

**SOUTH EASTERN REGIONAL COLLEGE**  
**Governing Body – Finance and General Purposes Committee**

Minutes of the meeting of the Governing Body Finance and General Purposes Committee held on 20th June 2016, at 6.00 p.m. in The SPACE Campus.

<b>1.</b>	<p><b>Attendance and Apologies:</b></p> <p>Present: Mrs B. Larkin, Ms C. Goodwin, Mr J. Mackell, Mr J. Taylor, Mr A. Corbett, Mr E. Jackson, Mr K. Webb, Mr D. Sagar</p> <p>In attendance: Mr T. Martin (Chief Finance Officer), Miss C. McDermott (Secretary to Governing Body)</p> <p>Apologies: None</p> <p>In the Chair: Mr E. Jackson</p> <p>The Chair welcomed members to the meeting and thanked Mrs Larkin for Chairing the previous Finance &amp; General purposes meetings on his behalf.</p>
<b>2.</b>	<p><b>Conflicts of Interest:</b></p> <p>The Chair asked if any members wished to declare an interest in respect of any item on the agenda. There were no declarations of conflicts of interest.</p>
<b>3.</b>	<p><b>Minutes of the meeting held on 11<sup>th</sup> April 2016:</b></p> <p>The Chair asked members if they wanted the Financial Framework Analysis to be presented to the Governing Body as an alternative to the full management accounts pack. Members agreed.</p> <p>Members discussed the availability of the SERC Learning Engine for Governors and the Principal said that Governors review these Policies before they are uploaded to Learning Engine. Mrs Larkin said she would report back on the specific documents that she would suggest are added to the Learning Engine.</p> <p>Ms Goodwin proposed the adoption of the minutes as a true record and Mr Mackell seconded.</p>
<b>4.</b>	<p><b>Matters arising:</b></p> <p><u>Financial Governance Policy</u></p> <p>The Chief Finance Officer reminded members of the previous discussions on the new Management Statement and Financial Memorandum (MS / FM) between DEL and the FE Colleges and the impact on the Policies and SOPs. He added the Financial Governance Policy that was presented at the last meeting required one minor procedural update, as previously debts below £1000 had to be brought to F &amp; GP Committee and now only debts over £1000 will be brought to F &amp; GP Committee for approval.</p>
<b>5.</b>	<p><b>Correspondence:</b></p> <p>There were no items to be taken that are not considered elsewhere on the agenda.</p>
<b>6.</b>	<p><b>Chairman's Business:</b></p> <p>There were no items to be taken.</p>

## 7. Budget 2016/2017

The Chair informed members that he examined the Budget 16/17 with the Chief Finance Officer at great details and highlighted the importance of this item on the agenda.

The Chief Finance Officer provided members with a verbal update on the Budget for 2016/17. He highlighted the following pertinent points:

- The Budget shows a historic cost break-even result which builds on the similarly successful financial results achieved by the College in six of its last seven financial years. He highlighted that that this is a "baseline" budget, i.e. it is based on the best information available at this time and once approved by the F & GP Committee and Governing Body, it will be submitted to the FE Governance team at the Department for the Economy (DfE).
- In recent years FE Governance have extended the deadline for submission of the final budget and three year financial forecasts to September. This has enabled Colleges to provide a budget and forecasts which reflect any changes to funding allocations and the impact of VES as well as September enrolments.
- This year FE Governance have asked that a baseline budget and related forecasts are submitted by 29th July. Colleges will then have an opportunity to submit a reviewed and revalidated budget and related forecasts by 30th September to capture any changes. It will be this revalidated "final" budget that will be "frozen" and will form the static yardstick or benchmark to measure SERC's financial performance during the 2016/17 year.
- As in previous years, the financial plan and anticipated outcome for the year will be updated via SERC's monthly IMPMS monitoring and reforecasting process. Such reforecasting will be based on actual performance during the year and knowledge of any new material events or changes to the validity of assumptions. The financial projections included at Appendix 1 summarise the "baseline" budget for the College's 2016/17 financial year in "Historic Cost" format (i.e. the format required for publication of SERC's Annual Report and Financial Statements).
- This budget is also presented in Appendix 2 along with the high level forecasts for the 2017/18 and 2018/19 College financial years. This three-year projection will form the basis of the College Development Plan (CDP) financial submission to DfE's FE Governance team in July.

