

Policy & Resources Committee

Approved Minutes

Minutes of a Meeting of the Committee held on Monday 9 June 2014 at the Southend Campus at 6.00 pm.

Present: Mr R Launder (Chairman)
Mr D O'Halloran (Vice-Chairman)
Dr R Gray
Mr R Hughes
Ms A O'Donoghue CBE
Mr N Kelleway (co-opted member) (till 7.25 pm)

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

1. Apologies for Absence

Apologies for absence were received from Mr J Hayles (Deputy Principal), Mr S Smith (Vice Principal, Corporate Resources) and Ms O Buck.

2. Urgent Business

The Committee authorised the signing and sealing of a lease between the College and the pre-school on the Nethermayne site, Basildon for the period to 30 June 2016. This will help facilitate giving the builder (Redrow) in due course vacant possession of the site.

The next 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.

3. Minutes of the Meeting held on Monday 12 May 2014

The Minutes of the Meeting held on Monday 12 May 2014 were **APPROVED** and **SIGNED** by the Chairman.

4. Matters Arising

There were no Matters Arising not otherwise covered in the agenda.

5. Strategic Developments in South Essex (Paper PRC.14.13)

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 (Paper PRC.14.14)

The Deputy Chief Executive presented a draft Capital Expenditure programme for the College for 2014-15, which was discussed by the Committee.

This comprised the following items:

Thurrock Configuration changes arising on new Build	£1 million
Phase 2 Reconfiguration of Luker Road, Southend	£1 million
Fit out of Thurrock New Campus including IT provision	£1 million
Other equipment for teaching & learning enhancement	£250,000

giving a total of £3.25 million, which will be financed by internal College cash generation.

In order that the work can be completed before the start of the new academic year 2014-15, the Committee approved commencement of the Phase 2 Luker Road Reconfiguration at the end of this month.

The Committee **AGREED** to recommend this to the Board for approval at its July Meeting.

7. College Finances (Paper PRC.14.15)

a. Management Accounts and 2013/14 Forecast

The DCE and the Director of Finance presented the **Management Accounts for the nine months ended 30 April 2014** and the **Forecast Outturn for the year ended 31 July 2014**.

The **Management Accounts** showed that, to 30 April 2014, total income amounted to £42.0 million (inclusive of the results of South Essex Commercial Services Limited) and total expenditure to £42.6 million, giving rise to a deficit of £574K to 30 April.

The Accounts were accompanied by a detailed commentary, which looked at the year end forecast also.

The deficit is higher than expected due to overruns on agency staff expenditure. The deficit to the end of March was £496K, so there has been an increase of £78K in the month. It was also noted that the KPI of pay/turnover is currently running at 65.7% against a target of 62.5%.

After revaluation reserve transfer of £135K credit, and an exceptional credit of £65K (provision write back), the deficit for the year to date was £374K compared to a budgeted surplus of £31K, an unfavourable variance of £405K.

At 30 April 2014, group net assets stood at £68.4 million, including cash and short term investments of £7.7 million and fixed assets of £101 million. All bank covenants continue to be comfortably met.

The current ratio at 30 April 2014 was 3.26, although this is distorted by promissory notes being included in debtors in connection with the sale of Woodview, Thurrock.

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

This has been updated from the forecast tabled in February and now shows a projected outturn of £920K against the original budget for the year of £1 million and the previous forecast of £800K.

The Committee noted that the forecast does not take into account any adjustments that might be required from the application of FRS17 adjustments.

b. Provisional Budget 2014/15

Three budget scenarios were presented to the Committee by the Director of Finance with a recommendation from the Senior Leadership Team to adopt a budget with a surplus of £850K equating to 1.5% of total College income. The Committee was reminded of the College strategic objective of a surplus of 3% of turnover and staff costs of 62.5% of relevant income.

The recommended scenario does not achieve those objectives because the SLT feel that the College should consider a 1% pay increase for staff in 2014-15, given salaries have been frozen for the past two years. This would reward better performance as success rates appear to be on an upward trend. This leads to the proposed surplus of 1.5% of turnover and, if agreed as regards pay, a staff costs ratio to income of 64%.

