

**EASTLEIGH COLLEGE BOARD
FINANCE & GENERAL PURPOSES COMMITTEE
MINUTES OF MEETING HELD ON WEDNESDAY 17 JUNE 2015, 1700HRS, IN ROOM A018**

Present:

Mr Paul Quigley (Chair)
Mr Steve Johnson
Dr Jan Edrich (Chief Executive and Principal)

In attendance:

Mr Rob Jarvis (Finance Director)
Dr Chris Davis (Clerk to the Board)

F.07.15 GOVERNORS' MEETING TIME WITHOUT SMT

F.08.15 COMMITTEE MATTERS

i Apologies

Apologies were received from Miss Shirley Nellthorpe and Miss Julie Richmond.

ii Declaration of interests

Dr Edrich, Mr Jarvis and Dr Davis expressed an interest in item F.11.15 ii, annual pay review.

iii Minutes of last meeting

The minutes of the meeting held on 4 March 2015 were agreed and signed.

iv Matters arising

Dr Edrich reported that she had investigated the Wessex Academic Health Science Network and the potential for opportunities in apprenticeships. The organisation is in its formative stage of having research and turning that research into industry. She went on to say that it is too early to assess the potential but once they have developed further, the College would engage with the organisation.

All the actions had been completed.

F.09.15 GOVERNORS' MONTHLY REPORT, APRIL 2015

i Financial aspects

Mr Jarvis drew Governors' attention to the Income & Expenditure account and said a historic cost £356k surplus at the year-end was now forecast. The cash position was healthy with a forecast outturn of £2682k at the year-end. Mr Jarvis did draw Governor's attention to the Net Current liabilities figure, which needed to improve by either making a surplus next year or spending less on routine capital expenditure.

As a result of the Chancellor's recent announcement of in year spending cuts for BIS and the DofE and in view of the forthcoming budget on 8th July 2015, the SFA have deferred any decisions on College growth funding requests. Eastleigh's requests for £150k re 16-18 Apprenticeships and £1m re Traineeships are therefore 'on hold' until 8th July 2015.

Mr Jarvis reported that there is a little headroom in the College's adult apprenticeship funding and the College has made a request to the SFA to transfer £250k from apprenticeships to traineeships. A decision on this request is expected shortly.

ii Safeguarding updates

Dr Edrich explained that there was nothing unusual about the report, however Governors now received improved reporting because of the input of the new Support Learning Manager.

The Prevent Duty risk assessment has now been carried out with the College's local Prevent Officer.

Governors received training on the Prevent Duty on the 29 April 2015.

Governors noted the, financial aspects and safeguarding updates in the Governors' Monthly Report April 2015.

F.10.15 TO RECEIVE

i Property Strategy progress report

See confidential addendum

Governors received the Property Strategy progress report.

F.11.15 TO REVIEW

i Revenue & Capital budget 2015/16 and five year financial forecast

Mr Jarvis advised Governors that the starting position is a historic cost surplus forecast in 2014/15 of £356k. The forecast outturn cash position for July 2015 is £2.7m.

Mr Jarvis advised that the 2015/16 budget is based on actual funding allocations from the EFA and SFA, however the College does not have funding contracts and in year cuts are therefore possible.

Mr Jarvis reported that this year's tuition fee forecast outturn is £1.85m, which is £190k above the budget for the year and the Financial Plan allows for increase in tuition fee income of 2% year on year. He further commented that the performance of the Gas Assessment Centre had been particularly impressive and further growth might be achievable as the Centre expands into training and assessment on commercial installations in 2015/16.

Mr Jarvis stated that staff costs were significantly reduced in summer 2014 by the increase in teaching staff minimum contact hours from 800 to 850 for 2014/15 and by the implementation of a restructure, to significantly reduce support staff numbers. This has now been delivered and the measures are making a substantial efficiency impact on staff costs.

Variable other operating costs had been reduced by 5% for 2015/16 where possible, the overall impact being about 2%.

Mr Jarvis made Governors aware that the SFA had confirmed that the College's actual financial outturn for 2013/14 puts the College in the SFA's Financial Health category 'Satisfactory'. He went onto say that the probable outturn for 2014/15 if it is delivered will fall just within the 'Good' category.

Mr Jarvis outlined the headline numbers and the assumptions in the 2015/16 Budget together with details of capital expenditure. He reiterated that although there is no final approval for phase 2 of the major redevelopment, the whole LEP capitol project is in capital expenditure forecast included in the Plan.

Mr Jarvis made Governors aware of the headline numbers from the appended 2015/16 draft Budget. A turnover of £17.218m and a deficit for the year of £374k, after a £700k impairment charge required in anticipation of the sale of part of the Desborough site.

Mr Quigley asked the Finance Director to attach an explanatory note regarding the impairment charge to the Budget when it goes to the full Board for approval.

ACTION: RJ

Mr Jarvis also highlighted the Staff costs as a % of income, stating that it is now 66%. He was hoping to make more progress on this percentage and revealed that the sector average is between 62% and 63%. However this sector average will probably increase as a result of significant pension and NI cost increases.

Mr Jarvis moved on to the Assumptions, highlighting some key areas. EFA Core Learner Numbers 16-18 will reduce from 1391 in 2015/16 to an anticipated 1325 in 2016/17. This will have an impact in terms of a funding reduction.