The Chief Finance Officer discussed the three separate categories in detail:

### 1. Grant-in-aid & Other Income

The Chief Finance Officer discussed the line-by-line variance analysis highlighting income changes from the 2015/16 forecast to the 2016/17 baseline budget as in table provided below:

	£'000
FLU Funding	52
ASF funding	(133)
Employer Engagement	200
Youth Training Pilots	1,271
NIFE VES	(133)
Working Capital/PPP Cash flow Investment	(1,000)
Other DfE ring-fenced funding	(486)
School Links	100

Training for Success	(535)
Steps & Into Work Contracts	(69)
Fees	(66)
Grant Income	78
Other Income	(49)
	(770)

The Chief Finance Officer noted:

- Income as a whole will decrease by approximately £770k, however, this headline figure can be misleading as it includes the recognition in 2015/16 of the additional working capital investment of £1m; and recognition of NIFE VES funding of £133k. The more meaningful interpretation is to consider operational income as having increased by approximately £363k overall.
- The most significant element of this increase relates to the second year extension of the Youth Training Pilots, which are expected to increase in income terms by some £1.27m. Even after consideration is taken of the £535k displacement in the Training for Success, the net expected increase in income is approximately £736k.
- A c. £486k reduction in ad hoc ring-fenced funding from DfE and an increased Employer Engagement programme expected to generate an additional £200k.

The Chair asked about ring-fenced funding which covered uncontrollable staff cost increases and the Chief Finance Officer said it was very unlikely to happen to the College this year.

The Chair asked for further information of Youth Training Pilots and their level of certainty. The Chief Finance Officer said the framework around the structure of the Pilots have developed more and more this year and in his opinion carry a lot less risk than this time last year. He added that they are moving out of Change Fund (a ring-fenced NI Executive fund resigned to support Public Sector Efficiencies) and moved into Core funding.

Mrs Larkin asked if the College is engaging with additional employers. The Chief Finance Officer said they are and they are increasing primarily because the definition of the work we do with employers has been broadened.

The Chief Finance Officer noted that the College FLU is set for next year and the volume delivered will have no impact on funding as long as we meet our set target. He added that the College should focus on the variable areas which will depend on the volume we deliver include Traineeship Pilots and HLA's, as they are funded on a variable basis

Mr Sagar agreed with comments already made and then enquired if there was any possibility that the College could increase Tuition Fees and Charges. The Chief Finance Officer said that the College are sitting at their maximum level in terms of FT HE student numbers and the College have already increased to the maximum allowed and have also hit our MaSN cap. He added that they are trying to increase PT HE and have extended the number of Concessions that can be offered to students in order to increase numbers. The Chief Finance Officer said that in relation to FE fees The College has to remain competitive.

Mr Corbett enquired if there would be any clawback from the Traineeships or HLA's. The Chief Finance Officer said there is no clawback from these. He added that if you achieve all your milestones you receive the funding.

## 2. Staff Costs

The Chief Finance Officer highlighted that Staff costs will increase by approximately £762k in 2016/17 when compared to 2015/16 and discussed the various elements contributing to it as in table below:

	£'000
<b>2015/16 Full Year Forecast Staff Cost</b>	<b>25,082</b>
Inescapable pay bill pressures (£280k pay award; £163k increments, Deane & threshold; £299k pro rata increase from part to full year of end of National Insurance Rebate)	744
GB remuneration – pro-rata increase from part to full year	35
Additional academic staff costs – delivery of extended Youth Training pilots	188
Additional support staff costs – delivery of increased Employer Engagement programme	40
2016/17 VES net savings	(245)
<b>2016/17 Budgeted Staff Costs</b>	<b><u>25,844</u></b>

The Chief Finance Officer noted:

- The bulk of the staff cost increase is outside the control of the College and is driven by contractual entitlements such as time-served increments and government regulation such as the end of the National Insurance rebate
- Other significant factors include the additional manpower required to deliver the expanded Youth Training Pilots (albeit offset partially by the displacement from Training for Success) and the additional resources required to deliver the expanded Employer Engagement Programme. Note that since both elements are income generating, they deliver a bottom-line benefit to the College
- Finally, it should be noted that the baseline budget includes an estimation of net savings to be delivered under the 2016/17 VES.

