

**Minutes of the meeting held at 4.00pm on 28 May 2014**

**Present:**           **S Clarke (Vice Chairman)**           **R Carter**  
                          **A Gordon-Stables**                   **D Wildridge**  
                          **A Maltpress**                         **S Gerber**  
                          **N Savvas**

**In Attendance:**   **D J Howells, Deputy Principal**  
                          **M Wagner, Vice Principal Business and Community**  
                          **P Ewan, Head of Finance**  
                          **J Bridges, Clerk to the Corporation**

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

**1 Apologies for absence**

Apologies for absence were received from R Millea, Committee Chairman.

**2 Minutes of the meeting held on 30 April 2014**

The minutes of the meeting were confirmed as a correct record subject to replacing the word 'Town' with the word 'Society' in the second paragraph of the Property Update – The Gateway item on page 1; removing the words 'to Ipswich, Suffolk' from the third paragraph of item 4 on page 2; rephrasing point 1) of item 9 to read 'replacing the Edmund House gas boilers with biomass fuel boilers to provide heating for Edmund, Australia and Suffolk House'; and removing the words 'for higher level courses' in the first paragraph of item 9 on page 4.

**3 Matters Arising**

**3 Matters Arising – Finance Report and Mid-Year Forecast**

The full draft budget including the proposals for the following two years accounts based on a set of assumptions will be presented to the Committee at the 2 July 2014 meeting.

The RAG rates used in the income and expenditure table will be quantified and where appropriate trend arrows used in the reports.

The reason why the cashflow in January took a dip compared with the previous month is no longer relevant.

The headings in the SFA Adult Funding table will be reordered so that classroom based adult figures appear in line 1 followed by 16-19 apprentices figures in line 2 followed by a line to total these items when next reported.

SMT is currently reviewing and updating the risk register. Any arising risks from the security report will be included.

**4 Property Strategy**

The draft Property Strategy was considered by the Corporation at the 16 May 2014 meeting. The broad content of the strategy was approved in principle and having regard to the extent of the changes to be made the Committee asked to see the revised document again at the 2 July 2014 meeting prior to recommending the final document for approval to the Corporation at the 17 July 2014 meeting.

**Action**

JBridges

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**6 Finance report – March 2014**

Trends in the income and expenditure major variances are now included in the Finance Reports. However, the Committee requested that the RAG rates used in the income and expenditure table be quantified as they are yet to be included in the report. This will be included in the next report.

DJHowells

**10 Clarification of Finance KPIs**

The Principal, Deputy Principal, Vice Chairman of the Committee and the Clerk met on 15 May 2014 to agree the key performance indicators. A proposal is presented to the Committee under item 10 of this meeting.

**11 Any other business**

The apologies of the Chairman of the Committee are noted.

**Finance Items**

**4 Finance Report – April 2014**

The accounts show a £100K surplus for the nine months to the end of March 2014 compared to a budgeted deficit of £320K. Variances in the period are an increase in income over budget, together with savings on staff costs. This is offset by a slight overspend on non-pay costs.

EFA income for 16-18 and HE income remain unchanged from previous months and it is expected to come in on forecast. The phasing of the adult income (line 1.03) had assumed that income would be more loaded toward the end of the year but the College has performed much better in the first six months. The year-end forecast is conservative and the target may well be achieved.

Fee income continues to perform below budget, with a significant shortfall in April. This variance is across all areas of activity and is being investigated further.

PEwan

Full cost course income (line 1.05) continues to have a shortfall as the market is being undermined by ESF project funding that is Supporting Skills in the Workplace (SSW) and reducing employer demand in this area of provision.

Significant savings on teaching costs and workplace delivery staff were seen in April 2014 although Student Support staff costs remain overspent. This is probably a reflection of moving away from traditional delivery methods into more cost effective routes. Costs are unlikely to increase significantly due to claims for overtime as this is managed closely and claims for hourly paid work is only paid on actual work undertaken and not on the hours that have been booked.

The 49% rise in budget to forecast for the full year of maternity and sickness costs (line 1.135) was confirmed to be mostly attributable to maternity. There are a small number (3) on long term sickness absence and this element is under budget.

Non-pay costs (line 1.16) include a wide range of costs and the Committee asked that the Deputy Principal provides the level of detail in a spreadsheet format to show the composition of the big value items with costs for the 2 July 2014 meeting. In line 1.08 (other grants) it was further agreed that the National Apprenticeship Scheme (NAS) element will be removed from the accounts. This fund is received by the College to pay an incentive to an employer who takes on an apprentice. Essentially this is money that is received in and paid straight out. Including this in other grants distorts the accounts and was thought to be the

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reason for the £200K variance over budget on non-pay costs. The Deputy Principal will confirm.