He drew Governors' attention to where there is growth included; 16-18 apprenticeships and adult apprenticeships and where there is a movement away from partnership delivery towards internal delivery. Mr Jarvis made Governors aware that he had included a £250k under delivery provision for 2015/16, against the Adult SFA skills budget.

Mr Jarvis highlighted pay cost assumptions which will effect the budget including pay awards, teachers' pension scheme employer contributions and increased employer's NI contributions.

Mr Jarvis said that he had attempted to highlight the significant entries on the Income and Expenditure Account, in relation to the redevelopment project and how it will effect the budget.

Mr Jarvis said that in terms of borrowing costs he had used an assumption that the LIBOR lending rate, on which the College's variable rate loans are based, will average 1.0% during the period of the plan.

Mr Jarvis drew Governors' attention to the Income and Expenditure Account and noted that the underlying surplus deficit for 2015/16 was £327k. He again highlighted the £700k impairment charge in the 2015/16 column. The headline deficit will be £374k.

In terms of Cash Flow, Mr Jarvis reported a net cash inflow in 2015/16 of £600k, this he said would improve the balance sheet net current assets/liabilities positions.

Mr Jarvis reported that the College's SFA Financial Health Category should return to 'Good', if the 2014/15 probable is in line with the College's expectations.

Mr Jarvis drew Governors' attention to what he considered to be the biggest risk, a reduction in 2015/16 allocations as a result of the cuts to BIS and DOE Budgets after the Chancellor's Budget speech on 8 July 2015.

He also made mention of the failure of the Assessment Centre to meet its growth targets and consequent failure to achieve forecast funding. Mr Jarvis said that he had made a provision of £250k in 2015/16, with £100k in subsequent years against under delivery.

Mr Jarvis highlighted other risks; the under-delivery against partnership target and the claw back of Adult Skills funding resulting from a significant claim error.

Mr Johnson commented that he felt that the budget and the five-year financial forecast held together very well, with robust and clearly structured strategies and plans to move forward to a healthier SFA category.

Mr Quigley strongly supported this statement and identified the decision by the Chief Executive and the SMT in 2014, to increase teacher's hours and reduce support staff numbers as significant factors in improving the financial health of the College.

Governors recommended the Revenue and Capital Budget 2015/16 and five-year financial forecast for approval by the Board.

ii Annual pay review

The Committee agreed that Dr Edrich, Mr Jarvis, Dr Davis having previously declared an interest in the annual pay review, should remain for discussion of the item.

See confidential addendum.

Governors considered and recommended the proposal to the Board for approval.

F.12.14 TO APPROVE

i Health & Safety Policy

There were no amendments to the Health & Safety Policy.

Governors approved the Health & Safety Policy.

ii Redundancy Procedure for Senior Post-holders

Dr Edrich informed Governors that the title of the Chief Executive and Principal was now annotated correctly within the procedure.

Mr Johnson made an observation saying that he felt that redundancy and dismissal were two separate issues and the procedure needed to clarify this under separate headings, whilst remaining within the same document.

It was agreed that this procedure would be reviewed and brought back to the next F&GP meeting.

ACTION: RJ/ChD

iii Admissions Policy

Dr Edrich made Governors aware that there were three amendments made; to include where necessary English and maths, the change of title to Disclosure & Barring Service and finally the statement "if changes are made", to negate the Policy repeatedly being reviewed by the F&GP Committee on a bi-annual basis.

Mr Quigley asked that should a Policy come to Committee because of an amendment or change, it needed to be identified with the date of the previous amendment/change.

Governors approved the Admissions Policy.

ACTION:CHI

iv Dignity at Work Policy

Dr Edrich reported that the Policy had been amended and broadened to be more inclusive.

Governors approved the Dignity at Work Policy.

v Value for Money Policy

Mr Jarvis said that the Policy had been amended and updated to incorporate key steps that are taken in practice to ensure the efficiency of the organisation.

Governors approved the Value for Money Policy.

vi Partnership working – approval of increased or new contracts

Mr Jarvis stated that there were no changes to the 2014/15 contract values, however there will be a revision in next month's Governors' report.

Governors endorsed the contract values..

vii Proposed sub-contracting arrangements 2015/16

Mr Jarvis drew Governors' attention to the table of proposed partner contract values for 2015/16. This will be an evolving process as both carry in values and funding values change.

Governors noted Proposed sub-contracting arrangements 2015/16.

viii SFA Financial Health Assessment

Mr Jarvis stated that the SFA had sent a letter confirming the College's financial statements and health position for 2013/14.

Mr Jarvis then explained the College's position as depicted in the various graphs supplied by the SFA, including the cash based operating profit, current ratio, borrowing as a % of income and the income breakdown.

Governors noted the SFA Financial Health Assessment for Full Board approval.

ACTION: ChD

F.13.15 DATE OF NEXT MEETING

Wednesday 18 November 2015 commencing at 1700 hrs

Review of operation of committee

Governors' Monthly Report – financial aspects, safeguarding

Review financial statements for 2014-15 (for approval by the Board)

Review college banking and insurance arrangements

Review final capital spend

Partnership working – approval of increased or new contracts

Partnership Working Strategy

The meeting closed at 1820 hrs.