Ms Goodwin asked as to why the College are using the 15/16 staff costs for comparison when surely some of this cost would have included staff who left during the year under VES. The Chief Finance Officer said he doesn't believe it to be a substantial amount as most of the staff who left under VES during 15/16, their costs were included in the 14/15 financial statements.

Mr Sagar enquired if the FTE numbers are any different. The Chief Finance Officer said at the start of 14/15, our FTE's were 743 and at the end of May 2016 our FTE's were 602.9 net.

Mr Mackell enquired as to why the forecasted cost for Directors and Chief Officers was £396k in 15/16 and is now budgeted to go up to £533k in 2016/17. The Chief Finance Officer said that the big variation would be caused by two Directors exiting but three members of staff being reclassified as Chief Officers.

Ms Goodwin enquired about the forecasted increase in classroom assistants and Training Support. The Chief Finance Officer explained this is due to the increase in HLA's and Apprenticeships.

The Chair asked what staff are included within miscellaneous. The Chief Finance Officer said it included HR, finance, customer services, learning resource staff, careers staff and would be happy to provide a more detailed break-down.

### 3. Other Resource Expenditure

The Chief Finance Officer highlighted that the "Other Resource Expenditure" is expected to reduce by £442k. He added that this is made up of a £120k fall in that element of the PFI Contract Costs that are being recognised via the Income & Expenditure statement; and also a £322k decrease in non-staff costs. He further added that £278k of the £322k decrease is due to a reduction in trainee expenses.

The Chief Finance summarised the main elements to note in the reduced non-staff costs include:

	£'000	
A reduction in trainee expenses	278	
An increase in project expenses (matched by increased grants)	(134)	
An increased investment in staff development	(50)	
An increase in various administration and other costs (including travel, printing, insurance etc.)	(80)	
A provision for potential cost of introduction of Apprenticeship Levy	(50)	
A reduction in premises costs	54	
A reduction in purchase of non-capital equipment	304	322

The Chair enquired as to why purchases of non-capital equipment was expected to reduce by £344k in the 16/17 year. The Chief Finance Officer replied that in 15/16 the College decided that it had to replace a lot of this equipment and had the funds to do so, but for 16/17 they were expecting to go back to replacing such equipment every 4 years rather than every 3 years.

Mr Mackell enquired about Professional Advisory fees within Direct Support of £67,396k. The Chief Finance Officer said Professional Advisory fees would include things like HR legal support, recruitment and advertising fees. He also added that Professional Advisory fees would include Central Procurement fees and would confirm this with Mr Mackell.

Mr Mackell queried the expected increase in travel and subsistence. The Principal said this in relation to the substantial change in curriculum delivery e.g. Blended and Project Based Learning and the need for additional staff and further staff training to deliver the curriculum. The Chief Finance Officer added that the fewer staff we have, the more they are required to travel between campuses which increases travel expenses in the form of paid mileage.

Mr Mackell queried the sub-contractor expense within the Budget. The Chief Finance Officer said that this relates to the Projects and also Steps Contracts, when delivery of curriculum needs to be sub contracted out due to no staff with relevant skills e.g. forklift Driving. He added that its ring-fenced funding that can be claimed back from Non-DfE income.

Mr Mackell asked for clarity in relation to "Bought In Services & Contracts" of £34k. The Chief Finance Officer confirmed that this related to the College Cash handling service e.g. All the safes within the College.

Mr Mackell enquired about the Consultancy fee and the Chief Finance Officer informed members this was the fee for the restructure of the Senior Management Team.

