Governing Body
RESOURCES COMMITTEE

WEST SUFFOLK COLLEGE

Minutes of the meeting held at 4.00pm on 7 November 2018

Present:	**S Clarke (Chair)**	**D Wildridge (Vice Chair)**
	E D'Souza	**K Golding**
	C Higgins	**C Ridgeon**
	T Hunt	**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
A Hicks, Deputy Clerk

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

Action

1 Appointment of Chair and Vice Chair

The Corporation reviewed the appointments of Committee Chair and Vice Chairs at the meeting held on 5 July 2018. S Clarke remains Chair and D Wildridge as Vice Chair to the Resources Committee.

2 Apologies for absence

There were no apologies for absence from members of the Committee. Apologies for absence were received from J Bridges, Clerk to the Corporation.

3 Minutes of the meeting held on 27 June 2018

The minutes of the meeting were agreed as a correct record subject to amending the word 'ender' to read 'under' in minute 10, page 7, second paragraph, line 9. JBridges

4 Matters Arising from the meeting held on 27 June 2018

2 *Minutes of the Meeting held on 16 May 2018*

The minutes have been amended as requested.

3 *Matters Arising*

The Committee noted the Treasury Management Report has been deferred to the next meeting of the Committee to be held in December 2018.

4 *Finance Report*

The Forecast bank balance on the Balance Sheet and on the Cashflow now agree.

The Corporation approved the pay award at the Corporation meeting held on 5 July 2018.

10 *College Budget 2018/19 and 3 Year Financial Forecast*

The Corporation approved the proposed 2018/19 1% consolidated pay award at the meeting held on 5 July 2018.

The Corporation approved the 2018/19 budget, capital budget, financial objectives and the 3 year financial plan at the meeting held on 5 July 2018.

Action

11 ***Insurance Renewal***
Direct payment to the insurer would incur an additional cost. Monies received from clients must be paid into the Brokers Non Statutory Trust account and that it is protected against the failure of the broker. In the event that the broker fails Administrators or Liquidators cannot take that money because ‘it is not theirs’. It is simply being held on behalf of the College until they settle with the insurers. At that point they may take any commission they are due (if there is any).

5 **Committee Terms of Reference**
Each Committee is asked at their first meeting in the new academic year to review and approve its Terms of Reference.

Members expressed their appreciation of the previous work which had been carried out to consolidate the Terms of Reference under the banner of the Eastern Colleges Group. They **agreed** that a further review should be undertaken to identify if any further common areas could be found. The Committee **approved** the Terms of Reference subject to omitting item 18, “the asset and equipment maintenance and replacement plan” which as agreed at the previous meeting of the Committee would become the function and responsibility of the Senior Management Team to monitor and review. **Proposed** by K Golding and **seconded** by D Wildridge.

JBridges

JBridges

Finance Items
6 **Year End Outturn 2017/18**
The year-end outturn for the twelve months ending 31 July 2018 was a surplus of £1,151,284K (an improvement on the figure of £996 stated in the report) compared to June’s forecast surplus of £471K. Governors queried the reasons behind the change and were advised this was a result of External Audit request to move income out of 2019 back into 2018. This surplus includes rental income from Vintens of £302K and income relating to 2016/17 of £100K for HE/SFA income. Members received assurance that rental income from Vintens is earmarked for investment in the building.

The most notable variances on forecast and budget were highlighted in the report and discussed by the Committee.

Actual income is £264K above forecast and £871K above budget. Fee income (line 1.05) and other grant income (line 1.08) performed better than anticipated. Offset by reduced income on the ESFA adult income (line 1.03). It was noted that the lower than expected income in ESFA adult income is partially due to lower income than forecast for partner income of £100K, but this would also mean reduced partner costs of around £85K. Any additional income that is included in the R14 return will be included in the financial statements income for 2018/19 along with the associated partner costs which effectively cancel out the majority of extra income.

Actual staff costs came in £186K higher than forecast, and £215K higher than budget. It was noted that part of this is due to an increase in the end of year accrual for staff holiday which is £44K higher than 2016/17. This is not an actual cost and is part of the FRS102 requirements. Total actual non staff costs came in £346K lower than forecast, and £133K higher than budget.

Action

On premises costs (line 1.18) the forecast additional summer works cost of £220K has been lower than expected due to a combination of lower costs and utilising existing budgets.

There is an increase in the bank balance from the forecast to actual for the year of £869K. This is due to the increase in surplus and also an increase in the balance of creditors at the year end.

The defined benefit obligations balance for the pensions reserve has reduced in year by £2.5m. This estimate is based on an actual valuation for accounting purposes provided by Hymans Robertson who are professional actuaries. This has resulted in an increase in the net assets and also the total reserves.

