

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 27 January 2014 at the Southend Campus at 6.00 pm.

Present: Mr R Launder (Chairman)
Ms O Buck (from 6.10 pm)
Dr R Gray
Mr R Hughes
Mr T Knight
Ms A O'Donoghue CBE
Mr D O'Halloran
Mr N Kelleway FCA (co-opted member)

In Attendance: Mr A McGarel (Deputy Chief Executive)
Mr J Hayles (Deputy Principal)
Mrs W Barnes (Vice Principal, Curriculum)
Ms C Anson-Higgs (Vice Principal, Business Development)
Ms D Hurst (Director of Finance)
Mr S Smith (Turner & Townsend, Item 5 only)
Mr R I Millea FCA (Clerk to the Corporation)

1. Apologies for Absence

There were no apologies for absence.

2. Urgent Business

The Clerk informed the Committee that, following the retirement of Mr R Smith on 31 December 2013 and the proposed transfer of Mr T Knight from this Committee to the Curriculum & Quality Committee recommended earlier this evening by the Search & Governance Committee, there are now two vacancies on this Committee. The Search & Governance Committee will consider replacements at their annual Review of Committee Memberships in May.

3. Minutes of the Meeting held on Tuesday 26 November 2013

The Minutes of the Meeting held on Tuesday 26 November 2013 were **APPROVED** and **SIGNED** by the Chairman.

4. Matters Arising

The Committee noted that Noel Kelleway's appointment as a co-opted member of this Committee was approved by the Board on 9 December 2013, together with the approval of the Annual Financial Statements of the College and its subsidiaries and the College Money Laundering Policy.

5. Strategic Developments in South Essex (Paper PRC.14.01)

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. College Finances (Paper PRC.14.03)

(a) Management Accounts to 30 November 2013

The Deputy Chief Executive and the Director of Finance presented the **Finance Report** comprising the **Management Accounts** for the four months ended 30 November 2013.

To 30 November 2013, total income amounted to £18.5 million and total expenditure to £18.0 million, giving rise to a surplus to 30 November of £496K. After revaluation reserve transfer and exceptional items amounting to £60K, the surplus for the year to date was £556K, compared to budget of £500K.

A significant bad debt arose during the year of £106K with a private training provider and this is being pursued with the administrator. It will appear that the current provision in the accounts will be sufficient to cover this likely loss and other known or expected doubtful debts, so there should not be an impact on this year's income & expenditure account. However, it is not likely that the dividend from the administrator would amount to much more than 10p in the £.

A member asked what are the processes employed before trading commences with a new client – the Vice Principal, Business Development assured the Committee that full due diligence takes place before trading commences and credit limits are agreed.

At 30 November 2013, group net assets stood at £69.7 million, including cash and short term investments of £10.1 million and fixed assets of £91.2 million. All bank covenants continue to be comfortably met.

The current ratio at 30 November 2013 was 1.8.

As part of the Report, the Director of Finance presented an updated **Forecast for the year to 31 July 2014 and a comparison to the original Budget.**

The Forecast is being thoroughly reviewed on a bottom up basis with Department Heads and the results of this will be reported back to the next meeting of this Committee. Meanwhile, the current top down forecast continues to show a surplus of £1.1 million (in line with budget) although there are movements between the different budget headings some of which relate to misallocation of costs in the original budget and the impact of the curriculum re-organisation.

A member asked whether the College is meeting the target of 62.5% of turnover being represented by staff costs. The Director of Finance will bring the current figure to the next meeting of the Committee, once she has completed her investigation of the allocations in staff costs.

A member asked if the savings required in payroll costs for 2013/14 will be achieved – the DCE indicated that on a year on year basis this will occur but the cash position this year in terms of cash outflow is affected by redundancy payments and severance payments, together with some pay protection.

Members were reminded that the lease claim (see confidential minutes) from Crown College of £500K is not provided for, nor is there any provision in the accounts for additional costs of The Forum if the settlement with the builders is increased (although the latter would be a capital cost).

(b) SFA/EFA Funding 2014-15

The Committee **RECEIVED** a letter from the EFA dated 10 December 2013 indicating the 16-18 allocation and learner numbers for the College for the year ended 31 July 2015.

Government has announced in this letter that the funding rate for full-time 18 year old students in 2014/15 will be 17.5% below the rate for full-time 16 and 17 year olds. Based on this year's enrolments, this could amount to approximately £1 million less funding for the College in 2014/15.

This will apply to all elements of the formula except the flat rates for disadvantaged students without GCSE grade C or above in English and mathematics, recognising the importance of English and mathematics for disadvantaged 18 year olds. This funding reduction will not apply to students with a learning difficulty or statement of special educational needs.

A member asked and it was confirmed how important it will be to verify fully whether all students with a learning difficulty or statement of special educational needs have been identified, as the funding in those cases will not be affected.

In response to a query from a member, it was confirmed that funding cuts of over £6 million have had to be absorbed by the College over the last three years. The Chairman reiterated the need to pursue the application of shared services and even more adventurous working models involving other Colleges to minimise overhead costs as much as possible.

(c) Learner Numbers and Financial Implications 2013/14

The Deputy Chief Executive presented a paper showing progress this year against the allocations for EFA funding and SFA funding.

At this stage, it is anticipated that the 19+ allocation will be met and so will the 16-18 target. It was noted that failure to meet the 19+ target would result in a cash clawback by the SFA and failure to meet the 16-18 target would result in a reduced allocation for 2014-15, in accordance with the lagged funding model in operation in connection with 16-18 funding methodology.

Conversely, if the 16-18 contract is exceeded, next year's allocation would be increased.

There remains risks in achieving both targets and they are being closely monitored. Reliance is placed upon the ability of College partners to deliver learning in compliance with the allocation passed to them (the difference between the number of learners on programme in the College and the overall SFA contract target). Constant liaison takes place with the College's partners regarding enrolments being made.

In response to a member question, the Committee was assured that this was being monitored on a weekly basis to ensure the allocation will be utilized.

In order for the 19+ target to be met, enrolments must continue for the rest of this academic year. So far, 72% of the target has been generated in terms of income.

The Committee noted that the Adult Budget utilization for the year continues to be a key risk to the College and this year's financial outturn.

(d) Appointment of Additional Director of SECS Limited

The Clerk informed the Committee of recent guidance his firm has received from the Department of Business Innovation and Skills to the effect that the Boards of subsidiary companies of Colleges should include an independent director, independent of the College Board and the College Management Team, on the basis that Colleges are charities and this is guidance from the Charities Commission. This is not mandatory but the Clerk suggested such an appointment of an independent director be considered to the Board of South Essex Commercial Services Limited.

The Committee decided it was not necessary to appoint an independent director but the matter would be kept under review.

(e) Risk Management Policy

The Committee received a verbal update from the Director of Finance that an updated Policy will come to the May meeting, once she has finished her review of the Policy and assessed the appetite for Risk, expressed by the Board at its Board Development Day last week.

7. Forthcoming Events (Paper PRC.14.04)

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

8. Date of Next Meeting

Monday 24 February 2014 at 6.00 pm at the Southend Campus.

The Chairman is unable to attend this meeting as he has been invited to a reception by the Minister for Skills at Lancaster House and David O'Halloran agreed to chair this meeting.

There being no further business, the meeting terminated at 7.35 pm.

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