Mr Sagar added he would recommend that the College would consider a further increase in staff training and also in advertising costs. Mr Sagar enquired about the hardship fund within the budget. The Chief Finance Officer said that the hardship fund doesn't flow through our expenditure account so there is no impact on the College Accounts.

Ms Goodwin enquired about the increase in "General Supplies and Services" and the Chief Finance officer agreed to come back to her on this query.

#### **Other Costs**

The Chief Finance Officer further noted in relation to "other" or "exceptional" costs are the increased recognition of pension liability under the requirements of the new reporting SORP FRS102; and the lack of a provision for the compensation costs under the 2016/17 VES. He added that this second item, when recognised, will be matched by exceptional income and will therefore have no bottom-line impact on SERC's financial performance.

The Chair enquired about the statement in the Budget Summary which states that the College still faces a number of uncertainties, including potential grant allocation adjustments. The Chief Finance Officer and the Principal confirmed that this was no longer relevant because the end of year flexibility had been confirmed in the June Monitoring round.

Mrs Larkin proposed the recommendation for approval of the Budget 2016/17 to the Governing Body and Ms Goodwin seconded.

#### **8. Management Accounts Period 9**

The Chief Finance Officer provided members with an update on the Period 9 Management Accounts.

The Chief Finance Officer said the College has recorded an historic cost surplus of £2,246k for the first 9 months of the year compared with a budgeted surplus of £1,397k, giving a positive variance of £849k for the period. Mr Martin then explained a number of specific points:

- Total Grant-in-aid & Income of £34,819k was £325k below budget due primarily to a lower level of Employer Support Programme; Training for Success; Steps to Success; and Commercial Income than originally budgeted for the first nine months.
- The variance in Employer Support Programme was due to a fundamental reduction in "approved" delivery in this area and has been reflected in the full year forecast. The variances in both Training for Success and Steps to Success are due to lower participant numbers than originally planned – this has been reflected in the full year forecast income (and expenditure) associated with these programmes. The variance in Commercial Income is the result of lower activity than originally planned – this has been reflected in a reduced full year forecast.
- Total Resource Expenditure was below budget by £1,359k or 4.2% due to a £945k underspend in staffing and a £414k underspend in operating expenses in the year to date. The underspend in staffing reflects the impact of the Northern Ireland Further Education Sector Voluntary Exit Scheme (NIFE VES) coupled with lower than budgeted activity, particularly in relation to Employer Engagement, Training for Success and Steps to Success.

The Chief Finance Officer said the forecasted outcome at this stage of the year is for a historic cost surplus of £996k, which is a significant improvement on the original break-even budget

	<p>and explained that it should be considered in two parts: the operational result and the "bottom-line" historic cost surplus or deficit.</p> <p>The Chief Finance Officer said in terms of operational outturn, the improved result is a small deficit of £4k and reflects:</p> <ul style="list-style-type: none"> <li>▪ Lower levels of Employer Engagement activity and income;</li> <li>▪ Lower Training for Success, Steps to Work and Steps to Success activity and income;</li> <li>▪ An increase in the income anticipated under the Traineeship and Higher Level Apprenticeship pilots;</li> <li>▪ A better-than-anticipated impact of the VES; and</li> <li>▪ A lower "Non-Current Asset Charge" than originally planned</li> <li>▪ An increase in invest-to-save and other estates maintenance; and</li> <li>▪ An increased investment in ICT hardware refreshes</li> </ul> <p>The Chief Finance Officer then explained that the expected bottom-line historic cost surplus result has improved by a further £1m as a direct result of an additional working-capital investment from DEL. The Chief Finance Officer added that these additional funds are designed to support working capital requirements and it is therefore imperative that they not be utilised during the year, i.e. the College must target a £1m historic cost surplus in order to fund its contractual cash-flow requirements.</p> <p>Members discussed some elements of the management accounts.</p> <p>The Chair enquired about the Grant-in-aid-Funding of £1.6m in Period 9, which is expected to rise to £3m by the end of the year. The Chief Finance Officer explained that such Income includes the Pilot Programmes that are weighted towards the last quarter of the financial year.</p> <p>The Chair asked the Chief Finance Officer as to why Commercial Income in only £152,190 for Period 9, but expected to increase to £441k by the end of the year. The Chief Finance Officer said that again this income was always weighted towards the final quarter of the year.</p> <p>The Chair thanked the Chief Finance Officer for his report on the Period 9 Management Accounts.</p>
<p><b>9.</b></p>	<p><b>Financial Framework Analysis</b></p> <p>The Chief Finance Officer discussed the report and the members of the Committee noted the contents of the report. Members confirmed that this report will be for information purposes for future Governing Body meetings.</p> <p>Mr Sagar asked the Chief Finance Officer to consider having a discussion in this Committee on balance sheet items.</p> <p>The members of the Committee noted the contents of the report.</p>
<p><b>10.</b></p>	<p><b>NDPB Budgeting and Forecasting Submission</b></p> <p>The Chief Finance Officer reported that the latest return was submitted on 1 June 2016 and reflected actual performance as per SERC's Period 9 2015/16 Management Accounts for the month of April 2016, forecast performance for May to July from Period 9 Management Accounts and forecast performance as per SERC's Period 9 Financial Framework Forecasts for the period August 2016 to March 2017</p> <p>The Chief Finance Officer highlighted the following:</p> <ul style="list-style-type: none"> <li>▪ The return includes a "budget" column which at this stage of the planning cycle is completed by DfE without any input from the College.</li> </ul>