## **5 Adult Skills Budget Report**

The projected figures in the report are based on existing student enrolments and if there are no more new starts in year the College will be £145K short of the SFA income funding target. 16-18 apprentices are on target and adult apprentices are above target (+£35K), classroom based provision is proving more difficult and is down by £119K. The College continues to enrol new apprentices and anticipates that this will reduce the reported shortfall to £50K or less and is considering out sourcing a small amount of funding to fully utilise the £6.2m allocation.

## **6 Draft Budget 2014/15**

The additional Educational Funding Agency (EFA) income in 2014/15 will be offset by the reduction in Skills Funding Agency (SFA) income. The budget assumes to reduce subcontract provision from £1.2m to £500K and maintain a staff cost to income ratio of 64.2%. The Deputy Principal will check the £700K and £400K figures stated under sub-contract provision income and sub-contractor payment lines. Members noted that the HE-UCS funding line has not increased. The Principal confirmed that the top-slice to UCS is likely to increase from 10% to 14% in future years.

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Members commented that there were no huge savings in staffing costs. Staff cost savings are being achieved in a calculated way and this is the preferred method rather than entering into redundancy or restructure prospects. There will be further cuts in Adult Skills in 2015/16, increases in pension and NI contributions and employer contributions to take on apprentices are also set to increase. With this in mind staff costs will be managed to a target of 63% or below and no provision in the year, for 2014/15 or 2015/16 made for any pay increase. It was noted that most Colleges regionally and a high proportion nationally are reporting deficits in year and presenting deficit budgets for 2014/15.

It was further agreed that the Deputy Principal will check the calculations of the variance column for accuracy and the project income line removed and non-pay line expanded as discussed in the above item.

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## **7 Applications 2014/15**

The total of 3013 applications to May 2014 compares to 3193 applications at the same time the previous year. This apparent shortfall needs to recognise that the way we measure our applications has been tightened up and that this year's figures appear reduced as definite non-starters have been removed where last year's figures included all applications.

There are some areas where numbers are slow (Hair and Beauty and Business courses) but applications are now seen to be improving. The true underlying reason as to why applications in these areas have dropped is unknown. These areas could be perceived as a low career prospect area but further analysis is needed.

Historically the conversion rate from applications to enrolments has been 75% on average and the level of non-starters in 2013/14 is to be clarified so that an accurate comparison with 2014/15 applications can be made.

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D Wildridge left the meeting at 5.00pm

**8 Treasury Management Report**

Physical cash balances have improved since the last report from £4.6m to £5.1m and interest rates have increased slightly but only minimal. All bank covenants are compliant.

The Head of Finance was tasked to examine other permitted sources of income under the College Investment Policy. There may be other institutions that would offer better investment opportunities. The Committee agreed to commit £1m on deposit potentially for a longer period and to explore the financial viability to pay penalty fees for early loan repayment or viability of renegotiating more favourable rates. The Head of Finance will report back to the Committee at the first meeting in the new academic year.

PEwan

**Property Items**

**9 Property Update**

The College has been working with Pick Everard to interview contractors for the replacement biomass boilers. This is a £500K contract.

Work is due to start in the next few weeks to progress moving the Engineering Department to the Milburn Centre. Costs to achieve this do need to be trimmed; likewise costs to refurbish the vacant space are also estimated higher than anticipated. Additionally costs to refurbish and/or upgrade equipment are also being looked at.

Other summer works include painting and decorating in the Performing Arts area (now Purple and Grey) plus capital expenditure for IT investment to improve connectivity is planned. Zest the restaurant will be rebranded as Edmunds and dated/worn furniture replaced. The new Director of Hospitality, Mike Mulvihill, is also proposing to introduce a franchised coffee bar in the foyer of Suffolk House and relocating the College Shop to the Gateway to make way for a new Innovation Centre in Leonardo House.

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

**10 Finance KPIs Proposal**

The proposal sets out the key performance indicators and reporting format that will be used by the Committee to measure current financial performance. The Corporation will receive the same indicators with forecast details. Members agreed to use this format for the report over the next academic year and review its effectiveness annually.

**11 Any other business**

The Principal thanked the Senior Management Team for managing and keeping the budget under tight control.

The College has invited Easton and Otley College to help us to draw up a Woodland Management Plan for the Copse. This is required to be submitted to the Borough Council during the summer.

It was noted that there is a prior year adjustment of £203K relating to income for 2012/13.

Members extended their best wishes to Julia Moore, Procurement and Project Manager who retires in June 2014.

**Date of next meeting**

Wednesday 2 July 2014 at 4.00pm. Room TG1.16

The meeting closed at 5.40pm