

## **Policy & Resources Committee**

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### **Approved Minutes**

Minutes of a Meeting of the Committee held on Monday 12 May 2014 at the Thurrock Campus, Woodview at 6.00 pm.

Present: Mr R Launder (Chairman)  
Mr D O'Halloran (Vice-Chairman)  
Ms O Buck  
Dr R Gray  
Mr R Hughes (until 7.00 pm)  
Ms A O'Donoghue CBE  
Mr N Kelleway FCA (co-opted member) (till 7.20 pm)

In Attendance: Mr A McGarel (Deputy Chief Executive)  
Ms C Anson-Higgs (Vice Principal, Business Development)  
Mrs W Barnes (Vice Principal, Teaching & Learning Support)  
Mr S Smith Vice Principal, Capital Developments)  
Ms D Hurst (Director of Finance)  
Mr R I Millea FCA (Clerk to the Corporation)

#### **1. Apologies for Absence**

Apologies for absence were received from Mr J Hayles (Deputy Principal).

#### **2. Urgent Business**

There were no items of Urgent Business.

#### **3. Minutes of the Meeting held on Monday 24 February 2014**

The Minutes of the Meeting held on Monday 24 February 2014 were **APPROVED** and **SIGNED** by the Chairman.

#### **4. Matters Arising**

The Clerk reported that the Fee Policy for International Students 2014/15 was approved by the Board on 17 March.

The Clerk further reported that the College Risk Management Policy will come to the next meeting of the Committee on 9 June as it has not been possible to finalise it for this Meeting.

The Deputy Chief Executive will give a Confidential update on Phase 2 of the College Change Management Strategy later in this Meeting (item 9).

## 5. Strategic Developments in South Essex (Paper PRC.14.10)

This matter was deemed to be a confidential item under the Instrument & Articles and a separate minute has been prepared, which is attached to these minutes.

## 6. Estates Matters

The Deputy Chief Executive indicated no matters to report, excluding the Capital Builds which are covered under item 5 above.

## 7. College Finances (Paper PRC.14.11)

### a. Management Accounts and 2013/14 Forecast

The DCE and the Director of Finance presented the **Management Accounts for the eight months ended 31 March 2014** and the **Forecast outturn for the year ended 31 July 2014**.

The **Management Accounts** showed that, to 31 March 2014, total income amounted to £36.9 million (inclusive of the results of South Essex Commercial Services Limited) and total expenditure to £37.4 million, giving rise to a deficit of £496K to 31 March.

The deficit is higher than expected due to overruns on agency staff expenditure.

After revaluation reserve transfer, and an exceptional credit of £65K (provision writeback), amounting in total to £186K, the deficit for the year to date was £310K, compared to a budgeted deficit of £54K, an unfavourable variance of £256K.

At 31 March 2014, group net assets stood at £68.6 million, including cash and short term investments of £4.1 million and fixed assets of £98.2 million. All bank covenants continue to be comfortably met.

The current ratio at 31 March 2014 was 3.1, although this is distorted by promissory notes being included in debtors in relation to the sale of Woodview. Pay as a % of turnover is running at 65.9% for the year, based on the forecast for the year, against a target of 62.5%, principally caused by overspending in the area of agency staff.

Members received assurance as regards the management of the need for agency staff but noted that there is a real necessity to reduce this cost by, amongst other things, placing staff onto full time or part time contracts. Budget holders have been reminded of the need to monitor their staff needs and not to treat agency staff as an automatic option for them to meet their staff requirements.

The Committee **RECEIVED** the **Forecast to 31 July 2014**.

This is unchanged from the previous forecast tabled at the February Meeting. A full detailed forecast will be presented to the Committee at its Next Meeting. At this stage, although staff costs are greater than budgeted, additional Learner Responsive funding will more than offset this overrun. It is confidently predicted that the operating surplus of the College and its subsidiary for the year to 31 July 2014 will remain at £800K, as currently forecasted. The original budgeted surplus was £1 million.

This forecast does not take into account any adjustments that might be required from FRS17 application.

## **b. Summary Budget Overview 2014/15**

The Director of Finance tabled a preliminary Budget Overview for 2014/15 based on EFA/SFA funding allocations, which have now been received. The Overview includes some overall assumptions for other areas of the Budget. On the basis of this information, an operating surplus of £911K is indicated for next year, on total budgeted income of £58.1 million. This surplus would amount to about 1.5% of turnover against the College strategic target of 3%.

The Chairman asked that the effect of seeking a surplus of 3% be quantified in terms of what further cost reductions would be necessary.

It was further noted that the Budget when finalised will be a zero-based budget from the cost standpoint as the large elements of expected income are largely predetermined by allocation although are subject to enrolments and achievement.

Although the Adult allocation from the SFA has been cut, the College will benefit next year on 16-18 Funding due to over recruitment of students this year, which is effectively funded next year under the lagged funding model, amounting to around £600K.

It was noted that Colleges in the sector generally are struggling financially due to Government funding restrictions and inability to recruit students (particularly 16-18) and nearly 50% of Colleges reported operating losses in 2012/13 and this year is unlikely to be better.

On College Finances generally in the sector, the Clerk tabled a paper for members with some key data based on a more detailed Report produced by the AoC, a link to which has been provided to all Members of the Board.

The DCE indicated that a full Budget will be presented to the next Meeting of the Committee on 9 June for recommendation to the Corporation for approval at its Meeting on Monday 7 July. To comply with the terms of the College's Financial Memorandum with the SFA, a Budget must be approved for 2014/15 no later than 31 July.

## **c. Learner Numbers and Financial Implications 2013/14**

The DCA presented a paper on progress by the College in meeting the allocations for SFA and EFA Funding for the current financial year.

In summary, the College will achieve (and exceed) its 16-19 funding target and is hopeful that the 19+ allocation will be met, but this is dependent on students staying on programme. To this end, the College is continuously monitoring retention rates and collaborative partner data.

## **d. Review of College Financial Regulations**

The Director of Finance reported to the Committee that this review is well underway and the Clerk is assisting her in this process. The review is fundamental and does not consist of merely an update of the existing Regulations, which have been in force, with minor amendments, for many years.

The intention is to bring the new draft Regulations to the next Meeting of the Committee on 9 June for review and, hopefully, recommendation to the Board for adoption at its Meeting on 7 July.

The Clerk advised the Committee that the draft Regulations, once finalised, will also be sent to all the members of the Audit & Risk Committee for any comments which they may have so that they can be taken into account. He further advised that the new Regulations will include a detailed schedule of authority limits for transactions, covering the Board, this Committee, the Principal and Chief Executive and other individual Members of staff, including senior postholders.

## **8. Shared Services Development**

This is deemed to be a Confidential Item and a separate minute has been prepared as for 5 above.

## **9. Management of Change Strategy – Phase 2**

The DCE gave an update, following approval of the strategy by the Board on 17 March.

Shared Services is being pursued (see 8 above).

Other restructuring is taking place in the IT section of the College together with Marketing. Attendance is now being focused on Support Services and that they are there to support the staff and students. A good example is to streamline the College enrolment procedure, which is presently very cumbersome – this will be completed in time for the 2014/15 enrolment cycle.

## **10. Forthcoming Events (Paper PRC.14.13)**

The Committee **NOTED** the schedule of forthcoming events provided by the Clerk.

The Clerk also indicated that a proposed schedule of meeting dates and locations for 2014/15 is being considered by the Search Committee on 19 May.

## **11. Date of Next Meeting**

Monday 9 June 2014 at the Southend Campus at 6.00 pm.

There being no further business, the meeting terminated at 7.40pm.

Signed.....Dated.....