- The return includes a "cash monitoring" element as the basis of DfE's new cash management proposals. This section remains a work-in-progress – DfE have not yet communicated any adjustments to funding under these cash management proposals.
- The different time horizon of this return because it is based on DEL's Financial Year. He went on to point out that the forecast showed the College living within its budget allocation over the DfE year.

The Chair enquired about the Higher Level Apprenticeships showing as zero expenditure within the forecast expenditure schedule. The Chief Finance Officer explained that the Department do not want actual funded pilots to be included.

The Chair asked about Cash going over the recommended target limit on Combined Reconciled Bank Balance. The Chief Finance Officer said the current cash forecast for end of year is 10.4% for the year and the College is within parameters.

The members of the Committee noted the contents of the report.

## **11. Capital Projects and Estates**

The Chief Finance Officer summarised the main contents of the report, being:

- a) The PPP life cycle and maintenance reconciliation process is nearing completion with the detailed summary almost ready for issue. This will identify all contractual amendments to date with the aim of reaching a cost neutral position.
- b) Recurrent Estates expenditure is progressing as agreed with the Finance Unit and the Estates budget is forecast to be on target at the financial year end. Additional available funds have allowed several invest-to-save projects to commence.
- c) Capital expenditure is progressing as agreed with both the Finance Unit and the Department (DfE).
- d) Excluding the SPACE, utilities consumption and costs are lower for both the period to date and for the month of April when compared to previous year. The inclusion of the SPACE shows consumption is slightly up for the period to date but costs are lower.
- e) Work on a variety of "utilisation" related work-streams continues within the College and across the sector.

Mrs Larkin asked about the £30k work scheme within the Traditional Estate in Castle House, Lisburn. The Principal said that they are working on a business case to retain Castle House and this will fall into the next financial year.


The Chief Finance Officer said that SERC has the highest average utilisation figures across the sector and the College has established a project team to further build on this and develop an on-going monitoring methodology. He added that data has been collated for the 2015/6 year and measured against DEL's traditional "Schedule of Accommodation" targets as a starting point for further investigation and the data has identified a number of priority areas which will form the basis for further work as part of 2016/17 delivery and timetabling. The Chief Finance Officer informed members that a review of operational hours of each campus has been completed and has allowed the College to rationalise its opening hours for 2016/17 and maximise efficient use of the full estate. He added they are hopeful that such evening closures will result in further cost savings.

Ms Goodwin asked the Chief Finance Officer if the timetabling of classes had been impacted by the evening closures. The Chief Finance Officer confirmed that the closures will not impact PT provision.