The Vice Principal Finance and Resources confirmed that audit was going well and a full set of accounts would be available at the next meeting of the Committee. SJones

7 Financial Report – September 2018

The Committee considered the report and in particular questioned those areas in red. At month two, the actual net deficit of £123K is lower than the expected budget YTD surplus of £165K. This is due to income being £675K lower than profiled budget YTD compensated by staff costs being lower than budget by £240K and non-staff costs being lower than budget by £146K.

The ESFA Income – Adults (line 1.03) related to the AEB. This income line is showing as behind the budget which is profiled on a monthly basis by £284K. Income is not earned of a monthly basis but the budget is profiled like that to convey the scale of the income required to meet budget. The income will increase over the next two months and will be closely monitored.

The ESFA Income 19+ apprentices (line 1.03a) and 16-18 apprentices (line 1.04) are both showing as under budget by £117K and £58K respectively. The budgets for apprentice income are also spread evenly throughout the 12 month period and it is expected that the position will have improved in October 2018 as more enrolments are processed.

HE income is likely to be below budget this year due to lower recruitment mainly in year 1. Modelling of the impact continues and could require a downward adjustment of around £300K to the forecast. The Committee expressed concern and advised that ideally HE should stand on its own performance and not be supported by other areas. Members were assured that a mitigation plan to ensure that the College can still achieve a surplus outturn at the year-end is being prepared. At this stage it is expected that a combination of extra unbudgeted income and freezing some pay and non-pay budgets will enable a surplus budget to be achieved, subject to other income budget lines delivering. It is intended to re-forecast figures and report back to the Committee in December 2018. SJones

Actual staffing costs overall are £204K lower than budget as at September 2018 YTD. This underspend was mostly in Teaching Staff (line 1.10 under budget by £120K and the student support staff (line 1.13) under budget by £86K. Most of this has been achieved due to new staff starting later than profiled and also some of this underspend is also due to vacancies still not yet filled.

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Actual non-pay costs (line 1.20) are also under budget by £179K as at September 2018 YTD and this is due to the delay in invoices being received for payment compared to the budget profile. The major variances are in exam costs (£74K), VAT (£32K) and employer incentives (45K), all of which are under budget.

The balance sheet shows that the bank balance has increased from £7,023K at the year end to £8,648K in September 2018. The increase in bank balance of £1,625K in the two months (August and September) it was noted is due to an increase in creditors of £808K and an increase in ESFA creditor of £1,507K offset by a reduction in accruals of £527K.

8 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 (2,888 against 2,806). We are 107 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 104 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.

As reported above the number of HE enrolments is behind target by 81 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 236FTEs; which is 18.5 below the target.

Budget to forecast total surplus, income and expenditure KPIs are all within acceptable tolerance with the forecast surplus remaining the same as budget currently at £133K.

The staff cost to income ratio calculations for September 2018 YTD comes in at 74.3% which is higher than budget of 68.9%, reflecting, as reported above, the lower than budget income as at September 2018. However the % forecast staff cost to income ratio is expected to drop back to budget 68.9% at the year end. The Committee queried why a target of 68.9% had been set and were advised that this related to the historical benchmark figure of 60 - 65% set by the Learning and Skills Council in previous years. This was now outdated due to increased staff costs.

The Committee considered the loan covenants and were advised that 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.

9 Enrolments

i. FE

As reported above (KPI Report) the College has recruited a higher number (82 more) of 16-18 students than at the same point in the previous year. Encouragingly we have less non-starters this academic year compared to last year. Our application numbers showed a decline over the last year but the trend of increased conversion rate has continued this year through to enrolment. The number of student withdrawals is also less than last year.

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The Committee noted the variance between students recruited to Healthcare and Early years for the current year compared to the same point in the previous year. Members received assurance that an investigation was taking place to identify the reasons behind the shortfall.

Again, as reported above, there are still a number of courses enrolling throughout the year and these are predicted to enrol a further 120 students, resulting an overall predicted 16-18 enrolment of 3,008 against the 2,995 fundable target (13 above).

ii. HE

The HE enrolments are short of target as reported above. From analysis of the data it seems that the decline in numbers is a national picture due to the drop in age demographics and the uptake of higher apprenticeships. The UoS at WSC has seen 25 FTEs move to higher apprenticeships from HNC/Ds this year and a few students progressing from foundation degrees in engineering to BEng courses; thought to be due to issues with the group in 2016/17 where complaints were raised about the course delivery and content.

The Committee was assured that the research and review of student numbers, progression and curriculum plans underway will help address the drop in recruitment to our degrees. We need to understand why and where students progress to, review our offer to ensure that we offer the progression routes that students want from level 3 into HE degree programmes and that recruitment from level 3 into HE is easy and robust.