The Committee were informed that 150 Colleges last year made deficits and another 94 made surpluses between 0% and 2%. Currently, there are 10% of Colleges (and rising) with inadequate financial health.

The Committee **RECOMMENDED** the Budget for 2014/15 for approval by the Board at its Meeting on 7 July 2014.

c. Provisional Financial Forecast 2014/15 and 2015/16

The Committee noted that the College is required, as a condition of its Funding Memorandum with the SFA (Skills Funding Agency), to approve and submit to the SFA a two year Financial Forecast. The DCE tabled this provisional document for comment and asked the Committee for its recommendation that it be submitted to the Board for approval at its Meeting on 7 July 2014.

The document highlights some of the key factors which will impact the College if surplus targets and staff costs as a percentage of turnover are to be met.

In particular, the preliminary figures for 2015/16 show a prudent approach regarding growth with the assumption that 19+ classroom and apprenticeship provision will remain static in terms of numbers and that classroom based funding per student will again be reduced. This cannot be offset by a growth in volumes of students because of the funding methodology.

For EFA funded 16-18 year olds, it has been assumed that there will be a reduction in the amount received per learner, although at present it is not possible to say by how much – it could be through an adjustment in national rate, provider or area factors etc. The assumption is that income from this source will remain static. To

avoid a deficit position, it will be necessary for more efficient teaching parameters e.g. higher contracted teaching hours, shorter holidays, lower remission or cover rates or achieving targeted rises in class sizes or all of these.

The Committee **RECOMMENDED** the Forecast for approval by the Board.

The Forecast incorporates the 2014/15 Budget (b above).

d. Learner Numbers and Financial Implications 2013-14

The DCE 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 is not expected to achieve its 16-19 and 19+ apprenticeship funding targets. It is expected that the College will achieve its 16-18 learner responsive target and its 19+ allocation. The College continues to closely monitor retention rates and collaborative partner data.

The Committee **NOTED** the Report.

e. Annual Expenses Report

The Committee **RECEIVED** this Report, detailing expenses paid by the College in the year for the Principal and Chief Executive and other governors in respect of expenses incurred in them fulfilling their duties.

f. Draft Financial Regulations

The Director of Finance presented draft Financial Regulations for review by the Committee. She explained that these Regulations were a complete rewrite of the existing Regulations which had not been substantively updated for some years, other than to reflect internal re-organisations and other minor changes.

The revised Regulations reflect the model recently published by CIPFA. They have been reviewed by the Clerk to the Corporation. Appendices are still to be attached to the primary document but Appendix A is tabled, which outlines the delegation limits for both Capital and Revenue expenditure, in the context of budgets approved by the Board at the beginning of each financial year. This will have a limit of expenditure which can be authorised by this Committee of £5 million.

The Committee **RECOMMENDED** that the Regulations be approved by the Board at its next Meeting on 7 July 2014. In the meantime, the Regulations will be sent to all Members of the Audit & Risk Committee for their comments.

g. Risk Management Policy

The Director of Finance presented the Risk Management Policy for consideration by the Committee. The Policy has been substantially revised in the light of College experience and good practice in the sector and generally. Some minor drafting adjustments are required which will be made following this meeting and then the Policy will be presented to the Board for approval at its Meeting on 7 July 2014.

The Committee **RECOMMENDED** the Policy, subject to these minor adjustments being made, to the Board for approval.

8. Management of Change Strategy

The DCE presented a verbal update report for the Committee on implementation of Phase 2 of the Strategy.

A restructuring of the Senior Leadership Team is taking place consequent upon John Hayles' forthcoming retirement and the outcomes will be reported to the full Board in July, once the consultation period has been concluded.

The new shared services facility at Basildon Campus will commence on 7 July and the consultation in connection with this has been completed. Staff from South Essex College and Chelmsford College will move in on that date.

IT restructuring is taking place at present and consultation has concluded. It revolves around clarity of duties in the department and reporting lines.

9. Forthcoming Events (Paper PRC.14.16)

The Clerk tabled a list of Meeting Dates and Locations 2014-15, which was **APPROVED**.

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

10. Date of Next Meeting

Monday 15 September 2014 at the Southend Campus at 6.00 pm.

There being no further business, the Meeting terminated at 7.55 pm.

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