<b>12</b>	<p><b>DEL Health Check Issue 2</b></p> <p>Members noted the contents of the DEL Health Check Issue 2.</p>						
<b>13.</b>	<p><b>Policies for Approval</b></p> <p>13.1 Estates Policy and SOP Review</p> <p>The Chief Finance Officer said that responsibility for a number of College policies and SOPs have been reallocated as a result of the 2016 CMT restructure and therefore the following have been reviewed:</p> <table border="1" data-bbox="300 521 805 663"> <thead> <tr> <th data-bbox="300 521 805 568">Policy</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 568 805 616">Asset Management</td> </tr> <tr> <td data-bbox="300 616 805 663">Environmental</td> </tr> </tbody> </table> <table border="1" data-bbox="300 719 805 860"> <thead> <tr> <th data-bbox="300 719 805 766">Standard Operating Procedure</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 766 805 813">Third Party Arrangements</td> </tr> <tr> <td data-bbox="300 813 805 860">Asset Management</td> </tr> </tbody> </table> <p>He added that the Asset Management Policy was the only policy or SOP that required anything other than minor changes.</p> <p>13.2 Asset Management Policy</p> <p>The Chief Finance Officer highlighted that the only significant amendment to the Asset Management Policy is the removal of an appendix which included extracts from the Financial Memorandum between the Department for Employment and Learning and Further Education Institutions and due to the introduction of the new Management Statement and Financial Memorandum with the Department for Employment and Learning (MS / FM 2015), this is no longer relevant.</p> <p>The Chair proposed the recommendation for approval of the Asset Management Policy to the Governing Body and Mr Corbett seconded.</p>	Policy	Asset Management	Environmental	Standard Operating Procedure	Third Party Arrangements	Asset Management
Policy							
Asset Management							
Environmental							
Standard Operating Procedure							
Third Party Arrangements							
Asset Management							
<b>14.</b>	<p><b>Update on Applications and Enrolments</b></p> <p>The Principal presented the Update on Applications and Enrolments paper for members' consideration.</p> <p>Mr Taylor provided members with a student prospective on the application process and Mr Sagar suggested that Mr Taylor assisted staff with any ideas he may have for improving the application process.</p> <p>The members noted the contents of the report.</p>						
<b>15.</b>	<p><b>Debt Report</b></p> <p>Members noted the debt position as at 30 April 2016 (Period 9). The Chief Finance Officer noted the reduction in Debt compared to April 2015.</p> <p>Mr Sagar enquired if there is a measure of overdue debt. The Chief Finance Officer confirmed that this is the case.</p>						

	Ms Goodwin asked for confirmation that the Tuition Fee debt is higher this year due to the timing of the final payments due from the Student Loan Company (Due May 16) and the Chief Finance Officer confirmed.
<b>16.</b>	<b>Bank Report:</b> Members noted the bank position at 30 April 2016 (Period 9).
<b>17.</b>	<b>Procurement:</b> Nothing to Report
<b>18.</b>	<b>Bank of Ireland Mandate Update</b> The members noted that the Bank Mandate had to be amended due to changes in Staff.
<b>20.</b>	<b>Any other notified business</b>
<b>19.</b>	<b>Date of next meeting</b> The date of the next meeting will be 14 <sup>th</sup> September 2016 at 6pm in the Bangor Campus. The meeting ended at 8:17 p.m.

  
.....  
(Chairman)

14.09.2016  
.....  
(Date)

Attendees	Time Arrived	Time Left	Duration	Entitlement to Payment Y/N
Barbara Larkin	6:00pm	8:17pm	2:17	Y
Jack Taylor	6:10pm	8:17pm	2:07	Y
Christine Goodwin	6:00pm	8:17pm	2:17	Y
John Mackell	6:00pm	8:17pm	2:17	Y
Andrew Corbett	6:00pm	8:17pm	2:17	N
Deep Sagar	6:00pm	8:17pm	2:17	N/A
Ed Jackson	6:00pm	8:17pm	2:17	Y
Ken Webb	6:00pm	8:17pm	2:17	N

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Chairman of Governing Body