% reflecting the lower than budget income as at Oct YTD.

Loan covenant calculations are based on the new revised and agreed covenants and it was noted all are reported compliant (green status). Cash reserves were also considered satisfactory.

6 Annual Report and Financial Accounts 2017/18

The audited accounts and accompanying report of the governing body were shared with the Committee. It was noted that these accounts are compliant with current accounting standards and show a pre-FRS102 (pensions) surplus of £1,151,000 (£1,282,000 in 2016-17). Both figures included Vintens rent and if that is excluded, the pure operational position was surpluses of £849,000 and £1,095,000 in 2017/18 and 2016/17 respectively. The operational surplus for 2017/18 equates to 3% of turnover.

The Vice Principal Employer Engagement is to provide wording to correct statements proposed on Page 11, under section 3 about contracting work with providers on the RoATP. It was further noted that the Vision on page 1 also requires correction as the statement is considered clumsy with the words ‘the centre of a hub’. The Chair of the Committee has also found a number of minor

LMoody

PEwan
SJones

Action

alterations and these will be corrected before publishing and sharing with the Corporation.

The unqualified opinion of the accounts was noted and the Committee **approved** the accounts and endorsed their acceptance thereof to the Audit and Risk Management Committee who are to recommend they be approved by the Corporation at the meeting to be held on 20 December 2018. **Proposed** by C Higgins and **seconded** by D Wildridge.

The Finance team were thanked for their hard work and effort to complete the financial statements and annual report for the year.

7 Financial Regulations Review

The Committee considered a number of changes proposed to the Financial Regulations following routine review but also as a consequence of the intention to more closely align the operational practices of the College with Suffolk Academies Trust.

The key change proposed concerned increasing the threshold for contracts from £50K to £100K that require the explicit approval of the Resources Committee to bring this in line with Suffolk Academies Trust. It is felt that £50K is sufficiently low that a lower value three year contract will fall into this category and it is not considered that for routine operational contracts that fall within budget that the Committee's explicit approval is required.

The Committee considered and **approved** the proposed amendments and asked to be provided with an annual report detailing contracts awarded at this threshold and on that basis will recommend the Financial Regulations to the Corporation at the meeting to be held on 20 December 2018. **Proposed** by S Healey Pearce and **seconded** by C Higgins. The Clerk will add this requirement to the Terms of Reference of this Committee.

SJones
PEwan

JBridges

8 Treasury and Loan Update

The College has continued to invest surplus balances in deposits with Lloyds which offer a marginally better rate than leaving funds in the standing accounts. This has been a historic arrangement based on two things; firstly that the College's treasury management policy clearly states that in balancing risk and return, the College should not seek to chase return at the expense of risking losing funds, and secondly that there was an unwritten understanding that whilst the College invested its surplus balances with Lloyds, that they would continue to keep all banking and loan costs to a minimum. The Committee noted the latter comment has not been made by the bank during the current Vice Principal Finance and Resources tenure and therefore it was not given disproportionate consideration or importance.

The Treasury deposits and balances as at 31 October 2018 were detailed in the report as well as the three loan balances that the College currently has. The bank has offered the prospect of both variable and fixed rate possibilities so the College has a number of options to consider around loan retention versus repayment but certainly partial repayment is an option and this would reduce future interest payment obligations and minimally reduce some pressure from the income and expenditure account.

Action

The Committee also considered the impact reducing the cash reserves could have on the College's property strategy; most notably the capital expenditure on the Vintens Project which will require approximately £1.7m of expenditure for phase 1 and then further investment if the subsequent phase of the project is to proceed in the event that no IoT funding is available, It was further noted that the recent finalisation of a condition survey of the College's estate has also shown that there is a short term need to invest circa £500K on the estate for high importance issues identified.

The Committee raised concern that given we have a cash reserves balance of £6m how confident are we that grant funding could be secured for capital projects given such a healthy cash position. The Principal provided justification and assurance that grant funding could be secured based on the College's recent record in this area and that main funders such as the LEP and local authorities tended not to place undue consideration on cash reserves.

The Committee discussed the principal options posed; 1) seek to reduce some of the College's loan book in order to reduce interest payable obligations but to a level whereby the College has sufficient cash resilience; 2) leave the College's liquidity in place, accepting that the excess of loan interest payable anticipated in 2018/19 versus likely interest receivable is an acceptable amount to pay for the extent of the liquidity and financial agility it would provide to the College; and 4) fix some or all of the variable loan to create cost certainty as it is felt that there is a risk that rates might rise sharply in the next 3 to 5 years.

After much debate the Committee concluded to do nothing apart from obtaining details of current fixed interest rates on loans and if deemed appropriate, in consultation with the Chair of the Committee, to fix the current £1.8m variable loan for 5 or 8 years. The Committee further agreed the proposed changes to the Treasury Management Policy as presented. The policy was **approved** by the Committee. **Proposed** by D Wildridge and **seconded** by C Higgins. The Committee will recommend the Policy to the Corporation at the meeting to be held on 20 December 2018.

Property Items

9 Property Strategy

The College's property strategy is to be reviewed annually and approved by the Corporation. The current strategy was last considered and approved by the Corporation in December 2017 and ahead of that endorsement it is to be considered, reviewed and updated by the Resources Committee. Whilst such documents are rarely up to date for long due to developments in the estate, it is important that they are regularly refreshed as part of good governance. The Committee acknowledged that the Property Strategy is of course driven by the Curriculum Plan and in the light of the findings contained in the recent Condition Survey and the significant costs associated with those findings the strategy will require further modification to plan for the additional costs in future financial forecasts. This is an undertaking of the Property Task and Finish Group. The document was shared with the Committee ahead of the meeting and after due considered was **approved.** **Proposed** by K Golding and **seconded** by E D'Souza. The recommendation of the Strategy will be taken to the Corporation at the meeting to be held on 20 December 2018.

Action

10 Property Update

The Vice Principal Finance and Resources reported that under delegated power by the Chair of Governors, constructors, Coulsons have been appointed for the refurbishment works of Vintens

Availability of the building is scheduled for September 2019 and scheduled works around asbestos checks and other works are unlikely to negatively impact the planned opening.

The Sudbury and Thetford Local Learning Centre leases are under review and negotiation.

N Savvas, S Jones, L Moody, P Ewan and J Bridges left the meeting at 3.00pm

11 Any other business

Recommendation of the Remuneration Committee

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

Date of next meeting

Wednesday 13 March 2019 at 4.00pm. West Suffolk College - TG1.16

The meeting closed at 3.10pm