10 Subcontract Provision 2018/19

The new year has begun with 11 subcontractors delivering a range of apprenticeship framework and Standards. It was noted that the majority of subcontractors deliver the specialist subjects that the College cannot deliver, which widens our offer to the local and wider community.

Four of the eleven subcontractors hold contracts for carry-in learners only and they will not enrol any new learners. They have been informed that their contracts will cease once the remaining learners have completed.

It was noted that the changes to the subcontractor funding rules means that the College is required to own the relationship and that something of substance has to be delivered to all employers. This is a positive step which gives the College greater control and reduces risk.

The Committee questioned the process for approving new sub-contractors and new contracts and the due diligence undertaken when recommending subcontractors for approval. It was considered advisable for Members to revisit the approval process and **agreed** that the Senior Management Team should prepare a report to the next meeting of the Committee. LMoody

Property Items

11 Property Update

The Property Strategy is being redeveloped and has been under review with the Property Task and Finish Group. The 2017 strategy identified the need for a professional Condition Survey to be undertaken across our property assets. This has been completed and will inform the redeveloped strategy together with the

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curriculum strategy that will also shape the core elements of the strategy for the Property Task and Finish Group to consider. The Survey has concluded overall that the estate is generally in good order. Ongoing refurbishment works continue to maintain the buildings to support student learning. There are a number of challenges with respect to the new build projects but these are being managed by the team and mitigated as far as possible.

Planning issues with Abbeygate Sixth Form have resulted in the new build being subject to a delayed construction program. Arrangements are in hand to accommodate students at both KEGS and WSC sites and both organisations are in negotiation with the DfE to agree costs and appropriate levels of compensation for the space being allocated to this use.

The Vintens site has now been fully vacated by Vitec Videocom and a full Refurbishment and Demolition (R&D) asbestos survey of the site has been undertaken; identifying critical areas and those directly affected by the refurbishment which require work for removal, and this removal has taken place in October 2018.

The Pavilion (standalone building on the site) has been occupied by the Business Development staff since July 2018. This has provided a daily presence on site along with staff from September 2018 parking on one side of the site. The release of the space they occupied in Suffolk House has provided office facilities and a permanent base for the Principal of Abbeygate Sixth Form, David Gartland and staff supporting the development and future of the project.

Work on appointing the construction contractor to develop the Vintens site has gained pace and the contractor appointed further to value engineering options secured to reduce the price closer to the £2.6m budget although an additional £100K has been required and approval has been given by the Chair of Governors, under delegated powers, to award the contract.

Planning permission has now been approved and an application has been submitted to discharge the conditions, with the exception of the pedestrian crossing which is a pre-occupation condition rather than a pre-works condition. The requirement for a crossing is likely to be negated by works to the junction next to the Abbeygate site but that depends somewhat on the Western Way Development.

It was noted that the legal documentation through SCC and the LEP to secure the final £3m tranche of funding in support of the project has been reviewed and approved by the Chair along with the £100k addition to the budget. At his behest the document was signed by the Vice Chair, S Daley, on behalf of the Corporation as the Chair was absent at the time of signing.

The project for student accommodation continues to be a live opportunity for the College. The scope for a feasibility study, to be co-funded by the College with the Borough Council, has been agreed and is out for tender. The potential to maximise occupancy of the student accommodation by also letting to other visitors was noted, however, the risks associated with this were acknowledged.

The legal documentation for the new Haverhill Learning Centre premises on the Samuel Ward site has been completed and the relationship is working well. The lease for the Sudbury Learning Centre is due for renewal in January 2019 and

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discussions regarding this are in hand. Options to relocate the Animal Care offer at Newmarket is being investigated further to Newmarket Academy giving the College notice to vacate the site by summer 2019.

T Hunt left the meeting at 5.10pm.

The Committee referred to reporting procedures in respect of new contracts and variations to existing contracts. It was **agreed t**hat the Vice Principal Finance and Resources should review the standard documentation which should include a price schedule and report to the next meeting. This would assist the Committee to monitor contract variations. SJones

12 Any other business

i. *Move 15 May 2019 to Wednesday 22 May 2019?*

The Committee agree to move the May 2019 meeting of the Committee to the 22 May 2019 as proposed.

ii. *Move 19 June 2019 meeting to Tuesday 18 June 2019?*

The Committee agreed to move the June 2019 meeting of the Committee to the 18 June 2019 as proposed.

Date of next meeting

Wednesday 13 December 2018 at 2.00pm. Suffolk One, Board Room.

The meeting closed at 5.15pm